INTERNATIONAL MONETARY FUND AND

INTERNATIONAL DEVELOPMENT ASSOCIATION

ETHIOPIA

Decision Point Document for the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative

Prepared by the Staffs of the IMF and IDA[1]

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[1]Approved by Anupam Basu and Mark Allen (IMF), and Callisto Madavo and Gobind Nankani (IDA).

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CURRENCY EQUIVALENTS

Currency unit	=	Birr	
US$1	=	Birr 8.524	(October 1, 2001)
SDR 1	=	US$1.286	(October 1, 2001)

ABBREVIATIONS AND ACRONYMS

ADLI	Agricultural development-led industrialization
AfDB	African Development Bank
AfDF	African Development Fund
ASYCUDA	Automated System for Customs Data
BADEA	Arab Bank for Economic Development in Africa
CAS	Country Assistance Strategy
CBE	Commercial Bank of Ethiopia
CIRR	Commercial interest reference rate
CPI	Consumer price index
CSRP	Civil Service Reform Program
DAG	Development Assistance Group
DSA	Debt sustainability analysis
EIB	European Investment Bank
EIP	Extension Intervention Program
EMSAP	Ethiopian Multi-Sectoral HIV/AIDS Project
ERSC	Economic Rehabilitation Support Credit
ESAF	Enhanced Structural Adjustment Facility
ESDP	Education Sector Development Program
EU	European Union
GDP	Gross domestic product
GNP	Gross national product
HIPC	Heavily Indebted Poor Countries
HIV/AIDS	Human immunodeficiency virus/acquired immunodeficiency syndrome
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
ISS	Interim Support Strategy
JSA	Joint staff assessment
MEFF	Macroeconomic and fiscal framework
NBE	National Bank of Ethiopia
NDA	Net domestic assets
NDF	Nordic Development Fund
NDP	National Development Program
NFA	Net foreign assets
NGO	Nongovernmental organization
NPV	Net present value
OPEC	Organization of Petroleum Exporting Countries
PER	Public expenditure review
PPA	Participatory Poverty Assessment
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty reduction strategy paper
SAC	Structural adjustment credit
SAF	Structural Adjustment Facility
SDR	Special Drawing Rights
SNNPS	Southern Nations, Nationalities and Peoples' State
VAT	Value-added tax
WMS	Welfare monitoring system

I. INTRODUCTION

1. This paper presents a decision point assessment of Ethiopia's eligibility for assistance under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative. In March 2001, the Executive Boards of the IMF and IDA indicated that Ethiopia was eligible for assistance under the enhanced HIPC Initiative in view of its status as a Poverty Reduction and Growth Facility (PRGF)-eligible and IDA-only country, its overall track record of reforms, and its unsustainable external debt burden, after taking into account the debt relief provided under traditional debt-relief mechanisms.[2]

2. In their discussion of the updated preliminary enhanced HIPC Initiative decision point document, Executive Directors noted that the decision point could be reached by September 2001, provided that Ethiopia had successfully completed the first review under the three-year PRGF arrangement and had made progress in elaborating a full poverty reduction strategy paper (PRSP) within the context of broad consultation. On August 1, 2001, the IMF Board completed successfully the first PRGF review. The authorities have also launched a wide consultative process for the elaboration of the full PRSP.

3. The remainder of this paper is structured as follows: Section II assesses Ethiopia's eligibility under the enhanced HIPC Initiative, including the poverty situation in Ethiopia and the country's macroeconomic and structural adjustment record. Section III discusses the medium-term policy framework. Section IV presents the debt sustainability analysis (DSA) and possible assistance under the enhanced HIPC Initiative. Section V describes the proposed floating completion point triggers. The paper concludes with the staffs' recommendations and issues for discussion by the Executive Directors.

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[2] In November 1998, the Executive Boards of the IMF and IDA first discussed the preliminary document for Ethiopia and agreed that Ethiopia was eligible for assistance under the original HIPC Initiative (EBS/98/173, Rev. 1, 10/29/98; and IDA/SecM98-549, Rev., 10/30/98). On March 22, 2001, the IMF Board approved a three-year arrangement under the Poverty Reduction and Growth Facility (PRGF) (EBS/01/6, 2/5/01, and EBS/01/13, 2/5/01). Concurrently, the Executive Boards of the IMF and IDA discussed the updated preliminary HIPC document (EBS/01/15, 2/8/01; and IDA/R2001-0022, 2/12/01) for Ethiopia under the enhanced HIPC Initiative. At the same time, both Boards endorsed the interim poverty reduction strategy paper (PRSP) prepared by the Ethiopian authorities (EBD/01/10, 1/30/01; and IDA/SecM2001-0072, 2/12/01) and a joint IMF-World Bank staff assessment of the interim PRSP (EBD/01/11, 1/30/01; and IDA/SecM2001-0072, 2/12/01).

II. Assessment of Eligibility

A. PRGF and IDA Status

4. Ethiopia is currently a PRGF-eligible and IDA-only country, with a per capita GDP of about US$100 in 2000/01 (July 8-July 7). Ethiopia ranks 171st (out of 174 countries) on the United Nations Development Program 2000 human development index. Projections indicate that, with sound macroeconomic policies, Ethiopia's per capita GDP would double in real terms by 2020. Consequently, Ethiopia is likely to remain a PRGF-eligible and IDA-only country in the medium term.

B. The Dimensions of Poverty

5. **Poverty** in Ethiopia is among the highest in the world. The reported per capita income of US$100 for 2000/01 is the second lowest in the world and one-fifth the sub-Saharan African per capita income average. Poverty indicators based on the 1995/96 Household Income, Consumption and Expenditure Survey,[3] and using nutritionally determined poverty lines, show that between one-fourth and two-thirds of Ethiopians can be considered poor (Table 1). These figures, however, do not fully reflect the extent of poverty in Ethiopia. With average consumption as low as US$100 per annum per person, the large majority of the population would be considered among the absolute poor in almost any other country. Furthermore, this extreme poverty is exacerbated by the high level of vulnerability and the large variance in levels of essential food consumption. Urban poverty is consistently lower than rural poverty, and 80 percent of the poor live in rural areas. Among the regions, rural poverty is highest in Tigray, followed by the Amhara and Southern Nations, Nationalities and Peoples' State (SNNPS) regions; moreover, within individual regions, there are subregions with particularly high poverty.

6. **Characteristics of the poor.** The poor in Ethiopia tend to live in large households with high dependency ratios and relatively young and uneducated household heads. Most poor households are in rural areas and depend almost exclusively on agriculture for their income, with a few assets in the form of livestock holdings. The poor in urban areas depend on casual labor and petty trade for a livelihood. The poor benefit more from spending on primary education than from secondary education or health. In line with evidence for sub-Saharan African countries, the poorest 40 percent of the population receives about 44 percent of total spending on primary education, 31 percent of spending on secondary education, and about 32 percent of spending on health. However, national averages hide large differences between regions, since sector spending decisions are determined independently by the regions, which enjoy substantial political autonomy in setting regional expenditure priorities.

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[3] The government is finalizing the analysis of the 1999/2000 Household Income, Consumption and Expenditure Survey.

Table 1. Ethiopia: Poverty Indicators, 1995/96 1/
(In percent)

	Head Count Index 2/			Poverty Gap 3/		
	Rural	Urban	All	Rural	Urban	All
Moderate poverty	66	49	64	22	16	21
Poverty	47	33	45	13	10	13
Extreme poverty	25	18	24	6	5	6

Sources: Household Income, Consumption and Expenditure Survey, 1995/96; and World Bank, 1999, "Ethiopia: Poverty and Policies for the New Millennium."

1/ Data pertain to the period July 8-July 7. Moderate poverty is defined as consumption of less than 2,750 calories per day, poverty as consumption of less than 2,200 calories per day, and extreme poverty as consumption of less than 1,650 calories per day.
2/ Defined as percentage of people living below the poverty line.
3/ Defined as the mean shortfall below the poverty line (counting nonpoor as having zero shortfall), expressed as a percentage of the poverty line.

7. **Changes in poverty over time.** Panel data for six rural communities show significant consumption increases and poverty reduction over the period 1989-1995; national accounts data confirm that the poor benefited from Ethiopia's strong economic performance in the 1990s, although consumption growth was lower than real GDP growth. The improvement in economic welfare among the rural population in the 1990s was also corroborated by a Participatory Poverty Assessment (PPA) conducted in 1997.

8. **Social indicators.** As indicated in Table 2, living standards and other social indicators are significantly lower in Ethiopia than the sub-Saharan African average, particularly the primary school enrollment ratio and the reported incidence of malnutrition, which are the worst in the world. Life expectancy in Ethiopia is 43 years, well below the sub-Saharan average. Many deaths occur at very young ages, and infant mortality rates exceed the regional average. These rates have been declining since the mid-1980s. Life expectancy has decreased in recent years, a development attributable to the HIV/AIDS pandemic. Stunting (low height for age) indicators in Ethiopia are higher than elsewhere in the region. Literacy rates are also very low in Ethiopia—only one-third of men and less than one-fifth of the women can read and write—with a large rural-urban gap. Furthermore, literacy rates have declined over the past decade. Recent improvements in enrollment rates, however, indicate that this trend may be reversed in the future.

Table 2. Ethiopia: Social Indicators

	Latest Single Year			Sub-Saharan Africa	Low-income Countries
	1970-75	1980-85	1993-98		
Population					
Total population, midyear (millions)	33.0	43.4	61.3	627.3	3,536.4
Growth rate (percent; annual average)	2.6	2.8	2.3	2.2	1.4
Urban population (percent of population)	9.5	11.7	16.7	33.3	30.5
Total fertility rate (births per woman)	5.8	7.0	6.4	5.4	3.1
Income					
GNP per capita (U.S. dollars)	...	120	100	510	520
Consumer price index (1995=100)	17	51	91	128	136
Food price index (1995=100)	...	52	93	...	...
Income/consumption distribution					
Gini index	...	...	40.0	...	...
Lowest quintile (percent of income or consumption)	...	8.6	7.1	...	...
Highest quintile (percent of income or consumption)	...	41.3	47.7	...	...
Public expenditure					
Health (percent of GDP)	...	...	1.7	1.5	1.3
Education (percent of GDP)	...	3.0	4.0	4.1	3.2
Social security and welfare (percent of GDP)	...	1.4	...	...	...
Net primary school enrollment rate (percent of age group)					
Total	...	29	35	...	86
Male	...	33	44	...	89
Female	...	25	27	...	82
Access to safe water (percent of population)					
Total	...	...	27	...	...
Urban	...	...	90	...	...
Rural	...	...	20	...	...
Immunization rate (percent under 12 months)					
Measles	...	12	52	58	80
DPT	...	6	63	53	82
Life expectancy at birth (years)					
Total	41	42	43	50	63
Male	39	40	42	49	62
Female	43	44	44	52	64
Mortality					
Infant (per thousand live births)	155	159	107	92	68
Under 5 (per thousand live births)	239	213	173	151	92
Adult (15-59)					
Male (per thousand population)	482	491	562	432	235
Female (per thousand population)	411	401	529	383	208

Source: World Bank, *World Development Indicators,* 2000.

9. **Gender dimension of poverty.** Gender inequalities are marked in Ethiopia—women carry a far heavier daily workload than men and are traditionally excluded from control of property. Although the revised constitution of 1995 guarantees gender equality and permits affirmative action, implementation of the National Policy for Women is hindered by varying degrees of commitment in different regions.

10. **The poor's perceptions of poverty.** The results from the 1997 PPA highlight the fact that income is not the only source of inequality—access to education and food security are also essential dimensions of well-being. The PPA also corroborates the gender gaps.

C. Macroeconomic and Structural Adjustment Record

11. In 1992, the government began to implement far-reaching economic reforms to revive the economy (Box 1). Under a Fund Structural Adjustment Facility (SAF) arrangement (1992/93–1994/95) and under an IDA structural adjustment credit (SAC), major steps were taken to liberalize the economy and place public finances on a sound footing. Following a devaluation of the Ethiopian birr in 1992, the foreign exchange market was liberalized, import tariffs cut, the tariff structure streamlined, and steps taken to privatize selected enterprises and to liberalize the financial sector. As a result, economic growth recovered and inflationary pressures abated, external and internal imbalances diminished significantly, and foreign exchange reserves were built up. Macroeconomic performance was sustained during the period 1995/96-1997/98 (as demonstrated by subdued inflation and small external current account deficits, including official grants—Table 3), notwithstanding slippages in the first year of the Enhanced Structural Adjustment Facility (ESAF) arrangement, approved in 1996, severe drought conditions,[4] and delays in reaching an understanding on a follow-up program. Overall progress in macroeconomic stabilization and donor support enabled the government to focus spending on much-needed infrastructure and social programs.

12. In 1998/99, structural reforms continued, particularly with regard to interest rates, exchange and trade liberalization, and privatization. However, Ethiopia's prudent financial policy stance began to erode under pressure from the border conflict with Eritrea. In 1999/2000, the economic situation deteriorated because of severe drought conditions, a sharp worsening in the country's terms of trade, and the prolonged conflict, which strained public finances, reduced donor support, and undermined investor confidence. In the second half of 2000, considerable progress was made toward restoring peaceful conditions between Ethiopia and Eritrea. On December 12, 2000, the two countries signed a peace agreement, and, to date, Ethiopia has demobilized 63,000 soldiers. On April 18, 2001, under the auspices of the United Nations, a 25-kilometer Temporary Security Zone was established between the two countries.

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[4] In 1997/98, real GDP growth was negative because of drought conditions.

Box 1. Major Structural Reforms, 1992/93-2000/01

Fiscal policy reforms include the following:

- establishment of an autonomous revenue authority, and implementation of income and capital gains tax reforms (1994/95) (July 8-July 7);
- introduction of the Automated System for Customs Data (ASYCUDA) (1997/98);
- public announcement of the intention to introduce a value-added tax (VAT) by January 2003 (November 2000);
- establishment of a tax reform task force to oversee tax administration reforms (March 2001), and of a fully operational large taxpayer unit (June 2001); and
- revision of the formula for federal block transfers to regions to increase the shares of poorer states (2000/01).

The following monetary and financial sector reforms have been implemented:

- authorization of domestic privately owned financial institutions, introduction of treasury bill auctions, and termination of sector-specific lending rates (1994/95);
- deregulation of treasury bill auction markets and reduction of minimum denomination of treasury bills offered for sale from Br 50,000 to Br 5,000 (1998);
- starting sterilization of commercial banks' excess liquidity through the sale by the National Bank of Ethiopia of government bonds (Br 3,000 million) and treasury bills (Br 300 million) (November 2000); and
- signing of a foreign management contract for the Commercial Bank of Ethiopia (CBE) (June 2001).

Exchange and payments policy reforms have been implemented as follows:

- exchange rate devaluation and introduction of a foreign exchange auction (1992/93);
- replacement of the retail foreign exchange auction by wholesale auction and establishment of basic regulatory framework for interbank markets (1998);
- elimination of export proceeds surrender requirement (1998); and
- removal of all restrictions on external current account transactions pertaining to business travel, education, and health (2001).

Trade policy reforms include the following:

- elimination of export taxes (except for coffee), import levies, and export subsidies (1993/94); and
- lowering of maximum import tariff rate to 40 percent and the number of tariff bands to seven (December 1998).

Private sector development has been assisted through the following reforms:

- liberalization of all retail prices (except petroleum), and of the distribution and transportation of commodities (1994);
- establishment of one-stop investment offices in Addis Ababa and some regions (1994);
- institution of requirement that public enterprises operate as commercial entities (1994);
- abolition of fertilizer subsidies and authorization of private trade in fertilizer (1997);
- elimination of limits on foreign investment in engineering, metallurgical, pharmaceutical, chemical, and fertilizer industries (1999);
- introduction of voucher-based duty exemption scheme (2001); and
- completion of privatization of 195 state-owned entities (2001).

Table 3. Ethiopia: Key Macroeconomic Indicators, 1992/93-2000/01 1/

	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01
	(Annual percentage change)								
Real GDP	12.0	1.6	6.2	10.6	5.2	-1.2	6.3	5.4	7.9
Consumer prices (period average)	10.0	1.2	13.4	0.9	-6.4	3.6	3.9	4.2	-7.2
	(In percent of GDP, unless otherwise specified)								
Total revenue, excluding grants, privatization receipts	12	13.9	17.4	18.4	18.2	18.1	17.8	18.2	19.3
Fiscal balance, excluding grants and special programs	-7.6	-11.1	-7.3	-8.5	-6.0	-7.2	-12.9	-14.8	-9.8
Fiscal balance, including grants and special programs	-5.9	-7.7	-3.9	-5.6	-2.4	-4.4	-9.2	-11.4	-4.8
External current account balance, excluding official grants	-6.9	-6.8	-4.1	-5.4	-6.5	-5.6	-11.2	-9.8	-11.1
External current account balance, including official grants	-2.3	-1.7	3.3	1.1	-3.0	-1.6	-7.9	-5.2	-4.9
Gross official reserves (in months of imports of goods and nonfactor services)	2.6	5.6	6.0	7.7	4.4	3.0	2.8	2.1	2.0

Sources: Ethiopian authorities; and Fund-Bank staff estimates.

1/ All data pertain to the period July 8-July 7.

13. With Ethiopia's emergence from the conflict with Eritrea, the government resumed its economic reform efforts and reconfirmed its commitment to poverty reduction within a framework of macroeconomic stability, as laid out in its interim PRSP. The medium-term economic strategy seeks to promote rapid, broad-based, and equitable growth by emphasizing rural development and improvement in physical and human capital, and addressing immediate post-conflict reconstruction, demobilization, and reintegration needs. The Ethiopian authorities have also demonstrated their renewed commitment to prudent macroeconomic policies and further progress with structural reforms by starting to implement a new economic program, supported by a three-year PRGF arrangement from the IMF, with a set of strong policy reforms in key areas. These include measures to revamp the tax system and revenue administration, to redirect spending from defense to social outlays, to improve management of monetary and exchange rate policies, to foster financial sector development, and to promote private sector-led growth.

