

Table 1. Ethiopia: Quantitative Benchmarks and Performance Criteria for the Second Annual Program Supported by the PRGF Arrangement, July 7, 2001-March 2003 1/
(In millions of birr, unless otherwise indicated)

	2001		2002									2003		
	July 7	July 7		September			December			March				
	Actual	Benchmark	Adjusted	Actual	Indicative	Perf. Crit.	Adjusted	Actual	Benchmark	Adjusted	Actual	Indicative	Adjusted	Actual
	(Stock)	Benchmark	Benchmark	Targets	2/	Perf. Crit.	3/	Benchmark	Targets	Target				
I. Quantitative benchmarks and performance criteria														
Floor on net foreign assets of the National Bank of Ethiopia 4/ 5/	1,619	1,159	731	2,532	1,230	-177	-166	536	551	700	1,860	551	508	2,018
Ceiling on net domestic assets of the National Bank of Ethiopia 6/ 7/	7,361	-334	94	-1,050	-371	163	151	-306	199	49	-1,301	446	489	31
Ceiling on net domestic financing of the general government (incl. privatization receipts) 7/ 8/ 9/	17,313	400	828	-87	-371	0	-11	-321	-280	-430	-1,281	400	443	-612
Ceiling on outstanding external payments arrears (in million of US\$) 10/	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ceiling on new nonconcessional external debt contracted or guaranteed by the public sector 11/	0	0	0	0	0	0	0	0	0	0	0	0	0	0
II. Indicative target														
Floor on net foreign liquid reserves of the National Bank of Ethiopia 4/ 5/	1,155	1,159	731	2,436	1,230	-177	-166	497	551	700	1,858	551	508	2,163
III. Triggers for adjustment of quantitative benchmark and performance criteria														
Disbursed nonproject external funding (in million of U.S. dollars) 12/	...	423	312	312	168	42	43	43	200	218	218	259	249	249

Source: Ethiopian authorities.

1/ For 2001/02, cumulative flows from July 8, 2001. For 2002/03, cumulative flows from July 8, 2002. Program exchange rate of 8.524 Birr/USD used.

2/ Established as performance criteria in the context of the third review.

3/ Established as benchmarks in the context of the third review.

4/ Adjusted upward for external assistance (nonproject, excluding enhanced HIPC interim assistance) that exceeds programmed amounts (paragraph 12 of the Technical Memorandum (TM) dated December 2001).

5/ Adjusted downward for 50 percent of any shortfall in programmed external assistance (nonproject, excluding enhanced HIPC interim assistance) up to a maximum of US\$50 million (done for December 2001 and March 2002; paragraph 15 of the TM dated December 2001).

6/ Adjusted downward for external assistance (nonproject, excluding enhanced HIPC interim assistance) that exceeds programmed amounts (paragraph 13 of the TM dated December 2001).

7/ Adjusted upward for 50 percent of any shortfall in programmed external assistance (nonproject, excluding enhanced HIPC interim assistance) up to a maximum of US\$50 million (done for December 2001 and March 2002; paragraph 15 of the TM dated December 2001).

8/ Adjusted downward for external assistance (nonproject, excluding enhanced HIPC interim assistance) that exceeds programmed amounts (paragraph 14 of the TM dated December 2001).

9/ Stock at July 7, 2001 reflects domestic government borrowing, but excludes privatization receipts.

10/ There shall be a continuous performance criterion on the nonaccumulation of new external arrears.

11/ This limit applies not only to debt as defined in Point No. 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt, adopted by the IMF on August 24, 2000, but also to commitments contracted or guaranteed for which the value has not been received. Excluded from this limit are short-term import credits and long-term financing operations of Ethiopian Airlines.

12/ Excluding fertilizer projects.

Table 2. Ethiopia: Structural Benchmarks and Performance Criteria Under the Second Annual Program Supported by the Three-Year PRGF Arrangement

Structural Benchmarks and Performance Criteria	Timing
Adopt regulation for the provisioning by banks for nonperforming loans and other doubtful assets in line with international best practices, taking into account Basel Committee guidelines for troubled debt restructuring and credit risk.	March 31, 2002 (Done) 1/ (structural benchmark)
Submit to the NBE's Board an unqualified audit of NBE's financial statements carried out by the Audit Services Corporation for the year ended June 30, 2001.	March 31, 2002 (Done) (performance criterion)
Sign a performance contract with the CBE to ensure that the CBE is operated effectively on a commercial basis to achieve the necessary improvements in financial performance.	June 30, 2002 (Done) (structural benchmark)
Reduce nonperforming loans of the CBE by Birr 0.8 billion (from Birr 3.9 billion at end-December 2001), including through write-offs.	September 30, 2002 2/ (structural benchmark)
Consolidate federal and regional budgets for both the past year and the budget year--including all extrabudgetary funds and accounts.	September 30, 2002 3/ (structural benchmark)
Reconcile monetary and fiscal accounts.	December 31, 2002 (revised) 3/ 4/ (structural benchmark)
Introduce the value-added tax, as adopted by Parliament on July 4, 2002.	January 1, 2003 (Done) (performance criterion)
Complete the audit of the CBE by a reputable international audit firm.	January 31, 2003 5/ (structural benchmark)

1/ A first directive was adopted on March 30, 2002, but was revised on August 31, 2002 to bring it more fully in line with international best practice.