14. Performance under the first annual economic program supported by the three-year PRGF arrangement was good. Real GDP growth in 2000/01 is estimated to have been about 7.9 percent, inflation turned negative, reflecting a bumper cereal crop and large inflows of food aid, and the external current account deficit (including official transfers) fell to 4.9 percent of GDP from 5.2 percent in 1999/2000. Coffee exports (which accounted for half of merchandise exports in 1999/2000) were lower than expected, as both volume and prices fell. With a slower-than-anticipated pace of project implementation, imports were also lower than expected.

15. All the quantitative performance criteria and benchmarks through March 2001 and the structural performance criteria and benchmarks through July 2001 were observed (Tables 6 and 7). With regard to the quantitative benchmarks for end-June 2001, the ceiling on new nonconcessional external debt contracted or guaranteed by the public sector, the continuous performance criterion on the nonaccumulation of new external arrears, and the ceiling on the domestic financing of the general government were met. However, the floor on the net foreign assets (NFA), and the ceiling on the net domestic assets (NDA) of the National Bank of Ethiopia were not observed because of a short technical delay in the transfer of foreign assistance funds at the end of the fiscal year. Calculations indicate that the NFA floor and the NDA ceiling would have been observed with large margins if these funds had been disbursed a few days earlier.

16. Fiscal performance in 2000/01 was satisfactory, as a small shortfall in revenue was more than offset by lower spending (Tables 8 and 9). Several tax measures were implemented, and the authorities followed a cautious expenditure management policy because of uncertainty regarding the disbursement of program aid.[5] The overall fiscal deficit (including grants and the emergency programs) was limited to 5.6 percent of GDP, much lower than the program target of 8.4 percent of GDP. Defense expenditures are estimated to have been 6.3 percent of GDP (lower than the programmed 7.3 percent of GDP), and poverty-targeted outlays (health, education, agriculture, and roads) are estimated at 10.9 percent of GDP (Box 2). Capital spending and the implementation of emergency programs (demobilization and reconstruction) was slower than expected, largely because of delays in the disbursement of external assistance. In the monetary and exchange areas, the authorities in 2000/01 started to sterilize excess liquidity, to take steps to adopt indirect monetary instruments, and to move toward market determination of interest and exchange rates. However, the banking system is still dominated by the CBE.

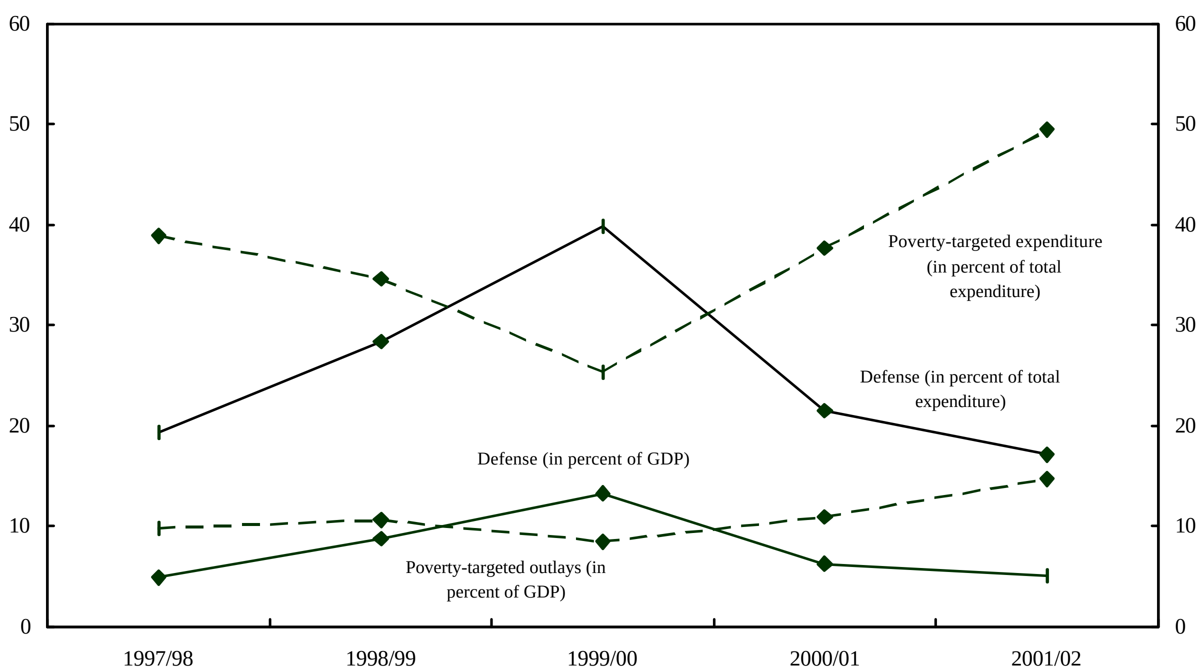
17. Since the signing of the peace agreement with Eritrea in December 2000, Ethiopia has also developed a plan supported under an IDA two-year Interim Support Strategy (ISS), to address the immediate human, infrastructure, and economic impact of the conflict, and to initiate long-term structural reforms in the areas of food security, HIV/AIDS, and capacity building for core services. IDA's ISS includes four operations: (a) the Emergency Demobilization and Reintegration Project (US$170.6 million over three years), financing the demobilization and return of veterans to their communities, economic reintegration assistance, medical rehabilitation for disabled veterans, and HIV/AIDS education; (b) the Emergency Recovery Program (US$230 million over three years), financing the demining of the border areas, resettlement packages for internally displaced persons and deportees, and the reconstruction of private housing and infrastructure; (c) the Fertilizer Supplemental

[5] Some donors had delayed aid disbursement until the establishment of the Temporary Security Zone in April 2001.

Box 2. Ethiopia: Defense and Poverty-Targeted Outlays, 1997/98-2001/02 1/

	1997/98	1998/99	1999/00	2000/01	2001/02 2/	
					Before HIPC	After HIPC
			(In millions of birr)			
Defense	2,190	4,233	6,842	3,307	3,000	3,000
Poverty-targeted expenditure	4,408	5,154	4,355	5,787	8,206	8,662
			(In percent of expenditure) 3/			
Defense	19.3	28.4	39.8	21.5	17.1	17.1
Poverty-targeted expenditure	38.9	34.6	25.3	37.6	46.9	49.5
			(In percent of GDP)			
Defense	4.9	8.7	13.2	6.3	5.1	5.1
Poverty-targeted expenditure	9.8	10.6	8.4	10.9	13.9	14.7

Defense and Poverty-Targeted Outlays, 1997/98-2001/02



Sources: Ethiopian authorities; and Fund-Bank staff estimates and projections.

1/ Fiscal year ending July 7. Poverty-targeted outlays include spending on health, education, agriculture and roads.
2/ Projections for 2001/02 reflect lower defense spending and increased poverty expenditure in the budget compared to the program (EBS/01/108, 7/5/2001).
3/ Excluding special programs (demobilization and reconstruction).

Credit (US$44 million), aimed at providing an adequate supply of fertilizers; and (d) the one-year Emergency Support Credit (later renamed the Economic Rehabilitation Support Credit (ERSC); US$150 million).

18. The ERSC aims at providing initial support for the government's effort to stabilize the economy and move back to a sustainable path of growth. The ERSC is directed at restoring key economic and social services and institutional capacity, while financing increased private sector imports associated with the removal of restrictions in the foreign exchange markets. It supports the government's program to improve macroeconomic performance and reallocate public spending to poverty-targeted sectors, and addresses the government's reform agenda in three areas: (a) public sector management; (b) public expenditure policy and management; and (c) private sector development and export competitiveness.

III. Medium-Term Outlook for Poverty Reduction

A. The PRSP Process

19. The interim PRSP is based on the government's National Development Program (NDP) for 2000-05, which was developed in consultation with the administrative units of all levels of government and discussed with private sector organizations and representatives covering the spectrum of political parties. The interim PRSP also reiterates the government's aim of achieving the International Development Goals by 2015. The strategy and objectives laid out in the interim PRSP, to be elaborated further in the full PRSP, were endorsed by the IDA and IMF Boards in March 2001.

20. The preparation of the full PRSP is now under way with the establishment of a high-level interministerial steering committee, which has shared its action plan with donors. Wide-ranging consultations are planned at the district level (in 115 out of 528 *woredas*, or districts), in all regions, and at the federal level. District-level consultations, based on a structured questionnaire, are expected to begin in early October, and will involve all stakeholders.

21. The full PRSP is to incorporate an analysis of poverty incidence and trends using the 1999/2000 Household Income, Consumption, and Expenditure survey, an in-depth analysis of growth and its links to poverty, a social impact analysis, and the elaboration of a full-fledged HIV/AIDS strategy. The strategy defined in the full PRSP will be centered on an agriculture development-led industrialization (ADLI) strategy and also include key areas of structural reforms, such as improving fiscal reporting for tracking poverty-related outlays, civil service reform, and capacity building.

22. To date, donors have been working closely with the government in supporting the PRSP process. The Development Assistance Group (DAG) has drafted an aide-mémoire that

comments on the interim PRSP process and provides feedback to the government. Donors are supporting the process through active participation in regular meetings, technical assistance, or financial contributions.

B. Macroeconomic Objectives

23. The macroeconomic framework is consistent with the interim PRSP. The three-year economic program for 2000/01-2002/03 (October-September), supported by the IMF's PRGF arrangement, seeks over that period to (a) increase annual economic growth from 5 percent to about 7 percent; (b) limit inflation to low single digits; and (c) raise the import reserve cover to about four months of imports of goods and nonfactor services (Table 5). The program focuses on four policy components: (a) the reorientation of budgetary resources from defense toward poverty alleviation outlays; (b) the implementation of tax reforms that lay the foundation for strong revenue performance; (c) improved monetary management and financial sector reform; and (d) capacity building and regulatory reforms to improve the delivery of government services and to promote private sector development.

24. Fiscal policy aims at reducing the deficit to sustainable levels while redirecting expenditure from defense outlays toward investment and current spending in key social sectors, such as agriculture, education, health, and road construction. The general government deficit (excluding the emergency post-conflict programs and including grants) is targeted to fall from 11.4 percent of GDP in 1999/2000 to 5.2 percent by 2002/03 (Tables 8 and 9). Spending on emergency programs totals 5.2 percent of GDP over three years. Military expenditure is to be cut from 13.2 percent of GDP in 1999/2000 to 5.1 percent by 2001/02. Consistent with this downsizing, poverty-targeted spending in key sectors is projected to expand rapidly from 8.4 percent of GDP in 1999/2000 to 13.9 percent (excluding the use of HIPC Initiative resources) over the same period.

C. Sectoral and Social Policies

25. **Rural and agricultural development**. Improving agricultural productivity is one of the key challenges for Ethiopia's development, with agriculture accounting for 45 percent of GDP and 85 percent of exports. Furthermore, 88 percent of the population lives in rural areas and is directly or indirectly dependent on agricultural performance for its consumption. By 1999/2000, only 13 percent of potentially cultivable land was used, less than 3 percent of the cultivated area was under irrigation, and 95 percent of farming was for subsistence.

26. The government has sought to raise agricultural productivity by focusing on improving price incentives, cultivation practices, and the distribution of fertilizer and seeds through a massive Extension Intervention Program (EIP). However, despite significant growth of grain output and overall agricultural production in recent years, crop and livestock productivity remain among the lowest in Africa, and less than 40 percent of total agricultural output and 30 percent of food grains are marketed. Substantial increases in agricultural productivity will require (a) the emergence of a private sector market for agricultural input

supplies, which had thus far been delayed by the dominant role which the regional government have come to play in the direct supply of inputs to farmers, and by the encouragement of party-owned enterprises to supply inputs; (b) the reduction of transaction costs by introducing grain grading and inspection, and by providing public information on grain prices; (c) the extension of the use of irrigation; and (d) improving the security of land tenure.

27. **Private sector development.** Since 1992, Ethiopia has taken a number of steps to promote the role of the private sector, including the privatization of 195 state-owned entities, including retail, restaurant, leather, textile, construction, mining, and agricultural industries (Box 1). High transaction costs resulting from substantial regulatory constraints are, however, still discouraging investment. The government is reviewing options to reduce regulatory barriers to business development, improve market competition, and promote nontraditional exports. Potential measures include the elimination of case-by-case screening of foreign investment in nonrestricted sectors, and of the minimum investment requirement for 100 percent export units, as well as the opening of the Ethiopian Telecommunications Corporation for private sector participation. Another critical constraint on both private sector development and agricultural productivity growth is the limited security of land tenure.

28. **Land reform.** Ethiopia's current land rights system derives from the 1994 constitution, which states that land is exclusively state property. The constitution further specifies that peasants can have user rights over the land. The administration of land and, thus, the specific rules and regulations governing land tenure lie with the regions that have the right to reallocate land. In recent years, lease papers have been issued to peasants in some regions that provide some land tenure security for a specified period. Lease papers cannot be sold or used as collateral. However, the sublease of land is allowed and is frequent, often involving smallholders who do not have enough labor or oxen to cultivate the land. Regions also provide leaseholding permits for urban land. In response to rules and regulations severely hampering financing of urban private sector development in most regions, the federal government is reviewing the current legislation to ensure that banks can take leases as collateral and are able to realize the full value of the collateral at any time. Furthermore, the government will encourage regions to establish and maintain registers of land available for investors, and develop industrial parks in partnership with private investors.

29. **Education**. While there have been impressive improvements in access to primary education in Ethiopia since 1995—enrollment levels in primary education actually doubled between 1995 and 1999—the education system in Ethiopia is characterized by inefficiency and low quality, with high dropout rates, poor cognitive performance at all levels, low and declining levels of teacher qualification, inadequate facilities, and scarce teaching materials. Weak capacity to implement education programs now poses the biggest obstacle to achieving goals in the education sector.

30. To improve the quality of education, in 1997/98 the authorities launched, in partnership with donors, a five-year Education Sector Development Program (ESDP). The

ESDP represents the first step toward achieving universal primary enrollment by 2015 by progressively increasing the gross enrollment rate. It aims at improving the quality of education, and promoting social equity by narrowing gender, regional, and urban-rural gaps in access.

31. **Health**. The health status of Ethiopians is particularly poor in comparison with the average for sub-Saharan Africa. While poor health is primarily a consequence of extreme poverty and low levels of nutrition and hygiene, the health system suffers from a low and inequitable coverage of basic health services, inadequate quality of services caused by lack of training and poor motivation of staff, and a lack of drugs. Furthermore, emphasis on urban-based curative services, rather than on rural-based care, preventive and public health programs, as well as the misallocation of resources in combating diseases, has resulted in the inefficient allocation of budgetary resources.

32. The Health Sector Development Program, developed in consultation with donors in 1996, seeks to substantially improve the quality of services by raising the efficiency of resource spending through emphasis on preventive and promotional aspects of health care, and a focus on communicable diseases, common nutritional disorders, environmental health and hygiene, reproductive health care, and the control of sexually transmitted diseases, particularly HIV/AIDS. Furthermore, coverage of modern health services will be expanded through the construction of 200 new health care units.

33. **HIV/AIDS.** Ethiopia has the third-largest number of people in the world with HIV/AIDS (after South Africa and India). With 10.6 percent of the Ethiopian adult population (3.2 million) now living with HIV/AIDS, the pandemic is the leading cause of death for those between 15 and 49 years of age. The 650,000 AIDS orphans in Ethiopia are estimated to be the largest number worldwide. Unless the pandemic is slowed, much of Ethiopia's economic development efforts may be undermined—estimates of the direct economic cost of HIV/AIDS are as high as 1 percent of real GDP growth per year.

34. The authorities developed a comprehensive national HIV/AIDS policy in 1998. A National AIDS Council was established under the chairmanship of the President in 2000 to administer the Ethiopian Multi-Sectoral HIV/AIDS Project (EMSAP), a three-year US$63.4 million project supported by IDA and other donors. In the one year since the project was approved by IDA's Executive Directors, HIV/AIDS Councils have been formed at the federal, regional, and district levels to promote, plan and report the implementation of activities to combat the disease through a multi-sectoral approach; about half of the targeted districts have started receiving funds to fight HIV/AIDS; and, for the first time the government is directly funding NGOs and other civil society organizations for HIV/AIDS-related activities on a matching grant basis.

D. Other Structural Policies

35. **Civil service reform**. Strengthening the civil service is a high priority for the government as it seeks to carry out the ambitious reconstruction and development strategy articulated in the interim PRSP. While the implementation of the Civil Service Reform Program (CSRP) launched in 1996 lagged in the last two years because of the effects of the war, poor coordination, and limited managerial capacity, its effective implementation has now been renewed. The CRSP focuses on (a) establishing the legal framework for a modern civil service; (b) improving service delivery; (c) creating an enabling environment for civil servants by improving pay and remuneration; and (d) enhancing the transparency of personnel management systems. Annual public expenditure reviews (PERs), conducted jointly by the government, IDA, the IMF, and other donors, have increasingly focused on the institutional constraints that hinder effective policy and program implementation at the federal and regional levels.

36. **Public expenditure policy and management**. The 2001 joint government-donor PER, anchored strongly in the PRSP, is analyzing and evaluating the public expenditure tracking system, focusing on regional budgetary institutions, systems, and procedures, which account for over 80 percent of poverty-reducing expenditures. In the policy matrix accompanying the ERSC, the government has undertaken reform measures, including the following: (a) presenting to the Council of Ministers the annual macroeconomic and fiscal framework (MEFF), which was previously a technocratic exercise; (b) adhering to the budget schedule to ensure that regional budgets better reflect peoples' priorities; (c) involving regions in public expenditure reforms; (d) increasing public expenditure management efficiency through the design and implementation of a Financial Information Management System; and (e) improving the timeliness of accounts preparation, reporting, and auditing.

IV. Debt Sustainability Analysis and Enhanced HIPC Initiative Assistance

37. The debt sustainability analysis (DSA) presented in this section is an update of the one presented in the preliminary enhanced HIPC Initiative decision point document prepared jointly by the IMF and IDA staffs and the Ethiopian authorities. The loan-by-loan reconciliation process has been completed with all multilateral creditors of Ethiopia as well as many bilateral and commercial creditors. While the final reconciliation with Paris Club creditors is ongoing as part of the finalization of the bilateral PC III agreements with the Ethiopian authorities,[6] staffs have used data based on a previous round of reconciliation completed by end-2000 between Paris Club creditors and the Ethiopian authorities. Overall, the debt either fully reconciled with creditor statements or projected from amounts reconciled

[6] Ethiopia reached agreement on a new rescheduling operation with the Paris Club on April 5, 2001.

a year earlier, amount to about 89 percent of the external debt outstanding as of July 7, 2001, which is the end of the 2000/01 Ethiopian fiscal year and the decision point base year for calculation of assistance to Ethiopia under the enhanced HIPC Initiative framework (Tables 12-23). Ethiopia is seeking confirmation of non-Paris Club bilateral creditors' participation in the HIPC Initiative with proportional burden-sharing. The baseline projections simulate the impact of a hypothetical stock-of-debt operation by Paris Club creditors on Naples terms at end-2000/01, as well as comparable treatment from all other bilateral and commercial creditors. The exchange rate and interest rates used for the calculation of the debt data are presented in Table 18.

A. Structure and Evolution of External Debt

38. Ethiopia's public and publicly guaranteed external debt is estimated to have reached US$5.6 billion in nominal terms at end-2000/01 (Table 12). In net present value (NPV) terms and after full application of traditional debt-relief mechanisms, total external debt amounted to about US$2.7 billion, equivalent to 42.6 percent of 2000/01 GDP and 284 percent of exports of goods and nonfactor services.

39. There is relatively little change in the overall structure of the debt from that presented in the preliminary HIPC Initiative document. However, due to a decline in global interest rates, the present value of debt relief required to meet the NPV debt-to-exports target has risen significantly (Box 3). Furthermore, the three-year average of export of goods and nonfactor services is slightly lower than was projected in the Preliminary Document, mainly because of lower coffee prices. Using the same discount rates, a NPV of debt-to-exports ratio very close to the one estimated in the preliminary HIPC document is obtained (Figure 6).

Box 3. Comparison Between the Preliminary Document and the Decision Point Document

(In millions of U.S. dollars, unless otherwise indicated)

	Preliminary Document 1/	Decision Point Document	Percent Change
Reference Date	End-June 2001	End-June 2001	
Nominal stock of external debt	5,731	5,614	-2.0
NPV of external debt			
Before traditional mechanisms	3,023	3,264	8.0
After traditional mechanisms	2,467	2,703	9.6
Three-year export average	960	952	-0.8
NPV of debt-to-exports ratio (percent)	257	284	10.5
Common reduction factor (percent)	41.6	47.2	13.4
NPV of HIPC Initiative debt relief	1,029	1,275	24.0

1/ EBS/01/15 (2/8/01); and IDA/R2001-0022 (2/12/01).

40. Multilateral creditors account for 60 percent of the overall NPV of debt after full use of traditional debt-relief mechanisms, with IDA, the African Development Bank (AfDB)/African Development Fund (AfDF), and the IMF accounting for 36 percent, 17 percent, and 3 percent of the total debt, respectively. Paris Club creditors represent 32 percent of the total, of which Russia accounts for over two-thirds (or 21.4 percent of the total outstanding debt), and non-Paris Club creditors represent 6.3 percent. Commercial debt accounts for 2.3 percent of the public and publicly guaranteed debt.

41. The rescheduling agreement with the Paris Club in April 2001 provides for a second flow rescheduling on Naples terms (PC III)[7] and covers the arrears as of February 2001 and maturities falling due between March 2001 and March 2004. The restructuring applies to nonpreviously rescheduled debt, as well as to debt resulting from the previous two consolidation agreements (PC I and PC II). Repayments of principal and interest (including late interest) due as a result of the previous restructuring on Naples terms (that is, PC II) are rescheduled in their entirety on a longer repayment period, resulting in a higher nominal value of debt as of July 7, 2001. Under PC III, Ethiopia also reached an agreement with Russia on the rescheduling of the arrears corresponding to the third tranche of PC II (which had been cancelled), inclusive of late interest payments.

42. Non-Paris Club bilateral and commercial creditors, accounting for 12 percent of the nominal debt as of July 7, 2001, are expected to provide comparable treatment—e.g., a stock of debt reduction under Naples terms on their eligible debt—that would reduce Ethiopia's liabilities by about US$230 million.

B. Long-Term Macroeconomic Outlook

43. The macroeconomic projections used in the DSA assume the continued implementation of sound macroeconomic policies, as outlined under the current PRGF-supported program. Large-scale external concessional funding is being made available to support reconstruction and reform efforts aimed at promoting growth and reducing poverty in line with Ethiopia's interim PRSP. Consistent with the authorities' prudent approach to debt management and sustainability, securing external grants remains a priority and only very concessional financing is being sought from multilateral and bilateral donors. Real GDP growth is projected to grow annually by 6.5 percent on average over the next 20 years. Export earnings are projected to increase as coffee prices recover from 2002/03 onward after five years of steady decline, thereby boosting export production, and as the continued volume growth of noncoffee exports contributes to a projected total export volume growth of 8 percent per year. Food and military imports are expected to decline, but overall annual total import volume growth is projected at about 5¼ percent, driven initially by the reconstruction

[7] The first flow rescheduling on Naples terms was signed in January 1997 (PC II). The first consolidation agreement on London terms was signed in December 1992 (PC I).

and rehabilitation programs, and then by a continued buildup of domestic production capacity and an expansion of the tradable goods sector. The key assumptions underlying the baseline scenario are presented in Box 4, and quantified in Table 10.

Box 4. Ethiopia: Main Assumptions in the Debt Sustainability Analysis (DSA)

The following macroeconomic assumptions are used for the 20-year baseline DSA projection:

- Real GDP growth is projected to average 6.5 percent a year during 2001/02-2020/21 and inflation 3 percent.
- After 4 years of annual declines averaging 11.8 percent, terms of trade changes are projected to turn positive in 2002/03, to show a modest increase through 2010/11, and to remain stable thereafter.
- Export volume growth is projected at 8 percent per annum as coffee exports recover in line with rising prices and noncoffee exports respond to the reutilization of spare capacity, the implementation of structural reforms, the improvement in infrastructure, and new investments.
- Import volume growth is projected to increase at a rate of 5¼ percent per annum.
- Gross domestic investment flows are projected to increase steadily from 17 percent of GDP in 2000/01 to 22 percent by 2015/16.
- Foreign direct investment is projected to rise from 0.8 percent of GDP in 2000/01 to 1 percent by 2010/11 and further to 1.4 percent by 2018/19.
- After 2002/03, project loan disbursements are assumed to remain relatively constant in nominal terms, although this will represent a decline as a proportion of GDP to 1 percent by 2018/19.
- The current account deficit, excluding grants, is forecast to fall from about 11 percent of GDP in 2000/01 to 5.3 percent in 2005/06 and further to 2.5 percent by 2018/19.
- Grants are assumed to represent 53 percent of total external financing from 2001/02 to 2010/11, before rising to 61 percent as concessional project and program loan disbursements decline following the initially large disbursements related in part to reconstruction and rehabilitation programs.
- From 2 months of following-year imports of goods and nonfactor services in 1999/2000, gross official reserves are forecast to increase to 5 months by 2009/10 and remain stable thereafter.

C. Debt Sustainability and Enhanced HIPC Initiative Assistance

44. On the basis of the macroeconomic assumptions outlined in Box 4, Ethiopia's external debt would remain unsustainable even after the application of traditional debt-relief mechanisms. The NPV of debt-to-exports ratio is estimated at 284 percent in 2000/01 and would remain above 150 percent until 2014/15 (Table 15).[8]

[8] Ethiopia does not qualify for enhanced HIPC Initiative assistance under the fiscal criterion because it does not meet the openness criterion: the level of exports of goods and nonfactor services (excluding reexports), at 15 percent of GDP, falls below the 30 percent threshold.

45. The total amount of HIPC Initiative assistance required to bring the ratio of the NPV of debt to exports to 150 percent would be US$1,275 million. The total nominal debt relief is estimated to amount to US$1,930 million. The assistance under the enhanced HIPC Initiative would entail a common reduction factor of 47.2 percent, based on the estimated NPV of debt outstanding on July 7, 2001. Based on proportional burden sharing, multilateral assistance would amount to US$763 million, while bilateral creditors would provide US$482 million and commercial lenders US$30 million. IDA's HIPC Initiative assistance would total US$463 million in NPV terms, equivalent to a total debt-service saving of US$857 million over the next 20 years. The AfDB and the IMF would contribute US$216 million and US$34.4 million in NPV terms, respectively.

46. Box 3 sets out the changes in the debt and export statistics between the updated preliminary document and the decision point. As a result of the reconciliation process, of smaller disbursements than originally expected, and of bilateral debt cancellation, the nominal stock of debt has been revised downward by about 2 percent, or US$117 million. In NPV terms, however, the external debt has increased by US$241 million, or 8 percent, as a result of the latest Paris Club flow rescheduling[9] and lower discount rates[10] than in the preliminary document (Figure 6). This upward adjustment in the NPV of debt, combined with lower exports (owing to a 19.2 percent drop in coffee prices) in 2000/01, has resulted in an increase in the NPV of debt-to-exports ratio from the projections of the preliminary document of 27 percentage points. The required NPV assistance to bring the debt-to-exports ratio down to the target of 150 percent has increased from US$1,029 million to US$1,275 million, thereby raising the common reduction factor from 41.6 percent to 47.2 percent.

D. Impact of Enhanced HIPC Initiative Assistance

47. **Status of creditor participation**. Based on the initial findings contained in the preliminary HIPC Initiative document, IDA and IMF staffs have initiated consultations with multilateral creditors and the Paris Club regarding their willingness to support debt relief to Ethiopia under the enhanced HIPC Initiative. Following the agreement on a PRGF-supported arrangement in March, the Paris Club granted Ethiopia a three-year Naples flow rescheduling in April 2001. It is assumed that the Paris Club will top up this agreement to Cologne flow rescheduling terms following attainment of the enhanced HIPC Initiative decision point. During the last meeting of multilateral creditors, organized by the World Bank on

[9] Maturities that originally would have been paid during the period March-June 2001 were rescheduled beyond the HIPC Initiative base year under PC III.

[10] From 7.2 percent to 6.2 percent for the U.S. dollar, and from 6.1 percent to 5.4 percent for the SDR.

October 10-11, 2001,[11] IDA, the IMF, and the African Development Bank (AfDB) indicated that they were prepared to provide interim assistance, while other participants indicated that their debt relief will be delivered at the completion point.

48. While the modalities and timing of the delivery of HIPC Initiative assistance will be decided by each creditor following the approval of the decision point, the following assumptions have been made in order to assess the impact of HIPC Initiative assistance:

- IDA will provide relief (US$463.2 million in NPV terms) by forgiving 64.1 percent of debt service due on credits outstanding and disbursed as of end-2000/01, during the interim period and following the completion point for a total period of 20 years (Table 19).[12]

- The estimated total amount of IMF assistance is US$34.4 million in NPV terms, which will be delivered over a period of eight years. The IMF is expected to deliver interim assistance (US$10.3 million, of which US$5.2 million will be made available at the decision point to cover repayments falling due from early November 2001 onward until end-October 2002), with the balance of assistance made available at the completion point. The drawdown of assistance is expected to follow a profile that smooths the debt service due to the Fund (Table 20).[13]

- AfDB will provide 80 percent debt-service reduction on AfDB and AfDF credits for about 12 years, starting during the interim period as illustrated in Table 21. Cumulative debt-service reduction could reach US$285.5 million.

- Other multilateral creditors are assumed to provide concessional refinancing starting at the completion point.

- Paris Club creditors are assumed to grant a flow rescheduling on Cologne terms (90 percent NPV reduction) during the interim period; the remaining amount of

[11] The Chairman's Summary of the Multilateral Creditors' Meeting, October 10- 11, 2001—The World Bank.

[12] As a result of IDA's payment schedule profile, repayments (before and after HIPC Initiative assistance) increase over time.

[13] As a result of the IMF's repayment schedule, repayments (after HIPC Initiative interim assistance) will amount to US$10.4 million (12.6 percent of total debt service due) in 2001/02, and to US$8.6 million (10.4 percent of total debt service due) in 2002/03. Funds provided as interim assistance will cover 38.5 percent and 39.6 percent of repayments in 2001/02 and 2002/03, respectively.

assistance by Paris Club creditors would be delivered through a stock-of-debt operation on Cologne terms on eligible debt[14] at the completion point.

- At least comparable treatment is assumed at the completion point for non-Paris Club bilateral creditors and commercial creditors.

49. Ethiopia's external debt burden would be reduced significantly with the delivery of assistance under the enhanced HIPC Initiative (Figure 5). On average, HIPC Initiative assistance reduces the NPV of debt by about 115 percent of exports during the period 2001/02-2010/11 and by about 39 percent of exports in the following decade. Nevertheless, even after HIPC Initiative assistance, the NPV of debt-to-exports ratio would rise from 150 percent in the base year (2000/01) to 174 percent as of end-2003/04, but it would fall back to under 150 percent after 2007/08 (Table 15). This "hump" in the profile of the NPV of debt-to-exports ratio reflects essential levels of new borrowing over 2001/02-2003/04 for postwar reconstruction and recovery programs, including important support from IDA.

50. Other debt indicators, in particular the debt-service ratio, would improve immediately and significantly. The debt service-to-exports ratio would decline from 16 percent to 10 percent in 2001/02 and further to 7 percent in 2002/03, and decline steadily to 3.7 percent by 2020/21. The enhanced HIPC relief will generate savings and reduce debt service payments due in the order of US$96 million per year on average during the projection period. Debt-service savings from multilateral lenders would amount to US$1.2 billion, delivering nearly US$68 million per year over the next 10 years, and US$56 million per year in the following decade. Debt service payable after enhanced HIPC relief (excluding the IMF) is expected to average US$94 million a year during the period 2001/02-2011/12, down from an estimated annual average of US$169 million paid during 1996/97-2000/0l. The NPV of debt-to-revenue ratio would remain below 112 percent after 2001/02, down from over 210 percent after traditional debt relief. Furthermore, the NPV of debt-to-GDP ratio would remain below 25 percent over the projection period (versus over 40 percent after traditional relief).

51. **Bilateral assistance beyond the HIPC Initiative.** Given the expected delivery of bilateral assistance above that required by equal burden sharing envisaged under the HIPC Initiative,[15] the NPV of debt-to-exports ratio, after rising to 150 percent in 2003/04, would fall again below that level starting in 2004/05, three years earlier than under delivery of HIPC Initiative assistance only (Table 15).

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[14] Pre-cutoff non-ODA debt.

[15] Committed by some Paris Club members on a bilateral basis as indicated in Table 23.

E. Sensitivity Analysis

52. The medium-term balance of payments projections for Ethiopia could be subject to substantial adverse shocks, in particular if real GDP, and export volume growth rates and price levels were significantly below current projection levels. To test the robustness of the conclusions on Ethiopia's long-term sustainability, three alternative scenarios were simulated, each of which would imply a delay in the attainment of the sustainable NPV of debt-to-exports level of several years, compared to the baseline assumptions (Figure 7). The first alternative scenario tests the sensitivity of the DSA results to a real GDP growth that is 1.5 percentage point a year lower from 2003/04 onward (together with lower export volume growth) than under the baseline scenario. Assuming that the resultant balance of payments gap is financed by additional concessional bilateral and multilateral borrowing, the NPV of debt-to-exports ratio would still fall below 150 percent by 2010/11 under this scenario (Table 14, alternative scenario I). To illustrate Ethiopia's vulnerability to adverse coffee prices, a second scenario was simulated in which international market prices were assumed to be 25 percent lower than in the baseline from 2003/04 onward. The ensuing decline in export earnings and increased current account deficit are assumed to be covered by additional concessional borrowing, and the projected NPV of debt-to-exports ratio again falls below 150 percent by 2010/11 (Table 14, alternative scenario II). The third scenario assesses the impact of a change in the proportion of grants in total external financing, with the level of grants assumed to decline by 20 percentage points (to an average of 40 percent from the 60 percent level in the baseline). Under these assumptions, the greater reliance on concessional bilateral and multilateral borrowing would mean that the NPV of debt-to-exports ratio will also remain above 150 percent until 2010/11 (Table 14, alternative scenario III).

V. The Floating Completion Point

A. Floating Completion Point Conditions

53. During the Board discussions on the preliminary HIPC Initiative decision point document, Executive Directors requested that the triggers be more specific, particularly with respect to the CBE, that more detailed triggers related to the social sectors be articulated, and that a trigger on agriculture policy be included. Consistent with the Executive Directors' recommendations, the triggers proposed in the preliminary decision point document have been strengthened and made more specific in the list presented in Box 5. In defining the specific completion point triggers, the authorities, in consultation with IMF and IDA staffs, have taken into account four criteria. First, the triggers have been streamlined, focusing on key actions that will be complemented or reinforced by reforms and policies included in the full PRSP, the PRGF-supported program, and in ongoing and future IDA operations. Second, the triggers seek tangible improvements, either in outcomes or intermediate indicators, for the areas identified as priorities. Third, the progress implied by the triggers is challenging but

feasible in a relatively short time frame, and triggers are largely within the government's control. Fourth, the triggers can be monitored in the context of the information that is already routinely collected by the government. The completion point will be reached once the triggers specified in Box 5 have been achieved. The debt relief will be provided unconditionally only once both the completion point triggers have been met and satisfactory assurances of creditors' participation under the enhanced HIPC Initiative for Ethiopia have been received.

54. The first two completion point triggers consist of the overall conditions for reaching the completion point. They constitute the framework against which overall progress will be evaluated, centered on the development of the **full PRSP** and its satisfactory implementation, as well as **macroeconomic stability,** as evidenced by a sustained track record of policy implementation under the PRGF-supported program. The proposed governance mechanisms in the budget area seek to address challenges arising from Ethiopia's decentralized fiscal system without reducing regional autonomy by improving the budgetary process and the reporting practices, both at the federal and regional levels. The trigger related to the introduction of the value-added tax (VAT) planned under the PRGF-supported program is the most important element of the government's tax reform strategy and is aimed at generating the necessary resources in the longer term for poverty-reducing spending.