2/ NPLs of the CBE (excluding loans cofinanced with the Development Bank of Ethiopia) have been reduced to Birr 3.68 billion as of September 30, 2002, that is Birr 0.57 billion more than the benchmark, but down from Birr 5.01 billion on June 30, 2002. NPLs of the CBE rose considerably in the first half of 2002, following the arrest of a number of businessmen on charge of corruption. NPLs of the CBE as of December 2002 were Birr 3.45 billion.

3/ Progress in consolidating budgets, and reconciling monetary and fiscal accounts were delayed partly because of the on going decentralization process.

4/ Initial date was September 30, 2002. The authorities will request further technical assistance to complete the benchmarks.

5/ The award of the contract was delayed due to procedural problems related to contract award. The CBE audit was awarded to KPMG in mid-January 2003 and its work started in early February. The (draft) audit was completed in early May 2003.

Table 3. Ethiopia: Quantitative Benchmarks and Performance Criteria for the Third Annual Program Supported by the PRGF Arrangement, March, 2003-March, 2004 1/
(In millions of birr, unless otherwise indicated)

	2003				2004
	March Actual (Stock)	July 7 Estimate (Stock)	September Perf. Crit. 2/	December Benchmark 3/	March Indicative Targets 4/
I. Quantitative benchmarks and performance criteria					
Floor on net foreign assets of the National Bank of Ethiopia 5/ 6/	6,273	6,047	-136	-283	712
Ceiling on net domestic assets of the National Bank of Ethiopia 7/ 8/	6,342	6,961	319	370	-336
Ceiling on net domestic financing of the general government (incl. privatization receipts) 8/ 9/ 10/	16,777	17,813	269	460	-236
Ceiling on outstanding external payments arrears of the public sector (in million of US\$) 11/	0	0	0	0	0
Ceiling on new nonconcessional external debt contracted or guaranteed by the public sector 12/	0	0	0	0	0
II. Indicative target					
Floor on net foreign liquid reserves of the National Bank of Ethiopia 5/ 6/	5,838	5,467	-136	-283	712
III. Triggers for adjustment of quantitative benchmark and performance criteria					
Disbursed nonproject external funding (in million of U.S. dollars) 13/	249	313	37	74	261

Source: Ethiopian authorities.

1/ For 2003/04, cumulative flows from July 8, 2003. Program exchange rate of 8.5937 Birr/USD used.

2/ Established as performance criterion in the context of the fourth review.

3/ Established as a benchmark in the context of the fourth review.

4/ Established as an indicative target in the context of the fourth review.

5/ Adjusted upward for external assistance (nonproject, excluding enhanced HIPC interim assistance) that exceeds programmed amounts (paragraph 12 of the Technical Memorandum (TM) dated July 2003).

6/ Adjusted downward for 50 percent of any shortfall in programmed external assistance (nonproject, excluding enhanced HIPC interim assistance) up to a maximum of US\$50 million (paragraph 15 of the TM dated July 2003).

7/ Adjusted downward for external assistance (nonproject, excluding enhanced HIPC interim assistance) that exceeds programmed amounts (paragraph 13 of the TM dated July 2003).

8/ Adjusted upward for 50 percent of any shortfall in programmed external assistance (nonproject, excluding enhanced HIPC interim assistance) up to a maximum of US\$50 million (paragraph 15 of the TM dated July 2003).

9/ Adjusted downward for external assistance (nonproject, excluding enhanced HIPC interim assistance) that exceeds programmed amounts (paragraph 14 of the TM dated July 2003).

10/ Stocks at March 31, 2003 and July 7, 2003 reflect domestic government borrowing, but excludes privatization receipts.

11/ There shall be a continuous performance criterion on the nonaccumulation of new external arrears.

12/ This limit applies not only to debt as defined in Point No. 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt, adopted by the IMF on August 24, 2000,

but also to commitments contracted or guaranteed for which the value has not been received. Excluded from this limit are short-term import credits and long-term financing operations of Ethiopian Airlines.

13/ Excluding fertilizer projects.

Table 4. Ethiopia: Prior Actions and Structural Benchmarks and Performance Criteria Under the Third Annual Program Supported by the Three-Year PRGF Arrangement

Prior Actions, Structural Benchmarks, and Performance Criteria	Timing
Completing the audit of the CBE by a reputable international audit firm.	May 15, 2003 (Done) (prior action)
Hiring a reputable international management consultant to help the CBE operate effectively on a commercial basis and improve its financial performance.	May 30, 2003 (Done) (prior action)
Adoption by the Council of Ministers of a budget for fiscal year 2003/04 consistent with the fiscal framework presented in the letter of intent.	June 27, 2003 (Done) (prior action)
Finalization and adoption of a financial restructuring plan by the government for the CBE that includes (i) ensuring that CBE complies fully with the NBE provisioning directives by January 2004; (ii) a time bound plan for reducing NPLs to 20 percent of total loans; (iii) ensuring that the capital adequacy ratio will not fall below the minimum required ratio of 8 percent, and promptly recapitalizing the bank should the ratio fall below 8 percent; and (iv) not paying annual dividends until the capital adequacy ratio reaches at least 10 percent.	end-November, 2003 (performance criterion)
Consolidate federal and regional budgets for both the past year and the budget year--including all extrabudgetary funds and accounts.	end-November 2003 (performance criterion)
Reconcile monetary and fiscal accounts.	end-December 2003 (structural benchmark)
Finalization of a restructuring plan for the NBE, based on the recent KPMG study, and beginning of its implementation.	end-December, 2003 (structural benchmark)
Full provisioning by all commercial banks for nonperforming loans and other doubtful assets in line with the existing NBE directive.	end-January 2004 (structural benchmark)