55. In the **financial sector**, the triggers focus on critical actions outlined in the government's recent review of its medium-term financial sector reform strategy, based on the recommendations of a joint IMF/IDA technical assistance mission. A key stepping-stone for developing the financial sector and increasing its efficiency is the completion of the strategic and financial restructuring of the country's largest bank, the CBE. A management contract for CBE with a foreign bank was signed in June 2001 with a view to ensuring that CBE is operated effectively on a commercial basis to achieve the necessary improvements in financial performance. The contract is being considered by the boards of the two banks and is expected to enter into effect shortly. At the same time, the government is seeking to improve the competitiveness of the sector by ensuring its soundness through the adequate provisioning of nonperforming loans and by allowing private banks to enter into management contracts with foreign institutions.

56. The trigger in the area of **agriculture** aims at improving productivity by enhancing the competitiveness and efficiency of the fertilizer input market. The trigger seeks to reinforce the role of the private sector in the provision of fertilizer and enable the government to exit the Extension Intervention Program (EIP) after the demonstration phase, originally planned to last no more than two years.

57. With respect to **education**, the completion point triggers are geared toward improving outcomes in primary education by increasing both quality and access. The repetition rate at the primary level captures a range of quality measures, such as student-to-textbook ratios, teacher-student ratios, and median class size. The government is also committing to increasing access to school for girls at the primary level.

Box 5. Ethiopia: Triggers for Floating Completion Point

PRSP. A full PRSP will have been prepared and implemented satisfactorily for at least one year as evidenced by the joint staff assessment of the country's annual progress report.

Macroeconomic stability. Continued maintenance of macroeconomic stability as evidenced by satisfactory implementation of the PRGF-supported program.

Governance and public expenditure management. The authorities will have strengthened public expenditure management by (i) reconciling monetary and fiscal accounts starting in fiscal-year 2001/02; and (ii) as part of the budget exercise, consolidating federal and regional budgets for both the past year and the budget year—including all extrabudgetary funds and accounts—at the beginning of each fiscal year, starting in 2002/03.

Structural reforms and social sectors. In these areas, the authorities will have done the following:

a. introduced the value-added tax by January 2003;

b. completed the financial restructuring of the Commercial Bank of Ethiopia (CBE) and increased competitiveness of the financial sector through (i) allowing the management of CBE to operate on commercial principles (including autonomy of decision on staffing, on meeting performance targets set by CBE's Board, and on pursuing delinquent borrowers); (ii) provisioning for nonperforming loans and other doubtful assets in line with international standard practices[1]; and (iii) allowing private banks to enter into management contracts with foreign institutions;

c. agriculture: implemented satisfactorily an action plan agreed with IDA, that aims at improving fertilizer input market competitiveness and efficiency, and that includes monitorable indicators, with half-yearly assessment reports beginning in December 2002;

d. education: (i) reduced the repetition rate at the primary level from 9 percent in 1999/00 to 7 percent; and (ii) increased the gross enrollment rate of girls in primary level from 40.7 percent in 1999/2000 to 50 percent;

e. health: (i) increased DPT3 vaccination coverage from 40 percent in 2000/01 to 50 percent; and (ii) increased the utilization rate of health outreach facilities (defined as the number of new outpatients during the year divided by total population) from 27 percent in 2000/01 to 30 percent; and

f. HIV/AIDS: increased the distribution of condoms throughout the country by 6 million annually, starting from 50 million in 2000.

1/ Taking into account Basel Committee guidelines for trouble debt restructuring and credit risk.

58. In the area of **health**, the completion point triggers focus on improving the health services. The government has committed itself to increasing DPT3 vaccination coverage that will reduce the high infant and child mortality rate. Furthermore, utilization rates of health outreach facilities will be increased, which will reflect increased service quality by attracting more of the sick to the facilities. With respect to **HIV/AIDS**, the government's objective is to substantially increase the distribution of condoms through social marketing, as it is recognized to be an effective means of reducing the consequences of high-risk behavior and the incidence of all sexually transmitted diseases.

B. Monitoring the Floating Completion Point Conditions

59. Staffs of the IMF and IDA will jointly monitor completion point conditions, with each institution assuming specific responsibilities. IMF staff will take the lead in monitoring macroeconomic stability, tax reform, and financial sector reform, while IDA staff will be responsible for monitoring conditions in agriculture and in the social sectors. The two institutions will jointly monitor progress regarding the preparation and implementation of the PRSP, governance and public expenditure management triggers.

C. The Use and Tracking of HIPC Initiative Debt Relief

60. The government has provided IMF and IDA staffs with an indicative medium-term framework for poverty-targeted expenditures, before and after interim HIPC Initiative assistance. Table 4 shows that debt relief under the enhanced HIPC Initiative would supplement the federal and regional governments' own efforts to boost social spending by increasing budget allocations for education, health, roads, and agriculture and natural resources—sectors with a strong positive impact on poverty reduction and growth. Particular efforts will be made to increase the efficiency and effectiveness of public spending related to HIPC Initiative relief through accompanying capacity-building efforts in public administration over the coming years.

61. IMF and IDA staffs are planning to monitor the use of resources freed by the enhanced HIPC Initiative in three ways, as detailed below. The use of interim debt relief will be reported by the Ethiopian authorities, and discussed annually during the PRSP consultative process:

- The changing composition of public expenditures will be analyzed through annual public expenditure reviews, and annual sectoral reviews in the areas of health, education, and roads, carried out by the government and donors. Data on budget formulation and expenditure execution at both the federal and regional levels should also improve as a result of actions to be taken in relation to completion point conditions on governance and public expenditure management.

Table 4. Ethiopia: General Government Poverty-Targeted Expenditure, 1999/2000-2002/03

	1999/00	2000/01	2001/02		2002/03	
			Before HIPC	After HIPC	Before HIPC	After HIPC
			(In millions of birr)			
Poverty-targeted expenditure	4,355	5,787	8,206	8,662	9,288	10,074
Recurrent poverty-targeted expenditure	2,324	2,738	3,303	3,326	3,719	3,758
Education	1,305	1,533	1,868	1,878	2,053	2,071
Health	395	475	534	538	675	682
Agriculture and natural resources	530	630	781	789	859	871
Roads	94	99	120	121	132	135
Capital poverty-targeted expenditure	2,031	3,049	4,903	5,336	5,569	6,316
Education	341	597	1,096	1,186	1,265	1,421
Health	140	319	546	587	720	791
Agriculture and natural resources	752	852	1,277	1,396	1,403	1,610
Roads	797	1,280	1,984	2,166	2,181	2,495
			(In percent of GDP)			
Poverty-targeted expenditure	8.4	10.9	13.9	14.7	14.3	15.5
Recurrent poverty-targeted expenditure	4.5	5.2	5.6	5.6	5.7	5.8
Education	2.5	2.9	3.2	3.2	3.2	3.2
Health	0.8	0.9	0.9	0.9	1.0	1.0
Agriculture and natural resources	1.0	1.2	1.3	1.3	1.3	1.3
Roads	0.2	0.2	0.2	0.2	0.2	0.2
Capital poverty-targeted expenditure	3.9	5.8	8.3	9.0	8.6	9.7
Education	0.7	1.1	1.9	2.0	1.9	2.2
Health	0.3	0.6	0.9	1.0	1.1	1.2
Agriculture and natural resources	1.4	1.6	2.2	2.4	2.2	2.5
Roads	1.5	2.4	3.4	3.7	3.4	3.8
Memorandum items:			(In millions of birr)			
GDP at current market price	52,074	52,872	59,109	59,109	64,974	64,974
External debt service due	897	1,121	1,355	899	1,438	652
Interim HIPC initiative assistance	…	…	…	456	…	786

Sources: Ethiopian authorities; and Fund-Bank staff estimates.

1/ Fiscal year ending July 7.
2/ The allocation is indicative, and will be discussed with regional governments.

- Incidence analysis of public expenditure on the poor will be improved by strengthening the welfare monitoring system (WMS) through the carrying out of household income and expenditure surveys, consultations with the civil society on the implementation of the PRSP strategy, and compilation of other relevant information.

- The government is reviewing options for monitoring the use of principal and interest rate savings associated with debt relief provided by enhanced HIPC Initiative interim assistance, taking into account the institutional constraints of Ethiopia's federal system (Box 6). For 2001/02, since interim HIPC Initiative assistance will only be available in the last two quarters, the authorities are still considering whether they would adopt a supplementary budget or transfer the savings to a blocked account at the central bank and incorporate them in the 2002/03 budget. The government intends to keep savings arising from interim HIPC Initiative assistance in a holding account, with transfers taking place as interim HIPC Initiative assistance is made available by individual creditors. The federal government would then transfer funds from the holding account to the regional governments by way of annual budget allocations or supplementary allocations. Each recipient regional government would have its own holding account, from which it would make transfers to zonal and *woreda* administrations and to implementing agencies, in support of the government's sector development programs in health, education, and roads. Regional governments and zonal and *woreda* administrations would confirm the receipt of the transfer (within one month) and the purposes for which it would be used. Regional governments would require their auditor generals to carry out random audits during each financial year on the use of the funds. These audits would then be published.

62. These means of tracking public expenditures should be strengthened in the medium term with the planned implementation of a new framework for monitoring poverty-related spending, based on (a) the expansion of the application of the three-year MEFF; (b) the introduction of cost-centered budgeting at the center and in the regions; (c) the reintroduction of uniform accounting systems linked to the roll-out of a computerized management information system for tracking financial flows; and (d) the improvement of auditing and financial control capacities.

Box 6. Ethiopia: The Federal System and the Role of Regions

Ethiopia's 1994 constitution mandates a federal structure. The country is divided into nine region states and the two special city administrations of Addis Ababa and Dire Dawa. The regions are demarcated along nationality and ethnic lines. As a result they vary enormously in land area and population, with the largest region—Oromiya—having a population of 23.7 million and an area of 367,000 square kilometers, and the smallest—Hareri—having a population of just 0.2 million and an area of 305 square kilometers. The regions are further subdivided into zones (63) and *woredas* (528) and special *woredas* (6). The woredas, with an average population of 100,000, are the key local units of government.

Although regions collect only 15-20 percent of general government revenues, they account for nearly 35-40 percent of the total expenditure. When only poverty-targeted sectors are considered, the regions' share in combined expenditure is 75 percent.

Regions enjoy considerable autonomy in expenditure allocations. The federal government's powers and functions are clearly defined and encompass defense, foreign policy, money, banking, and currency, as well as basic infrastructure such as air, rail, waterways, shipping, major roads, and postal and telecommunication services. The federal government is also responsible for the formulation and implementation of policies related to overall economic and social development, and for the definition of national policies in, inter alia, public health and education. However, the federal government has no say in the expenditure prioritization of the regions.

All regions make their own budgets based on regular consultations with their people. In turn, zones and *woredas* make their own budgets in conformity with the regional budgets. Some regions, notably the southern region, are experimenting with a system of devolving block grants to zones and *woredas* rather than passing on earmarked grants as per the budget.

In allocating resources, regions first fully meet the nondiscretionary recurrent expenditures, then apportion resources among discretionary recurrent expenditure (e.g., materials and supplies) and ongoing capital projects; the remaining balance is allocated to new capital works.

Since the regional share of combined federal-regional revenue is less than 20 percent, regions are heavily dependent on federal subsidies for executing their expenditure responsibilities. These federal subsidies are made on the basis of a formula whose stated objective is to narrow the horizontal fiscal imbalance across regions. The variables comprising the formula and their relative weights are as follows: population (55 percent); inverted index of development (20 percent); index of revenue-raising effort (15 percent); and poverty index (10 percent). To ensure equity in the flow of external resources across regions, aid receipts flowing into a region are deducted from the formula-driven subventions.

Regions are not permitted to borrow from external sources. However, they are permitted to borrow from internal sources on a project-to-project basis with the approval of the federal government. Even so, no region is reported to have used this facility so far.

VI. Issues for Discussion

63. This paper presents a decision point assessment of Ethiopia's eligibility for assistance under the enhanced HIPC Initiative and seeks endorsement of the assessment. Executive Directors' views are sought on the following:

- **Eligibility and decision point.** The staff and management believe that Ethiopia is eligible for relief under the enhanced HIPC Initiative and recommend approval of a decision point. Do Executive Directors agree?

- **Amount and delivery of assistance.** Consistent with a reduction of Ethiopia's NPV of debt-to-exports ratio to 150 percent, total assistance under the enhanced HIPC Initiative is estimated to amount to US$1,275 million in NPV terms. Of this amount, US$463.2 million is to be provided by IDA and US$34.4 million (the SDR equivalent of US$34.4 million at the decision point) by the IMF. The staff and management recommend that IDA and the IMF provide interim assistance between the decision and completion points in line with existing guidelines. Do Executive Directors agree?

- **Floating completion point.** The staff and management recommend a floating completion point, which would be reached when the conditions in Box 5 are met. The debt relief will be provided unconditionally only once both the completion point condition have been met and satisfactory assurances of creditors' participation under the enhanced HIPC Initiative for Ethiopia have been received. Do Executive Directors agree?

Table 5. Ethiopia: Selected Economic and Financial Indicators, 1997/98-2003/04 1/

	1997/98	1998/99	1999/00	2000/01		2001/02		2002/03	2003/04
				Program	Estimate	Program	Projection	Projection	Projection
(Annual percentage change)									
National income and prices									
GDP at constant prices (at factor cost)	-1.2	6.3	5.4	7.8	7.9	7.0	7.0	6.5	6.5
GDP deflator (at factor cost)	9.9	1.9	0.9	3.2	-6.4	5.4	4.7	3.6	3.7
Consumer prices (period average)	3.6	3.9	4.2	5.2	-7.2	5.0	5.0	3.0	3.0
External sector									
Exports, f.o.b.	0.6	-19.6	0.4	-2.8	-9.3	9.3	6.0	10.6	11.2
Imports, c.i.f.	3.6	14.8	3.4	-0.7	-0.3	5.1	5.6	4.5	2.1
Export volume	-9.7	-1.4	20.5	7.1	-1.6	6.8	7.7	7.1	6.9
Import volume	9.9	18.4	-17.9	-3.5	-1.8	7.1	5.5	5.2	2.9
Terms of trade (deterioration -)	18.1	-15.9	-33.9	-11.8	-9.1	4.2	-1.8	3.9	4.8
Nominal effective exchange rate (end of period)	1.0	-9.1	1.5	...	2.8	...	...	...	...
Real effective exchange rate (end of period)	-0.9	-1.0	-6.4	...	-1.2	...	...	...	...
(In percent of beginning-period stock of broad money, unless otherwise indicated)									
Money and credit									
Net foreign assets	1.0	3.6	-8.1	7.9	0.3	6.0	11.1	…	…
Net domestic assets	11.7	2.3	22.1	4.6	9.2	5.1	-0.4	…	…
Net claims on the government	3.5	4.8	27.9	-0.9	-0.9	-1.7	-6.8	…	…
Credit to the nongovernment sector	7.3	4.1	5.3	9.3	3.8	9.8	9.4	…	…
Broad money	12.7	5.9	14.0	12.5	9.6	11.2	10.7	…	…
Velocity (GDP/broad money)	2.4	2.5	2.3	2.3	2.1	2.2	2.2	…	…
Interest rates (one-year maturity; in percent)									
Savings deposits (mandatory floor rate)	6.0	6.0	6.0	...	6.0	…	…	…	…
Lending rates	11.3	11.8	13.0	...	13.5	…	…	…	…
Treasury bill (91-day maturity)	3.1	4.5	3.1	...	2.8	…	…	…	…
(In percent of GDP, unless otherwise indicated)									
Financial balances									
Gross domestic saving	7.7	1.2	-1.1	0.7	0.9	3.4	3.2	4.3	6.3
Government saving	3.3	-0.6	-4.9	0.0	2.1	2.4	2.5	2.8	3.6
Private saving	4.4	1.8	3.8	0.6	-1.2	1.0	0.7	1.6	2.7
Gross domestic investment	17.2	16.0	14.2	17.0	17.2	19.2	19.2	19.3	19.3
Government investment	7.4	7.9	5.3	8.9	8.7	10.4	10.5	10.2	9.5
Private investment	9.8	8.2	8.9	8.1	8.5	8.8	8.7	9.1	9.8
Resource gap	-9.4	-14.8	-15.3	-16.4	-16.3	-15.8	-16.0	-15.0	-12.9
External current account balance, including official transfers	-1.6	-7.9	-5.2	-5.7	-4.9	-6.2	-6.3	-5.4	-3.5
Saving-investment (government)	-1.5	-6.5	-6.8	-4.9	-1.5	-4.9	-4.8	-4.5	-2.7
Saving-investment (private)	-0.1	-1.4	1.6	-0.8	-3.4	-1.3	-1.4	-0.9	-0.7
External current account balance, excluding official transfers	-5.6	-11.2	-9.8	-10.7	-11.1	-10.3	-10.5	-9.3	-7.4
Government finances									
Revenue	18.1	17.8	18.2	18.8	19.3	19.2	19.5	19.3	19.7
Tax revenue	11.7	11.5	12.4	14.0	14.1	14.4	14.6	14.8	15.6
Nontax revenue	6.3	6.3	5.8	4.8	5.2	4.8	4.8	4.5	4.1
External grants	2.8	3.6	3.3	6.0	5.0	4.6	4.7	3.9	4.0
Expenditure and net lending	25.3	30.6	33.0	31.2	29.1	29.1	29.6	28.4	27.8
Fiscal balance, excluding grants (cash basis)	-7.2	-12.9	-14.8	-12.4	-9.8	-10.0	-10.2	-9.1	-8.0
Fiscal balance, including grants (cash basis)	-4.4	-9.2	-11.4	-6.4	-4.8	-5.4	-5.5	-5.2	-4.1
Special programs 2/	0.0	0.0	0.0	1.9	0.8	2.9	2.9	1.5	0.0
Fiscal balance, including grants and special programs	-4.4	-9.2	-11.4	-8.4	-5.6	-8.2	-8.4	-6.7	-4.1
Total financing	4.4	9.2	11.4	8.4	5.6	8.2	8.4	6.7	4.1
External financing	1.7	3.5	1.7	7.1	3.9	7.6	9.9	7.0	3.0
Domestic financing (including residual)	1.9	4.1	8.6	0.4	0.9	0.0	-2.1	-0.8	0.5
Privatization receipts	0.7	1.6	1.2	0.9	0.8	0.7	0.7	0.5	0.5
Domestic debt	29.0	31.2	42.2	38.0	40.3	35.9	…	…	…
External debt (including to Fund) 3/	78.4	82.8	86.5	88.8	88.5	89.1	89.1	87.1	80.2
External debt-service ratio 4/	57.7	63.3	52.2	22.4	23.3	20.0	20.2	18.4	17.2
Overall balance of payments (in millions of U.S. dollars)	-507	-473	-366	-202	-52	-245	98	-118	-107
Gross official reserves (in millions of U.S. dollars)	412	434	349	435	337	637	669	763	802
(in months of imports of goods and nonfactor services)	3.0	2.8	2.1	2.6	2.0	3.6	3.8	4.2	4.3
GDP at current market prices (in millions of birr)	44,840	48,688	52,074	57,746	52,872	60,039	59,109	64,974	72,997
Exchange rate (birr per U.S. dollar; period average auction rate)	6.86	7.53	8.15	…	8.34	…	…	…	…

Sources: Ethiopian authorities; and joint estimates and projections by Ethiopian authorities and Fund-Bank staff.

1/ Beginning 1997/98, all data pertain to the period July 8-July 7; prior to that, fiscal and monetary data cover the period July 8-July 7 and all other data the period July 1-June 30.
2/ Demobilization and reconstruction.
3/ Before 1999/2000, post-debt relief; thereafter, pre-debt relief.
4/ Before debt relief; on an accrual basis; in percent of exports of goods and nonfactor services.

Table 6. Ethiopia: Quantitative Benchmarks and Performance Criteria for the First Annual Program Supported by the PRGF Arrangement, October 2000-March 2002 1/
(In millions of birr, unless otherwise indicated)

	2000					2001									2002
	July 7	September	December			March			July 7			September		December	March
	Actual (Stock)	Actual	Bench-mark	Bench-mark adj.	Actual	Perf. crit.	Perf. crit. adj.	Actual	Bench-mark	Bench-mark adj.	Actual	Indicative target	Perf. crit. 2/	Benchmark	Indicative target 3/
I. Quantitative benchmarks and performance criteria															
Floor on net foreign assets of the National Bank of Ethiopia 4/ 5/	1,929	-293	-800	-854	-344	-508	-675	-433	454	285	-309	142	43	253	317
Ceiling on net domestic assets of the National Bank of Ethiopia 6/ 7/	9,901	1,461	-991	-937	-2,191	-1,741	-1,574	-2,175	-2,948	-2,779	-2,541	100	250	-90	-190
Ceiling on net domestic financing of the general government (incl. privatization receipts) 6/ 7/ 8/	17,261	-385	829	883	-34	1,242	1,410	489	746	915	886	168	450	400	500
Ceiling on outstanding external payments arrears (in millions of US dollars) 9/	21	0	0	0	9	-21	-21	0	0	0	0	0	0	0	0
Ceiling on new nonconcessional external debt contracted or guaranteed by the public sector 10/	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
II. Indicative targets															
Floor on net foreign liquid reserves of the National Bank of Ethiopia 4/ 5/	520	-176	-497	-497	-202	-165	-332	-256	1,133	964	544	39	43	253	317
III. Triggers for adjustment of quantitative criteria															
Disbursed nonproject external funding (in millions of U.S. dollars)	0	10	21	….	10	179	….	63	385	….	155	12	98	179	247

Sources: Ethiopian authorities; and Fund staff estimates.

1/ Cumulative from July 8, 2000-July 7, 2001. Cumulative from July 8, 2001-March 31, 2002.
2/ Established as performance criteria in the context of the first review.
3/ To be established as performance criteria in the context of the second review.
4/ Adjusted upward for external assistance (nonproject) that exceeds programmed amounts (paragraph 14 of the technical memorandum of understanding (TMU)).
5/ Adjusted downward for 50 percent of any shortfall in programmed external assistance (nonproject) up to a maximum of US$20 million (paragraph 14 of the TMU).
6/ Adjusted downward for external assistance (nonproject) that exceeds programmed amounts (paragraph 14 of the TMU).
7/ Adjusted upward for 50 percent of any shortfall in programmed external assistance (nonproject) up to a maximum of US$20 million (paragraph 14 of the TMU).
8/ Stock at July 7, 2000 reflects domestic government borrowing, but excludes privatization receipts.
9/ There shall be a continuous performance criterion on the nonaccumulation of new external arrears.
10/ Excludes short-term import credits and long-term financing operations of Ethiopian Airlines.

Table 7. Ethiopia: Structural Benchmarks and Performance Criteria Under the First Annual Program Supported by the PRGF Arrangement

Structural Benchmarks and Performance Criteria	Timing
Establish a tax reform implementation task force.	April 31, 2001 (done) (benchmark)
Sign a management contract for CBE with a reputable international firm that provides experienced and qualified management staff.[1/]	June 30, 2001 (done) (performance criterion)
Establish a fully operational large taxpayer unit.	July 1, 2001 (done) (performance criterion)
Submit draft VAT legislation to parliament.	October 1, 2001 (done) (performance criterion)
Terminate the wholesale foreign exchange auction and move foreign exchange operations to the interbank market.	October 1, 2001[2/] (benchmark)

1/ The management team, preferably from a bank, will consist of at least three individuals with at least ten years of relevant experience. Specific terms of reference for each member of the management team will be developed by the Board of Directors of the CBE in close collaboration with the National Bank of Ethiopia and Fund staff.
2/ Implementation delayed by a few days because of delayed provision of technical assistance as a result of travel suspension related to recent events.

Table 8. Ethiopia: General Government Operations, 1997/98-2003/04 1/
(In millions of birr)

	1997/98	1998/99	1999/00	2000/01		2001/02		2002/03	2003/04
		Actuals		Program	Est.	Rev. Prog.	Proj.	Proj.	Proj.
Total revenue and grants	9,374	10,415	11,222	14,273	12,819	14,267	14,267	15,082	17,312
Revenue	8,100	8,653	9,498	10,828	10,191	11,506	11,506	12,542	14,410
Tax revenue (incl. measures)	5,269	5,592	6,482	8,061	7,446	8,646	8,646	9,647	11,407
Direct taxes	1,869	2,009	2,367	2,930	2,737	3,512	3,512	3,951	4,677
Indirect taxes	3,399	3,583	4,116	5,131	4,709	5,134	5,134	5,696	6,730
Domestic indirect taxes	1,181	1,204	1,440	1,760	1,385	1,830	1,830	2,080	2,703
Import duties and taxes	2,037	2,223	2,528	3,195	3,231	3,252	3,252	3,580	3,985
Export taxes	181	155	148	176	93	52	52	36	42
Nontax revenue	2,832	3,062	3,016	2,767	2,745	2,860	2,860	2,895	3,002
Grants	1,273	1,762	1,724	3,445	2,628	2,761	2,761	2,540	2,902
Total expenditure and net lending (cash basis) 2/	11,328	14,916	17,184	17,994	15,370	17,485	17,513	18,467	20,272
Recurrent expenditure 2/	7,081	10,126	13,742	12,439	10,352	11,462	11,413	11,744	12,681
Poverty-targeted expenditure	2,074	2,301	2,324	2,932	2,738	3,143	3,326	3,758	4,206
Of which: HIPC poverty-targeted expenditure	...	...	...	...	...	21	23	39	40
Interest payments (cash basis)	836	957	1,122	1,416	1,080	1,183	1,183	1,517	1,587
Domestic interest and charges	526	588	723	749	575	679	679	813	874
External interest payments	310	369	399	667	505	504	681	704	713
External assistance (food and other emergency aid)	160	813	1,289	1,317	978	1,027	1,027	972	972
Other	4,012	6,056	9,006	6,774	5,556	6,109	5,877	5,497	5,915
Net lending	100	0	0	0	0	0	0	0	0
Capital expenditure 2/	4,147	4,790	3,442	5,555	5,018	6,023	6,099	6,798	7,693
Of which: poverty-targeted expenditure	2,334	2,853	2,031	4,382	3,049	4,238	5,336	6,257	7,638
Of which: HIPC poverty-targeted expenditure	...	...	...	...	...	408	433	688	701
Balance, excl. special programs (cash basis)									
Including grants	-1,954	-4,501	-5,961	-3,721	-2,552	-3,219	-3,245	-3,385	-2,961
Excluding grants	-3,228	-6,263	-7,685	-7,166	-5,180	-5,979	-6,006	-5,925	-5,863
Special programs 3/	0	0	0	1,114	404	1,715	1,720	963	0
Overall balance									
Including grants	-1,954	-4,501	-5,961	-4,835	-2,955	-4,934	-4,966	-4,349	-2,961
Excluding grants	-3,228	-6,263	-7,685	-8,280	-5,583	-7,695	-7,727	-6,889	-5,863
Financing	1,954	4,501	5,961	4,835	2,955	4,934	4,966	4,349	2,961
External (net)	780	1,708	868	4,089	2,070	4,534	5,829	4,518	2,215
Gross borrowing	1,122	2,143	1,366	4,858	2,686	4,755	6,048	4,466	2,255
Capital budget	1,037	1,773	1,120	1,965	1,744	1,899	1,902	1,883	1,990
CPF generations/loans	84	370	246	1,776	171	1,141	2,426	1,620	265
Special programs				1,117	770	1,715	1,720	963	0
Exceptional financing: HIPC Initiative relief	0	0	0	0	0	429	456	786	802
Repayment (cash basis)	341	434	498	...	...	...	...	...	...
Repayment (cash basis; post-Naples)	...	...	...	769	616	650	675	734	842
Domestic(net)	592	1,515	4,975	246	57	0	-1,263	-520	396
Banking system	575	885	5,499	-195	-213	-422	-1,685	-897	0
Nonbank sources	17	629	-524	441	270	422	422	377	396
Privatization	313	800	650	500	400	400	400	350	350
Float/unidentified financing	270	478	-532	0	429	0	0	0	0
Memorandum items:									
HIPC Initiative relief on interest	...	...	...	...	...	250	275	420	331
HIPC Initiative relief on amortization	...	...	...	...	...	179	180	366	471
GDP	44,840	48,688	52,074	57,746	52,872	60,039	59,109	64,974	72,997

Sources: Ethiopian authorities; and Fund-Bank staff estimates and projections.

1/ Fiscal year ending July 7.
2/ Excluding special programs (demobilization and reconstruction).
3/ Demobilization and reconstruction.

Table 9. Ethiopia: General Government Operations, 1997/98-2003/04 1/
(In percentage of GDP)

	1997/98	1998/99	1999/00	2000/01		2001/02		2002/03	2003/04
		Actuals		Program	Est.	Rev. Prog.	Proj.	Proj.	Proj.
Total revenue and grants	20.9	21.4	21.6	24.7	24.2	23.8	24.1	23.2	23.7
Revenue	18.1	17.8	18.2	18.8	19.3	19.2	19.5	19.3	19.7
Tax revenue (incl. measures)	11.7	11.5	12.4	14.0	14.1	14.4	14.6	14.8	15.6
Direct taxes	4.2	4.1	4.5	5.1	5.2	5.8	5.9	6.1	6.4
Indirect taxes	7.6	7.4	7.9	8.9	8.9	8.6	8.7	8.8	9.2
Domestic indirect taxes	2.6	2.5	2.8	3.0	2.6	3.0	3.1	3.2	3.7
Import duties and taxes	4.5	4.6	4.9	5.5	6.1	5.4	5.5	5.5	5.5
Export taxes	0.4	0.3	0.3	0.3	0.2	0.1	0.1	0.1	0.1
Nontax revenue	6.3	6.3	5.8	4.8	5.2	4.8	4.8	4.5	4.1
Grants	2.8	3.6	3.3	6.0	5.0	4.6	4.7	3.9	4.0
Total expenditure and net lending (cash basis) 2/	25.3	30.6	33.0	31.2	29.1	29.1	29.6	28.4	27.8
Recurrent expenditure 2/	15.8	20.8	26.4	21.5	19.6	19.1	19.3	18.1	17.4
Poverty-targeted expenditure	4.6	4.7	4.5	5.1	5.2	5.2	5.6	5.8	5.8
Of which: HIPC poverty-targeted expenditure	...	...	...	...	...	0.0	0.0	0.1	0.1
Interest payments (cash basis)	1.9	2.0	2.2	2.5	2.0	2.0	2.0	2.3	2.2
Domestic interest and charges	1.2	1.2	1.4	1.3	1.1	1.1	1.1	1.3	1.2
External interest payments	0.7	0.8	0.8	1.2	1.0	0.8	1.2	1.1	1.0
External assistance (food and other emergency aid)	0.4	1.7	2.5	2.3	1.9	1.7	1.7	1.5	1.3
Other	8.9	12.4	17.3	11.7	10.5	10.2	9.9	8.5	8.1
Net lending	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditure 2/	9.2	9.8	6.6	9.6	9.5	10.0	10.3	10.5	10.5
Of which: poverty-targeted expenditure	5.2	5.9	3.9	7.6	5.8	7.1	9.0	9.6	10.5
Of which: HIPC poverty-targeted expenditure	...	...	...	...	...	0.7	0.7	1.1	1.0
Balance, excl. special programs (cash basis)									
Including grants	-4.4	-9.2	-11.4	-6.4	-4.8	-5.4	-5.5	-5.2	-4.1
Excluding grants	-7.2	-12.9	-14.8	-12.4	-9.8	-10.0	-10.2	-9.1	-8.0
Special programs 3/	0.0	0.0	0.0	1.9	0.8	2.9	2.9	1.5	0.0
Overall balance									
Including grants	-4.4	-9.2	-11.4	-8.4	-5.6	-8.2	-8.4	-6.7	-4.1
Excluding grants	-7.2	-12.9	-14.8	-14.3	-10.6	-12.8	-13.1	-10.6	-8.0
Financing	4.4	9.2	11.4	8.4	5.6	8.2	8.4	6.7	4.1
External (net)	1.7	3.5	1.7	7.1	3.9	7.6	9.9	7.0	3.0
Gross borrowing	2.5	4.4	2.6	8.4	5.1	7.9	10.2	6.9	3.1
Exceptional financing: HIPC Initiative relief	0.0	0.0	0.0	0.0	0.0	0.7	0.8	1.2	1.1
Repayment (cash basis)	0.8	0.9	1.0	...	...	...	...	...	...
Repayment (cash basis; post-Naples)	...	...	...	1.3	1.2	1.1	1.1	1.1	1.2
Domestic(net)	1.3	3.1	9.6	0.4	0.1	0.0	-2.1	-0.8	0.5
Banking system	1.3	1.8	10.6	-0.3	-0.4	-0.7	-2.9	-1.4	0.0
Nonbank sources	0.0	1.3	-1.0	0.8	0.5	0.7	0.7	0.6	0.5
Privatization	0.7	1.6	1.2	0.9	0.8	0.7	0.7	0.5	0.5
Float/unidentified financing	0.6	1.0	-1.0	0.0	0.8	0.0	0.0	0.0	0.0
Memorandum items:									
HIPC Initiative relief on interest	...	...	...	...	...	0.4	0.5	0.6	0.5
HIPC Initiative relief on amortization	...	...	...	...	...	0.3	0.3	0.6	0.6

Sources: Ethiopian authorities; and Fund-Bank staff estimates and projections.

1/ Fiscal year ending July 7.
2/ Excluding special programs (demobilization and reconstruction).
3/ Demobilization and reconstruction.

Table 10. Ethiopia: Main Assumptions Underlying the Macroeconomic Framework, 2000/01-2020/21 1/
(In percent of GDP, unless otherwise indicated)

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2010/11	2015/16	2020/21	2001/02 -2010/11 Average	2011/12 -2020/21 Average
Economic growth											
Real GDP (percentage change)	7.9	7.0	6.5	6.5	6.5	6.5	6.5	6.0	6.0	6.7	6.2
Real GDP per capita (percentage change)	6.8	3.6	3.2	5.4	3.6	3.6	4.0	3.7	3.9	4.0	3.9
National accounts											
Gross domestic investment	17.2	19.2	19.3	19.3	19.4	19.8	20.9	22.0	22.1	20.0	21.8
Of which: public	8.7	10.5	10.2	9.5	9.5	9.1	8.4	8.2	8.1	9.1	8.2
Gross domestic savings	0.9	3.2	4.3	6.3	7.9	9.1	12.6	15.2	16.7	8.8	15.2
Of which: public	2.1	2.5	2.8	3.6	4.5	4.7	5.4	5.9	6.5	4.4	6.0
Gross national savings	12.3	12.9	13.9	15.8	17.3	18.1	19.8	20.9	21.0	17.4	20.7
Balance of payments											
Exports of goods and services 2/	15.1	14.6	14.5	14.1	14.2	14.3	14.1	14.4	14.9	14.2	14.5
Imports of goods and services 2/	31.4	30.6	29.5	27.1	25.7	25.0	22.5	21.2	20.3	25.5	21.2
Current account, including grants	-4.9	-6.3	-5.4	-3.5	-2.1	-1.7	-1.1	-1.1	-1.1	-2.6	-1.1
Current account, excluding grants	-11.1	-10.5	-9.3	-7.4	-6.1	-5.3	-3.4	-2.8	-2.2	-5.9	-2.7
Gross official reserves (in months of imports) 3/	2.0	3.8	4.2	4.3	4.7	5.0	5.4	5.4	5.3	4.8	5.4
Export volume growth (percentage change) 4/	-1.6	7.7	7.1	6.9	8.1	8.1	8.5	8.2	8.0	8.0	8.3
Import volume growth (percentage change) 4/	-1.8	5.5	5.2	2.9	3.2	5.4	5.4	5.5	5.4	5.1	5.5
Terms of trade (percentage change)	-9.1	-1.8	3.9	4.8	2.6	3.3	0.3	0.0	0.0	1.6	0.0
Public finances											
Total government revenue (excluding grants)	19.3	19.5	19.3	19.7	20.8	20.6	21.2	21.5	22.1	20.6	21.6

Sources: Ethiopian authorities; and Fund-Bank staff estimates and projections.

1/ Based on a decision point in October 2001. All data pertain to the period July 8-July 7.
2/ Exports and imports of goods and services as defined in IMF, *Balance of Payments Manual* , 5th edition, 1993.
3/ Imports of goods and nonfactor services.
4/ Merchandise imports and exports.

Table 11. Ethiopia: Balance of Payments, 2000/01-2020/21 1/
(In millions of U.S. dollars, unless otherwise indicated)

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Trade balance	-1,164	-1,229	-1,255	-1,233	-1,236	-1,272	-1,315	-1,398	-1,484	-1,557	-1,628	-1,713
Exports of goods	441	467	517	574	642	722	802	886	980	1,085	1,199	1,325
Coffee	175	166	188	216	253	297	321	347	373	400	428	459
Other	266	301	329	358	389	426	481	539	607	686	771	867
Imports of goods	1,605	1,696	1,771	1,808	1,878	1,994	2,117	2,284	2,464	2,643	2,827	3,039
Fuel	275	274	264	263	273	285	309	337	368	402	439	479
Nonfuel	1,330	1,422	1,508	1,545	1,605	1,710	1,808	1,947	2,096	2,241	2,389	2,560
Nonfactor services (net)	129	128	142	165	198	220	245	272	302	334	363	395
Exports of nonfactor services	516	538	560	591	633	677	725	776	831	889	952	1,019
Imports of nonfactor services	387	410	418	427	435	457	480	504	529	555	589	624
Income (net)	-51	-38	-30	-29	-26	-24	-17	-18	-13	-4	1	6
Of which: gross official interest payments 2/	-70	-71	-72	-71	-71	-70	-68	-67	-66	-64	-64	-63
Private transfers (net)	379	419	452	485	520	557	594	633	671	712	748	786
Current account balance, excl. official transfers	-707	-719	-691	-613	-545	-519	-494	-511	-524	-515	-515	-526
(in percent of GDP)	-11.1	-10.5	-9.3	-7.4	-6.1	-5.3	-4.6	-4.4	-4.1	-3.7	-3.4	-3.2
Official transfers (net)	395	289	290	328	356	352	355	319	349	333	341	356
Current account balance, incl. official transfers	-312	-431	-401	-285	-189	-167	-139	-192	-175	-182	-174	-171
(in percent of GDP)	-4.9	-6.3	-5.4	-3.5	-2.1	-1.7	-1.3	-1.6	-1.4	-1.3	-1.1	-1.0
Capital account balance (incl. errors and ommissions)	260	528	282	178	176	194	158	175	181	199	212	230
Foreign direct investment (net)	52	43	70	70	69	82	88	104	114	126	137	149
Other investment (net)	207	485	212	108	107	111	70	71	67	73	75	81
Official long-term loans	193	496	222	120	119	123	82	83	80	86	88	94
Disbursements 3/	320	603	325	225	225	230	194	198	202	206	210	214
Amortization 2/	127	107	103	105	106	106	112	115	122	120	122	120
Other public sector long-term (net) 4/	-12	-11	-9	-12	-12	-12	-12	-13	-14	-13	-14	-13
Other (net)	26	0	0	0	0	0	0	0	0	0	0	0
Errors and omissions	-25	0	0	0	0	0	0	0	0	0	0	0
Overall balance	-52	98	-118	-107	-13	26	18	-18	5	17	38	59
Financing	52	-98	118	107	13	-26	-18	18	-5	-17	-38	-59
Central bank (net; increase -)	39	-296	-81	-38	-116	-126	-123	-88	-113	-119	-142	-154
Reserves (increase -)	12	-332	-94	-40	-106	-114	-110	-74	-100	-108	-131	-142
Liabilities (increase +)	27	36	13	1	-9	-12	-13	-14	-13	-11	-11	-11
Fund credit (net)	10	36	13	1	-9	-12	-13	-14	-13	-11	-11	-11
Commercial banks (net; increase -)	-26	0	0	0	0	0	0	0	0	0	0	0
Changes in arrears	-810	0	0	0	0	0	0	0	0	0	0	0
Debt relief (Paris Club II and III, Naples terms) 5/	849	40	37	18	0	0	0	0	0	0	0	0
Financing gap	0	159	162	127	129	100	105	105	108	102	104	94
Exceptional financing 6/	0	100	75	30	30	0	0	0	0	0	0	0
Traditional debt relief (Naples stock)	0	6	-2	6	21	20	20	18	14	9	7	-6
Remaining gap 7/	0	53	90	91	78	80	85	87	94	93	97	100
Memorandum items:												
Exports of goods (percent change)	-9.3	6.0	10.6	11.2	11.7	12.6	11.0	10.5	10.6	10.8	10.5	10.5
Export price index (percent change)	-7.8	-1.6	3.2	4.0	3.3	4.1	2.5	2.0	2.0	2.0	1.8	1.8
Export volume index (percent change)	-1.6	7.7	7.1	6.9	8.1	8.1	8.2	8.3	8.4	8.5	8.5	8.5
Total imports of goods (percent change)	-0.3	5.6	4.5	2.1	3.9	6.2	6.1	7.9	7.9	7.2	7.0	7.5
Import price index (percent change)	1.5	0.2	-0.7	-0.8	0.7	0.8	0.9	1.5	1.5	1.5	1.5	1.8
Import volume index (percent change)	-1.8	5.5	5.2	2.9	3.2	5.4	5.3	6.4	6.4	5.7	5.4	5.6
Gross official reserves	337	669	763	802	909	1,022	1,132	1,206	1,306	1,414	1,545	1,687
(in months of imports of goods and nonfactor services of following year)	1.9	3.7	4.1	4.2	4.4	4.7	4.9	4.8	4.9	5.0	5.1	5.2
Terms of trade index (1996/97 = 100)	59.7	58.6	60.9	63.9	65.5	67.7	68.8	69.2	69.5	69.9	70.2	70.2
(percent change)	-9.1	-1.8	3.9	4.8	2.6	3.3	1.7	0.5	0.5	0.6	0.3	0.0

Sources: Ethiopian authorities; and Fund-Bank staff estimates and projections.

1/ Beginning 1997/98, all data pertain to the period July 8-July 7; prior to that, data cover the period July 1-June 30.
2/ Includes debt service to Russia on ruble-denominated debt before up-front discount through 1999/2000; thereafter, after up-front discount.
3/ For the DSA the World Bank $150 million disbursment of July 9 included here is captured in the 2000/01 stock of debt.
4/ Ethiopian Airlines and other public enterprises.
5/ Includes 1997 Paris Club rescheduling agreement (including Russia) under Naples terms, covering maturities through end-1998.
6/ World Bank ERSC.
7/ The remaining gap in 2001/02 through 2020/21 is expected to be fully covered by debt relief under the enhanced HIPC Initiative.

Table 11. Ethiopia: Balance of Payments, 2000/01-2020/21 (concluded) 1/
(In millions of U.S. dollars, unless otherwise indicated)

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2001/02 - 2010/11 Average	2011/12 - 2020/21 Average
Trade balance	-1,799	-1,895	-1,988	-2,088	-2,184	-2,280	-2,380	-2,478	-2,578	-1,361	-2,138
Exports of goods	1,464	1,618	1,788	1,968	2,169	2,388	2,624	2,883	3,169	787	2,140
Coffee	491	526	563	602	644	688	735	786	840	299	634
Other	973	1,092	1,224	1,366	1,525	1,700	1,888	2,097	2,328	489	1,506
Imports of goods	3,263	3,513	3,775	4,056	4,352	4,668	5,004	5,361	5,747	2,148	4,278
Fuel	522	570	622	679	741	810	886	969	1,059	321	734
Nonfuel	2,740	2,943	3,153	3,377	3,612	3,858	4,118	4,393	4,688	1,827	3,544
Nonfactor services (net)	429	465	497	533	571	612	656	703	753	237	561
Exports of nonfactor services	1,090	1,166	1,247	1,335	1,429	1,529	1,637	1,752	1,876	717	1,408
Imports of nonfactor services	661	701	750	802	858	918	982	1,050	1,123	480	847
Income (net)	11	16	21	26	32	39	43	50	55	-20	30
Of which: gross official interest payments 2/	-63	-63	-63	-63	-63	-63	-63	-62	-62	-68	-63
Private transfers (net)	810	835	860	886	913	940	969	998	1,028	579	903
Current account balance, excl. official transfers	-548	-579	-610	-643	-668	-690	-712	-727	-742	-565	-645
(in percent of GDP)	-3.1	-3.0	-2.9	-2.8	-2.7	-2.6	-2.5	-2.3	-2.2	-5.9	-2.7
Official transfers (net)	370	365	373	389	372	372	357	368	366	331	369
Current account balance, incl. official transfers	-179	-214	-237	-254	-297	-318	-355	-359	-376	-234	-276
(in percent of GDP)	-1.0	-1.1	-1.1	-1.1	-1.2	-1.2	-1.2	-1.1	-1.1	-2.6	-1.1
Capital account balance (incl. errors and ommissions)	241	259	280	296	334	402	429	440	469	228	338
Foreign direct investment (net)	162	183	208	235	282	353	391	407	440	90	281
Other investment (net)	78	76	72	60	52	49	39	33	29	138	57
Official long-term loans	92	90	88	77	70	68	59	55	52	150	75
Disbursements 3/	219	223	227	232	237	241	246	251	256	262	235
Amortization 2/	126	133	140	155	166	174	187	196	204	112	160
Other public sector long-term (net) 4/	-14	-15	-16	-17	-18	-19	-21	-22	-23	-12	-18
Other (net)	0	0	0	0	0	0	0	0	0	0	0
Errors and omissions	0	0	0	0	0	0	0	0	0	0	0
Overall balance	62	44	43	41	37	84	74	81	93	-5	62
Financing	-62	-44	-43	-41	-37	-84	-74	-81	-93	5	-62
Central bank (net; increase -)	-161	-129	-128	-129	-129	-173	-168	-175	-192	-124	-154
Reserves (increase -)	-150	-118	-116	-123	-125	-172	-168	-175	-192	-121	-148
Liabilities (increase +)	-11	-11	-11	-7	-4	-1	0	0	0	-3	-6
Fund credit (net)	-11	-11	-11	-7	-4	-1	0	0	0	-3	-6
Commercial banks (net; increase -)	0	0	0	0	0	0	0	0	0	0	0
Changes in arrears	0	0	0	0	0	0	0	0	0	0	0
Debt relief (Paris Club II and III, Naples terms) 5/	0	0	0	0	0	0	0	0	0	10	0
Financing gap	99	85	85	88	92	89	94	94	99	120	92
Exceptional financing 6/	0	0	0	0	0	0	0	0	0	24	0
Traditional debt relief (Naples stock)	-7	-9	-9	-10	-11	-24	-26	-29	-32	12	-16
Remaining gap 7/	106	94	94	98	103	114	120	124	131	85	108
Memorandum items:											
Exports of goods (percent change)	10.5	10.5	10.5	10.1	10.2	10.1	9.9	9.9	9.9	10.5	10.2
Export price index (percent change)	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	2.3	1.8
Export volume index (percent change)	8.5	8.5	8.5	8.2	8.2	8.2	8.0	8.0	8.0	8.0	8.3
Total imports of goods (percent change)	7.4	7.7	7.5	7.4	7.3	7.2	7.2	7.1	7.2	5.8	7.4
Import price index (percent change)	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	0.7	1.8
Import volume index (percent change)	5.5	5.8	5.6	5.5	5.4	5.4	5.3	5.3	5.4	5.1	5.5
Gross official reserves	1,837	1,955	2,071	2,194	2,319	2,490	2,659	2,834	3,026	1,077	2,307
(in months of imports of goods and nonfactor services of following yea	5.2	5.2	5.1	5.1	5.0	5.0	5.0	5.0	5.0	4.6	5.1
Terms of trade index (1996/97 = 100)	70.2	70.2	70.2	70.2	70.2	70.2	70.2	70.2	70.2	66.4	70.2
(percent change)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.6	0.0

Sources: Ethiopian authorities; and Fund-Bank staff estimates and projections.

1/ Beginning 1997/98, all data pertain to the period July 8-July 7; prior to that, data cover the period July 1-June 30.
2/ Includes debt service to Russia on ruble-denominated debt before up-front discount through 1999/2000; thereafter, after up-front discount.
3/ For the DSA the World Bank $150 million disbursment of July 9 included here is captured in the 2000/01 stock of debt.
4/ Ethiopian Airlines and other public enterprises.
5/ Includes 1997 Paris Club rescheduling agreement (including Russia) under Naples terms, covering maturities through end-1998.
6/ World Bank ERSC.
7/ The remaining gap in 2001/02 through 2020/21 is expected to be fully covered by debt relief under the enhanced HIPC Initiative.

Table 12. Ethiopia: Nominal and Net Present Value of External Debt Outstanding, at End-Fiscal Year 2000/01

	Nominal debt before rescheduling			Nominal debt at end-2000/01 after rescheduling 1/			NPV of debt at end-2000/01 after rescheduling 1/		
	Millions of U.S. dollars	Percent of total	Percent of group	Millions of U.S. dollars	Percent of total	Percent of group	Millions of U.S. dollars	Percent of total 3/	Percent of group
Total	5,614.0	100.0	…	5,358.2	100.0	…	2,702.7	100.0	…
Multilateral institutions	3,072.9	54.7	100.0	3,072.9	57.3	100.0	1,617.8	59.9	100.0
AfDB/AfDF	783.8	14.0	25.5	783.8	14.6	25.5	458.8	17.0	28.4
BADEA	8.8	0.2	0.3	8.8	0.2	0.3	7.1	0.3	0.4
European Union	80.5	1.4	2.6	80.5	1.5	2.6	56.7	2.1	3.5
IDA	2,039.6	36.3	66.4	2,039.6	38.1	66.4	981.6	36.3	60.7
IFAD	61.0	1.1	2.0	61.0	1.1	2.0	32.8	1.2	2.0
IMF	89.2	1.6	2.9	89.2	1.7	2.9	72.8	2.7	4.5
Nordic Development Fund	1.8	0.0	0.1	1.8	0.0	0.1	0.7	0.0	0.0
OPEC Fund	8.2	0.1	0.3	8.2	0.2	0.3	7.2	0.3	0.4
Official bilateral creditors	2,420.7	43.1	...	2,222.2	41.5	…	1,021.6	37.8	…
Paris Club	1,843.0	32.8	100.0	1,816.4	33.9	100.0	852.4	31.5	100.0
Post-cutoff date	28.4	0.5	1.5	40.2	0.8	2.2	25.0	0.9	2.9
Pre-cutoff date	1,814.7	32.3	98.5	1,776.2	33.1	97.8	827.4	30.6	97.1
Of which: ODA	362.5	6.5	19.7	362.5	6.8	20.0	128.4	4.8	15.1
Non-ODA	1,452.2	25.9	78.8	1,413.7	26.4	77.8	699.0	25.9	82.0
Australia	6.5	0.1	0.4	6.5	0.1	0.4	5.3	0.2	0.6
Austria	14.5	0.3	0.8	14.5	0.3	0.8	4.3	0.2	0.5
Belgium	7.7	0.1	0.4	7.7	0.1	0.4	1.3	0.0	0.2
Canada	0.3	0.0	0.0	0.2	0.0	0.0	0.2	0.0	0.0
Finland	2.0	0.0	0.1	1.4	0.0	0.1	1.2	0.0	0.1
France	4.9	0.1	0.3	3.6	0.1	0.2	4.0	0.1	0.5
Germany	55.6	1.0	3.0	43.8	0.8	2.4	45.7	1.7	5.4
Italy	314.8	5.6	17.1	314.7	5.9	17.3	103.4	3.8	12.1
Japan	13.2	0.2	0.7	13.2	0.2	0.7	14.2	0.5	1.7
Netherlands	1.0	0.0	0.1	0.7	0.0	0.0	0.7	0.0	0.1
Russia	1,267.5	22.6	68.8	1,267.5	23.7	69.8	578.1	21.4	67.8
Spain	14.4	0.3	0.8	14.4	0.3	0.8	12.4	0.5	1.5
Sweden	22.0	0.4	1.2	17.8	0.3	1.0	17.2	0.6	2.0
United Kingdom	16.7	0.3	0.9	9.7	0.2	0.5	8.5	0.3	1.0
United States	102.0	1.8	5.5	100.8	1.9	5.5	56.0	2.1	6.6
Non-Paris Club Official Bilateral	577.6	10.3	100.0	405.8	7.6	100.0	169.2	6.3	100.0
Post-cutoff date	0.9	0.0	0.1	0.9	0.0	0.2	0.6	0.0	0.4
Pre-cutoff date	576.8	10.3	99.9	404.9	7.6	99.8	168.6	6.2	99.6
Of which: ODA	310.6	5.5	53.8	310.6	5.8	76.5	75.1	2.8	44.4
Non-ODA	266.2	4.7	46.1	94.4	1.8	23.3	93.5	3.5	55.3
Algeria	10.9	0.2	1.9	10.9	0.2	2.7	5.4	0.2	3.2
Bulgaria	49.9	0.9	8.6	17.4	0.3	4.3	16.8	0.6	9.9
China	38.4	0.7	6.7	27.4	0.5	6.8	16.8	0.6	9.9
Czech Republic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hungary	6.4	0.1	1.1	6.4	0.1	1.6	3.6	0.1	2.1
Kuwait	14.2	0.3	2.5	14.2	0.3	3.5	8.0	0.3	4.7
Libya	241.9	4.3	41.9	241.9	4.5	59.6	45.2	1.7	26.7
Korea, Dem. People's Rep. of	80.9	1.4	14.0	36.4	0.7	9.0	24.3	0.9	14.3
Poland	10.8	0.2	1.9	9.7	0.2	2.4	8.2	0.3	4.8
Yugoslavia	124.2	2.2	21.5	41.4	0.8	10.2	41.1	1.5	24.3
Commercial creditors	120.4	2.1	…	63.2	1.2	…	63.3	2.3	…
Bulgaria 2/	8.7	0.2	7.3	2.9	0.1	4.6	2.9	0.1	4.6
Czech Republic	4.5	0.1	3.8	1.5	0.0	2.4	1.5	0.1	2.4
India 2/	14.8	0.3	12.3	4.9	0.1	7.8	4.9	0.2	7.7
Italy 2/	1.3	0.0	1.1	0.4	0.0	0.7	0.4	0.0	0.7
Netherlands	34.6	0.6	28.7	34.6	0.6	54.7	34.9	1.3	55.2
United States	9.7	0.2	8.0	3.2	0.1	5.1	3.2	0.1	5.0
Yugoslavia 2/	46.7	0.8	38.8	15.6	0.3	24.6	15.4	0.6	24.4

Sources: Ethiopian authorities; and Fund-Bank staff estimates and projections.

1/ After full use of traditional debt relief mechanisms and comparable treatment by Non-Paris Club official bilateral and commercial creditors at end 2000/01.

2/ Commercial loans subject to a buyback operation at 8 cents per U.S. dollars for which the creditor(s) refused to participate. Hence the buyback operation is unsettled and the debts are all in arrears.

Table 13. Ethiopia: Enhanced HIPC Initiative: Assistance Levels Under a Proportional Burden-Sharing Approach 1/
(In millions of US dollars in end-2000/01 NPV terms; unless otherwise indicated) 2/

	Total	Multilaterals	Bilaterals	Commercial Banks	Common Reduction Factor 3/ (Percent)	Memo item: Required NPV debt reduction on comparable treatment of bilateral debt based on overall exposure 4/ (Percent)
Debt relief under baseline scenario	1,275	763	482	30	47.2	
NPV of debt 5/ 6/	2,703	1,618	1,022	63		
Three-year export average	952					
NPV of debt-to-export ratio (percent) 7/	284					
Paris Club Creditors:	852					82.4
Of which pre-cod non-ODA	699					85.8
Non-Paris Club Creditors 8/	233					82.4
Of which pre-cod non-ODA	122					96.7

Sources: Ethiopian authorities; and Fund-Bank staff estimates and projections.

1/ Assumes proportional burden sharing as described in "HIPC Initiative: Estimated Costs and Burden-Sharing Approaches" (EBS/97/127; 7/7/97, and IDA/SEC M97-306; 7/7/97), that is, after full application of traditional debt-relief mechanisms.
2/ Using six-month backward-looking discount rates at end-June 2001 and end-June 2001 exchange rates.
3/ Each multilateral's NPV reduction at the decision point in percent of its exposure at the decision point.
4/ Includes traditional debt relief; a hypothetical stock-of-debt operation on Naples terms with comparable treatment for non Paris Club creditors.
5/ Applies a hypothetical stock-of-debt operation on Naples terms at end-2000/01.
6/ Based on latest data available at the decision point after full application of traditional debt relief mechanisms.
7/ Based on the three-year backward-looking average of exports of goods and nonfactor services (e.g., 1998/99-2000/01).

Table 14. Ethiopia: External Debt Indicators, 2000/01–2020/21 1/

(In millions of U.S. dollars; unless otherwise indicated)

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2015/16	2020/21	Average 2001/02-2010/11	Average 2011/12-2020/21
Baseline scenario															
(In millions of U.S. dollars)															
Nominal debt stock after traditional debt relief mechanisms	5,358.2	5,901.0	6,260.4	6,447.0	6,605.5	6,735.8	6,824.5	6,911.7	6,992.6	7,077.5	7,162.8	7,511.0	7,648.8	6,511.4	7,467.8
Multilateral	3,072.9	3,004.3	2,930.4	2,852.5	2,774.7	2,694.9	2,609.5	2,524.1	2,435.8	2,353.2	2,268.8	1,830.6	1,356.7	2,725.2	1,823.8
Official Bilateral	2,222.2	2,236.5	2,248.5	2,250.2	2,237.2	2,223.6	2,209.4	2,194.1	2,176.8	2,156.7	2,135.0	1,962.0	1,594.2	2,215.5	1,922.9
Of which: Paris Club	1,816.4	1,830.8	1,842.8	1,844.6	1,831.7	1,818.2	1,804.1	1,789.1	1,772.6	1,753.6	1,733.4	1,576.0	1,261.0	1,810.4	1,544.6
Of which: Post cutoff date	28.4	24.3	20.3	16.2	12.2	8.6	5.6	3.2	1.6	0.0	0.0	0.0	0.0	12.0	0.0
Of which: ODA	22.7	19.5	16.3	13.0	9.8	7.0	4.8	3.2	1.6	0.0	0.0	0.0	0.0	9.8	0.0
Commercial	63.2	57.4	51.7	45.9	40.1	34.4	28.6	28.5	28.3	28.0	27.6	22.9	11.7	40.6	21.6
New debt	0.0	602.8	1,029.9	1,298.4	1,553.4	1,782.9	1,977.0	2,165.0	2,351.6	2,539.5	2,731.5	3,695.6	4,686.3	1,530.1	3,699.5
Nominal debt before traditional debt relief	5,614.0	6,124.9	6,462.4	6,620.6	6,747.8	6,847.2	6,904.0	6,960.9	7,014.5	7,076.2	7,139.9	7,455.3	7,650.8	6,637.3	7,430.8
NPV of debt	2,702.7	2,926.0	3,093.5	3,200.1	3,291.8	3,377.2	3,451.1	3,526.6	3,598.5	3,676.9	3,755.6	4,100.8	4,266.3	3,284.5	4,064.0
Multilateral	1,617.8	1,601.6	1,581.3	1,558.1	1,535.7	1,512.1	1,483.4	1,455.0	1,423.8	1,398.2	1,370.3	1,205.4	971.0	1,516.7	1,191.9
Official Bilateral	1,021.6	1,055.7	1,093.4	1,122.8	1,140.4	1,157.1	1,174.4	1,191.9	1,208.9	1,224.5	1,239.7	1,272.1	1,132.5	1,139.1	1,237.8
Of which: Paris Club	852.4	883.8	919.0	945.5	960.2	973.7	987.6	1,001.8	1,015.7	1,028.2	1,040.6	1,062.0	939.9	956.8	1,033.5
Of which: Post cutoff date	25.0	21.7	18.3	14.8	11.2	8.0	5.2	3.0	1.5	0.0	0.0	0.0	0.0	10.9	0.0
Of which: ODA	19.3	16.9	14.3	11.6	8.9	6.4	4.5	3.0	1.5	0.0	0.0	0.0	0.0	8.6	0.0
Commercial	63.3	57.3	51.3	45.4	39.6	33.9	28.3	28.1	27.9	27.6	27.2	22.4	11.4	36.7	20.6
New debt	0.0	211.5	367.4	473.8	576.1	674.1	765.1	851.6	937.9	1,026.7	1,118.4	1,600.8	2,151.4	700.3	1,662.6
NPV of debt before traditional debt relief	3,264.2	3,462.5	3,611.0	3,692.3	3,755.3	3,811.2	3,854.0	3,898.9	3,941.9	3,994.6	4,048.2	4,330.2	4,501.1	3,807.0	4,333.4
(In percent of exports of goods and nonfactor services) 2/															
NPV of debt after traditional debt-relief mechanisms	284.0	297.9	305.3	295.6	280.8	263.9	246.5	230.6	216.0	202.5	189.8	134.9	91.8	252.9	132.0
Of which: multilateral	170.0	184.6	192.4	187.7	180.1	170.8	160.6	150.8	141.7	133.6	125.8	92.3	67.2	162.8	90.8
Debt service	--	15.7	15.2	15.1	14.0	12.8	12.1	11.4	11.0	10.1	9.4	7.6	6.4	12.7	7.6
Of which: multilateral	--	10.6	10.5	10.0	9.2	8.5	8.1	8.1	7.9	7.1	6.6	5.1	3.9	8.7	5.1
NPV of debt after enhanced HIPC relief	343.0	292.6	173.5	173.9	168.7	161.7	154.0	146.9	140.4	134.4	128.6	100.3	75.8	167.5	98.4
Of which: multilateral	170.0	178.5	116.2	119.7	120.5	119.1	116.4	113.3	110.1	106.8	103.4	84.6	67.0	120.4	83.1
NPV of debt after unconditional delivery of enhanced HIPC relief 3/	150.0	158.6	173.5	173.9	168.7	161.7	154.0	146.9	140.4	134.4	128.6	100.3	75.8	154.1	98.4
Debt service after enhanced HIPC relief	--	10.4	6.9	7.3	7.9	7.2	6.6	6.2	5.9	5.4	4.9	4.7	3.8	6.9	4.4
Of which: multilateral	--	7.3	4.7	3.7	3.4	3.3	3.1	3.5	3.7	3.7	3.4	3.6	1.1	4.0	3.2
(In percent)															
NPV of debt-to-revenue ratio (before rescheduling) 4/	454.5	439.2	425.2	379.1	333.1	309.2	276.1	252.0	229.8	210.2	193.0	125.4	80.8	304.7	123.8
NPV of debt-to-revenue ratio 4/	218.8	209.8	203.5	183.2	162.5	152.5	138.0	127.7	117.9	109.2	101.5	69.0	45.1	150.6	67.6
NPV of debt-to-revenue after (unconditional) enhanced HIPC relief 3/ 4/	115.6	111.7	115.6	107.8	97.7	93.5	86.2	81.3	76.7	72.5	68.8	51.3	37.2	91.2	50.4
NPV of debt-to-GDP ratio (before rescheduling)	88.5	89.1	87.1	80.2	75.0	69.9	64.4	59.5	54.9	50.7	47.0	32.6	22.7	67.8	32.2
NPV of debt-to-GDP ratio	42.6	42.6	41.7	38.8	36.6	34.5	32.2	30.1	28.1	26.3	24.7	17.9	12.6	33.6	17.6
NPV of debt-to-GDP ratio after (unconditional) enhanced HIPC relief 3/	22.5	22.7	23.7	22.8	22.0	21.1	20.1	19.2	18.3	17.5	16.8	13.3	10.4	20.4	13.1
Grant element in total debt	49.6	50.4	50.6	50.4	50.2	49.9	49.4	49.0	48.5	48.0	47.6	45.4	44.2	49.4	45.4
Grant element in new debt	0.0	64.9	64.3	63.5	62.9	62.2	61.3	60.7	60.1	59.6	59.1	56.7	54.1	61.9	56.4
Alternative scenario I 5/															
(In millions of U.S. dollars)															
NPV of debt after traditional debt-relief mechanisms	2,702.7	2,926.0	3,093.5	3,205.0	3,300.6	3,390.5	3,469.1	3,548.1	3,623.8	3,707.2	3,795.1	4,223.0	4,585.4	3,405.9	4,250.1
(In percent of exports of goods and nonfactor services) 2/															
NPV of debt after traditional debt-relief mechanisms	284.0	297.9	305.3	297.9	286.5	274.1	260.7	248.4	237.2	227.0	217.4	173.7	135.1	265.2	170.4
Debt service	--	15.7	15.2	15.4	14.4	13.5	13.0	12.5	12.3	11.5	10.9	9.8	9.1	13.4	9.9
NPV of debt after enhanced HIPC relief	343.0	292.6	173.5	175.5	172.5	168.4	163.3	158.8	154.8	151.2	148.0	130.5	113.2	175.9	128.9
NPV of debt after unconditional delivery of enhanced HIPC relief 3/	150.0	158.6	173.5	175.5	172.5	168.4	163.3	158.8	154.8	151.2	148.0	130.5	113.2	162.5	128.9
Debt service after enhanced HIPC relief	--	10.4	6.9	7.4	8.1	7.5	7.1	6.7	6.5	6.1	5.7	6.0	5.5	7.3	5.8
(In percent)															
NPV of debt-to-revenue ratio 4/	218.8	209.8	203.5	185.3	166.1	157.7	144.7	136.2	127.8	120.3	113.3	82.8	58.6	156.5	81.1
NPV of debt-to-GDP ratio	42.6	42.6	41.7	39.4	37.7	36.0	34.3	32.7	31.2	29.8	28.4	22.5	17.3	35.4	22.0
Grant element in new debt	--	64.9	64.3	63.5	63.0	62.2	61.4	60.7	60.2	59.6	59.1	57.0	54.9	61.9	56.8
Alternative scenario II 6/															
(In millions of U.S. dollars)															
NPV of debt after traditional debt-relief mechanisms	2,702.7	2,926.0	3,093.5	3,217.8	3,331.7	3,444.1	3,548.4	3,657.9	3,767.8	3,888.2	4,013.5	4,670.6	5,294.0	3,488.9	4,727.5
(In percent of exports of goods and nonfactor services) 2/															
NPV of debt after traditional debt-relief mechanisms	284.0	297.9	305.3	302.1	293.8	283.1	267.3	252.4	238.5	225.7	213.6	161.1	119.0	268.0	158.1
Debt service	--	15.7	15.2	15.8	14.8	13.7	12.9	12.2	11.8	10.9	10.2	8.4	7.4	13.3	8.5
NPV of debt after enhanced HIPC relief	343.0	292.6	173.5	178.4	178.0	175.6	169.7	164.1	158.8	153.9	149.2	124.9	102.2	179.4	122.9
NPV of debt after unconditional delivery of enhanced HIPC relief 3/	150.0	158.6	173.5	178.4	178.0	175.6	169.7	164.1	158.8	153.9	149.2	124.9	102.2	166.0	122.9
Debt service after enhanced HIPC relief	--	10.4	6.9	7.7	8.3	7.7	7.1	6.7	6.4	5.9	5.4	5.3	4.7	7.2	5.1
(In percent)															
NPV of debt-to-revenue ratio 4/	218.8	209.8	203.5	184.4	164.6	155.6	142.0	132.5	123.5	115.6	108.6	78.7	56.0	154.0	77.3
NPV of debt-to-GDP ratio	42.6	42.6	41.7	39.0	37.0	35.1	33.0	31.2	29.4	27.8	26.4	20.4	15.6	34.3	20.1
Grant element in new debt	--	64.9	64.3	63.6	63.1	62.5	61.7	61.1	60.6	60.1	59.6	57.2	55.0	62.2	57.0
Alternative scenario III 7/															
(In millions of U.S. dollars)															
NPV of debt after traditional debt-relief mechanisms	2,702.7	2,926.0	3,093.5	3,228.1	3,351.6	3,473.1	3,588.0	3,709.9	3,834.1	3,961.9	4,095.7	4,797.1	5,356.4	3,526.2	4,832.2
(In percent of exports of goods and nonfactor services) 2/															
NPV of debt after traditional debt-relief mechanisms	284.0	297.9	305.3	298.2	285.9	271.4	256.3	242.6	230.1	218.2	207.0	157.8	115.3	261.3	154.2
Debt service	--	15.7	15.2	15.1	14.1	13.0	12.3	11.6	11.3	10.4	9.7	8.2	7.2	12.9	8.2
NPV of debt after enhanced HIPC relief	343.0	292.6	173.5	176.5	173.8	169.2	163.7	158.9	154.5	150.1	145.8	123.2	99.3	175.9	120.7
NPV of debt after unconditional delivery of enhanced HIPC relief 3/	150.0	158.6	173.5	176.5	173.8	169.2	163.7	158.9	154.5	150.1	145.8	123.2	99.3	162.5	120.7
Debt service after enhanced HIPC relief	--	10.4	6.9	7.4	8.0	7.3	6.8	6.4	6.1	5.7	5.2	5.2	4.6	7.0	5.0
(In percent)															
NPV of debt-to-revenue ratio 4/	218.8	209.8	203.5	184.8	165.5	156.8	143.5	134.3	125.6	117.7	110.7	80.7	56.6	155.2	79.0
NPV of debt-to-GDP ratio	42.6	42.6	41.7	39.1	37.3	35.4	33.4	31.6	29.9	28.3	26.9	20.9	15.8	34.6	20.5
Grant element in new debt	--	64.9	64.3	63.7	63.2	62.6	61.8	61.3	60.8	60.2	59.7	57.1	54.4	62.2	56.8

Sources: Ethiopian authorities; and Fund-Bank staff estimates and projections.

1/ All debt indicators refer to public and publicly guaranteed (PPG) debt and are defined after rescheduling, unless otherwise indicated.

2/ As defined in IMF *Balance of Payments Manual, 5th edition, 1993*. Based on a three-year average of exports on the previous year (e.g. export average over 1998/99-2000/01 for NPV of debt-to-exports ratio in 2000/01).

3/ Entire assistance assumed to be delivered unconditionally at October 31, 2001.

4/ Revenues are defined as central government revenues, excluding grants.

5/ Assumes lower GDP growth from 2003/04 resulting in both lower export volume growth at 6 percent per annum and lower import volume growth at 4.3 percent per annum.

6/ Assumes coffee prices lower by 25 percent from 2003/04 onward.

7/ Proportion of grants in total external financing assumed to be an average of 20 percentage points lower from 2003/04 onward.

Table 15. Ethiopia: Net Present Value of External Debt After Rescheduling, 2000/01–2020/21

(In millions of U.S. dollars, unless otherwise indicated)

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2015/16	2020/21	2001/02-2010/11	2011/12-2020/21
						Projected								Averages	
Before relief															
NPV of total debt 1/	3,264.2	3,462.5	3,611.0	3,692.3	3,755.3	3,811.2	3,854.0	3,898.9	3,941.9	3,994.6	4,048.2	4,330.2	4,501.1	3,807.0	4,333.4
NPV of old debt	3,264.2	3,251.1	3,243.6	3,218.5	3,179.2	3,137.2	3,088.9	3,047.3	3,004.0	2,967.9	2,929.8	2,729.4	2,349.7	3,106.7	2,670.9
Multilateral	1,617.8	1,601.6	1,581.3	1,558.1	1,535.7	1,512.1	1,483.4	1,455.0	1,423.8	1,398.2	1,370.3	1,205.4	971.0	1,492.0	1,174.0
Official bilateral and commercial	1,646.4	1,649.5	1,662.2	1,660.4	1,643.5	1,625.0	1,605.5	1,592.3	1,580.2	1,569.8	1,559.5	1,524.0	1,378.7	1,614.8	1,496.8
Paris Club	955.2	977.0	1,001.1	1,009.3	1,000.4	989.2	977.1	965.6	955.4	946.3	937.3	906.0	763.4	975.9	879.1
Other official bilateral	570.4	562.0	560.7	558.6	556.4	554.8	553.0	551.2	549.4	548.1	546.8	542.6	539.8	554.1	542.3
Commercial	120.9	110.5	100.5	92.6	86.7	81.0	75.4	75.4	75.4	75.4	75.4	75.4	75.4	84.8	75.4
NPV of new debt	0.0	211.5	367.4	473.8	576.1	674.1	765.1	851.6	937.9	1,026.7	1,118.4	1,600.8	2,151.4	700.3	1,662.6
Memorandum items:															
NPV of debt-to-exports ratio (percent) 2/	343.0	352.6	356.4	341.1	320.3	297.8	275.2	254.9	236.6	220.0	204.6	142.4	96.9	286.0	139.8
NPV of debt-to-revenue ratio (percent)	264.3	248.3	237.6	211.4	185.4	172.1	154.1	141.1	129.2	118.6	109.5	72.9	47.5	170.7	71.7
After traditional debt relief 1/															
NPV of total debt 2/	2,702.7	2,926.0	3,093.5	3,200.1	3,291.8	3,377.2	3,451.1	3,526.6	3,598.5	3,676.9	3,755.6	4,100.8	4,266.3	3,389.7	4,094.8
NPV of old debt	2,702.7	2,714.5	2,726.1	2,726.3	2,715.8	2,703.1	2,686.1	2,675.1	2,660.7	2,650.2	2,637.2	2,500.0	2,114.9	2,689.5	2,432.2
Official bilateral and commercial	1,084.9	1,112.9	1,144.7	1,168.2	1,180.1	1,191.0	1,202.6	1,220.0	1,236.9	1,252.1	1,266.9	1,294.6	1,143.9	1,197.5	1,258.2
Paris Club	852.4	883.8	919.0	945.5	960.2	973.7	987.6	1,001.8	1,015.7	1,028.2	1,040.6	1,062.0	939.9	975.6	1,032.8
post-cutoff date	25.0	21.7	18.3	14.8	11.2	8.0	5.2	3.0	1.5	0.0	0.0	0.0	0.0	8.4	0.0
pre-cutoff date	827.4	862.1	900.6	930.7	948.9	965.7	982.4	998.8	1,014.2	1,028.2	1,040.6	1,062.0	939.9	967.2	1,032.8
Of which: ODA	128.4	143.9	160.4	174.9	178.0	181.3	184.7	188.5	192.4	196.6	201.0	226.8	240.5	180.1	226.7
Other official bilateral	169.2	171.8	174.5	177.3	180.3	183.4	186.8	190.1	193.2	196.3	199.2	210.1	192.5	185.3	204.8
post-cutoff date	0.6	0.7	0.6	0.5	0.5	0.4	0.4	0.3	0.2	0.1	0.0	0.0	0.0	0.4	0.0
pre-cutoff date	168.6	171.1	173.9	176.7	179.8	183.0	186.4	189.8	193.0	196.2	199.1	210.1	192.5	184.9	204.8
Of which: ODA	75.1	77.7	80.4	83.3	86.4	89.7	93.2	96.9	100.9	105.1	109.5	136.1	154.9	92.3	136.8
Commercial	63.3	57.3	51.3	45.4	39.6	33.9	28.3	28.1	27.9	27.6	27.2	22.4	11.4	36.7	20.6
post-cutoff date	34.9	28.9	23.0	17.1	11.3	5.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.6	0.0
pre-cutoff date	28.4	28.3	28.3	28.3	28.3	28.3	28.3	28.1	27.9	27.6	27.2	22.4	11.4	28.1	20.6
Multilateral	1,617.8	1,601.6	1,581.3	1,558.1	1,535.7	1,512.1	1,483.4	1,455.0	1,423.8	1,398.2	1,370.3	1,205.4	971.0	1,492.0	1,174.0
IMF	72.8	62.2	50.9	41.7	34.7	29.0	20.6	13.6	8.1	4.1	0.0	0.0	0.0	26.5	0.0
World Bank	981.6	998.4	1,011.7	1,019.2	1,024.9	1,027.3	1,026.8	1,024.1	1,016.8	1,007.5	996.1	883.6	703.2	1,015.3	857.8
AfDB/AfDF	458.8	441.4	424.9	407.2	390.2	374.6	359.3	345.5	332.1	325.1	317.5	285.1	242.3	371.8	279.6
Others	104.6	99.6	93.8	89.9	86.0	81.3	76.7	71.9	66.8	61.4	56.7	36.7	25.5	78.4	36.6
NPV of new debt	0.0	211.5	367.4	473.8	576.1	674.1	765.1	851.6	937.9	1,026.7	1,118.4	1,600.8	2,151.4	700.3	1,662.6
Memorandum items:															
Exports of goods and services 3/	957.3	1,005.0	1,077.0	1,165.7	1,274.4	1,399.6	1,526.6	1,661.9	1,810.5	1,974.4	2,150.9	3,303.0	5,044.4	1,504.6	3,547.6
Three-year export average 4/	951.6	982.0	1,013.1	1,082.6	1,172.3	1,279.9	1,400.2	1,529.4	1,666.4	1,815.6	1,978.6	3,040.5	4,647.0	1,392.0	3,265.9
Central government revenue 5/	1,235.1	1,394.5	1,520.0	1,746.4	2,025.5	2,214.4	2,500.9	2,762.2	3,052.1	3,366.8	3,698.6	5,943.4	9,467.5	2,428.1	6,443.7
NPV of debt-to-exports ratio (percent) 6/	284.0	297.9	305.3	295.6	280.8	263.9	246.5	230.6	216.0	202.5	189.8	134.9	91.8	252.9	132.0
NPV of debt-to-revenue ratio (percent)	218.8	209.8	203.5	183.2	162.5	152.5	138.0	127.7	117.9	109.2	101.5	69.0	45.1	150.6	67.6
After enhanced HIPC assistance															
NPV of total debt 2/	3,263.7	2,873.3	1,757.7	1,882.9	1,978.0	2,070.1	2,155.8	2,246.2	2,339.7	2,439.6	2,544.9	3,050.6	3,522.2	2,228.8	3,095.0
NPV of old debt	3,263.7	2,661.8	1,390.3	1,409.1	1,402.0	1,396.0	1,390.7	1,394.6	1,401.8	1,412.9	1,426.5	1,449.7	1,370.8	1,528.6	1,432.4
Official bilateral and commercial	1,645.9	1,120.1	580.2	587.0	565.6	545.3	525.3	513.2	505.1	501.0	499.0	479.7	408.7	594.2	466.7
Paris Club	954.9	969.4	434.6	445.4	429.3	413.7	398.2	384.9	375.5	369.4	365.3	332.5	252.7	458.6	318.9
Other official bilateral	570.4	111.9	115.4	115.6	116.0	117.1	118.2	119.4	120.7	122.8	124.9	139.4	150.9	118.2	140.5
Commercial	120.7	38.8	30.3	26.0	20.2	14.5	8.9	8.9	8.9	8.8	8.8	7.8	5.2	17.4	7.3
Multilateral	1,617.8	1,541.8	810.1	822.1	836.4	850.7	865.4	881.4	896.7	911.8	927.5	970.1	962.1	934.4	965.7
NPV of new debt	0.0	211.5	367.4	473.8	576.1	674.1	765.1	851.6	937.9	1,026.7	1,118.4	1,600.8	2,151.4	700.3	1,662.6
Memorandum items:															
Exports of goods and services 3/	957.3	1,005.0	1,077.0	1,165.7	1,274.4	1,399.6	1,526.6	1,661.9	1,810.5	1,974.4	2,150.9	3,303.0	5,044.4	1,504.6	3,547.6
Three-year export average 4/	951.6	982.0	1,013.1	1,082.6	1,172.3	1,279.9	1,400.2	1,529.4	1,666.4	1,815.6	1,978.6	3,040.5	4,647.0	1,392.0	3,265.9
Central government revenue 5/	1,235.1	1,394.5	1,520.0	1,746.4	2,025.5	2,214.4	2,500.9	2,762.2	3,052.1	3,366.8	3,698.6	5,943.4	9,467.5	2,428.1	6,443.7
Old Debt															
NPV of debt-to-exports ratio (percent) 6/	343.0	271.0	137.2	130.2	119.6	109.1	99.3	91.2	84.1	77.8	72.1	47.7	29.5	119.2	46.7
NPV of debt-to-revenue ratio (percent)	264.2	190.9	91.5	80.7	69.2	63.0	55.6	50.5	45.9	42.0	38.6	24.4	14.5	72.8	24.0
Total Debt															
NPV of debt-to-exports ratio (percent) 6/	343.0	292.6	173.5	173.9	168.7	161.7	154.0	146.9	140.4	134.4	128.6	100.3	75.8	167.5	98.4
NPV of debt-to-revenue ratio (percent)	264.2	206.0	115.6	107.8	97.7	93.5	86.2	81.3	76.7	72.5	68.8	51.3	37.2	100.6	50.4
Beyond Enhanced HIPC 7/															
NPV of debt-to-exports ratio (percent) 6/	343.0	292.3	148.2	149.9	147.6	143.3	138.0	132.9	128.0	123.2	118.4	94.5	72.8	152.2	92.7
NPV of debt-to-revenue ratio (percent)	264.2	205.8	98.8	92.9	85.4	82.8	77.2	73.6	69.9	66.4	63.4	48.3	35.7	91.6	47.4
After unconditional delivery of enhanced HIPC assistance 8/															
NPV of total debt 2/	1,427.5	1,557.3	1,757.7	1,882.9	1,978.0	2,070.1	2,155.8	2,246.2	2,339.7	2,439.6	2,544.9	3,050.6	3,522.2	2,097.2	3,095.0
NPV of old debt	1,427.5	1,345.9	1,390.3	1,409.1	1,402.0	1,396.0	1,390.7	1,394.6	1,401.8	1,412.9	1,426.5	1,449.7	1,370.8	1,397.0	1,432.4
Official bilateral and commercial	573.0	556.5	580.2	587.0	565.6	545.3	525.3	513.2	505.1	501.0	499.0	479.7	408.7	537.8	466.7
Paris Club	450.2	439.6	434.6	445.4	429.3	413.7	398.2	384.9	375.5	369.4	365.3	332.5	252.7	405.6	318.9
Other official bilateral	89.4	89.9	115.4	115.6	116.0	117.1	118.2	119.4	120.7	122.8	124.9	139.4	150.9	116.0	140.5
Commercial	33.4	26.9	30.3	26.0	20.2	14.5	8.9	8.9	8.9	8.8	8.8	7.8	5.2	16.2	7.3
Multilateral	854.5	789.4	810.1	822.1	836.4	850.7	865.4	881.4	896.7	911.8	927.5	970.1	962.1	859.1	965.7
NPV of new debt	0.0	211.5	367.4	473.8	576.1	674.1	765.1	851.6	937.9	1,026.7	1,118.4	1,600.8	2,151.4	700.3	1,662.6
Memorandum items:															
Old Debt															
NPV of debt-to-exports ratio (percent) 6/	150.0	137.0	137.2	130.2	119.6	109.1	99.3	91.2	84.1	77.8	72.1	47.7	29.5	105.8	46.7
NPV of debt-to-revenue ratio (percent)	115.6	96.5	91.5	80.7	69.2	63.0	55.6	50.5	45.9	42.0	38.6	24.4	14.5	63.3	24.0
Total Debt															
NPV of debt-to-exports ratio (percent) 6/	150.0	158.6	173.5	173.9	168.7	161.7	154.0	146.9	140.4	134.4	128.6	100.3	75.8	154.1	98.4
NPV of debt-to-revenue ratio (percent)	115.6	111.7	115.6	107.8	97.7	93.5	86.2	81.3	76.7	72.5	68.8	51.3	37.2	91.2	50.4
Beyond Enhanced HIPC 7/															
NPV of debt-to-exports ratio (percent) 6/	150.0	148.9	148.2	149.9	147.6	143.3	138.0	132.9	128.0	123.2	118.4	94.5	72.8	137.8	92.7
NPV of debt-to-revenue ratio (percent)	115.6	110.9	98.8	92.9	85.4	82.8	77.2	73.6	69.9	66.4	63.4	48.3	35.7	82.1	47.4

Sources: Ethiopian authorities; and Fund-Bank staff estimates and projections.

1/ Assumes a stock of debt operation on Naples terms in July 2001, with comparable treatment from non-Paris Club bilateral creditors.
2/ Discounted on the basis of a six-month average of Commercial Interest Reference Rate (CIRR) for January-June 2001. The conversion of currency-specific NPVs into U.S. dollars occurs for all years at the base date exchange rate (end-June 2001).
3/ As defined in IMF Balance of Payments Manual, 5th edition, 1993.
4/ Backward-looking average (e.g. average over 1998/99–2000/01 for exports in 2000/01).
5/ Converted into U.S. dollars at the end-of-period June 2001 exchange rate.
6/ NPV of debt in percent of three-year average of exports of goods and services.
7/ Reflects assistance committted beyond Enhanced HIPC by some Paris Club creditors on a bilateral basis.
8/ Entire assistance assumed to be delivered unconditionally at July 7, 2001.

Table 16. Ethiopia: Debt Service Payments on Public and Publicly Guaranteed External Debt, 2000/01-2020/21

(in millions of U.S. dollars; unless otherwise indicated)

														Average	
	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2015/16	2020/21	2001/02 2010/11	2011/12- 2020/21
Before debt relief															
Total debt service	222	163	162	182	199	200	205	208	214	209	210	242	289	195	246
Principal	153	92	90	111	128	130	137	141	148	144	146	179	227	127	184
Interest	70	71	72	71	71	70	68	67	66	64	64	63	62	68	63
Of which: new borrowing	4	4	8	10	11	13	15	26	33	37	39	65	88	20	68
After traditional debt relief mechanisms 1/	189	158	164	176	178	180	185	190	200	199	203	252	320	183	263
Principal	105	78	84	95	97	99	105	111	121	121	125	174	247	104	186
Multilateral	69	69	74	78	78	80	85	85	88	83	84	91	97	80	91
Of which: IMF	13	14	14	12	9	7	10	8	6	4	4	0	0	9	0
Of which: IDA	22	22	27	33	36	40	43	45	50	52	54	68	74	40	68
Of which: AfDB/AfDF	33	24	24	26	26	25	25	24	24	18	19	19	20	23	19
Others	1	9	9	7	7	8	8	8	8	8	7	4	3	8	5
Official bilateral	30	4	4	12	13	14	14	15	17	20	22	45	94	14	54
Paris Club	30	4	4	11	13	14	14	15	16	19	20	41	80	13	47
post-cutoff date	4	4	4	4	4	4	3	2	2	2	0	0	0	3	0
pre-cutoff date	26	0	0	7	9	10	11	13	15	17	20	41	80	10	47
Other official bilateral	0	0	0	0	0	0	0	0	1	1	2	4	14	0	7
post-cutoff date	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
pre-cutoff date	0	0	0	0	0	0	0	0	1	1	1	4	14	0	7
Commercial	6	6	6	6	6	6	6	0	0	0	0	1	3	4	2
post-cutoff date	6	6	6	6	6	6	6	0	0	0	0	0	0	3	0
pre-cutoff date	0	0	0	0	0	0	0	0	0	0	0	1	3	0	2
New borrowing	0	0	0	0	0	0	0	10	15	18	18	37	53	6	39
Interest	83	79	80	81	81	81	80	79	79	78	78	78	73	80	77
Multilateral	34	33	32	30	28	26	24	23	21	20	19	14	11	25	14
Of which: IMF	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Of which: IDA	13	15	15	15	15	14	14	14	13	13	13	10	8	14	10
Of which: AfDB/AfDF	14	16	14	13	11	10	9	7	6	5	5	4	3	10	4
Others	7	2	2	2	2	2	2	1	1	1	1	1	0	2	1
Official bilateral	40	37	38	38	39	39	39	39	38	38	38	34	26	38	33
Paris Club	32	29	30	30	32	31	31	31	31	30	30	27	22	31	26
post-cutoff date	1	1	1	1	0	0	0	0	0	0	0	0	0	0	0
pre-cutoff date	31	29	29	30	31	31	31	31	31	30	30	27	22	30	26
Other official bilateral	9	8	8	8	8	8	8	8	8	8	8	7	5	8	6
post-cutoff date	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
pre-cutoff date	9	8	8	8	8	8	8	8	8	8	8	7	5	8	6
Commercial	5	4	4	3	3	2	2	2	2	2	2	1	1	3	1
post-cutoff date	3	2	2	2	1	1	0	0	0	0	0	0	0	1	0
pre-cutoff date	2	2	2	2	2	2	2	2	2	2	2	1	1	2	1
New borrowing	4	4	8	10	11	13	15	16	18	19	20	28	35	13	29
After enhanced HIPC assistance 2/	…	105	74	85	100	100	101	102	106	107	106	154	190	99	155
Principal	…	57	42	42	55	55	55	57	60	60	58	99	134	54	100
Multilateral	…	47	32	25	24	25	26	26	28	29	30	46	49	29	43
Official bilateral	…	4	4	11	26	24	24	21	17	12	10	16	32	15	19
Of which: Paris Club	…	4	4	8	23	22	21	19	14	11	9	14	26	14	16
Commercial	…	6	6	6	6	6	6	0	0	0	0	0	0	3	0
New borrowing	…	0	0	0	0	0	0	10	15	18	18	37	53	6	39
Interest	…	47	32	43	45	45	45	46	46	47	48	55	56	44	54
Multilateral	…	22	11	9	8	8	7	7	6	6	6	8	6	9	7
Official bilateral	…	19	12	24	24	24	23	23	22	22	22	20	15	21	19
Of which: Paris Club	…	17	9	20	20	20	19	19	19	18	18	16	12	18	16
Commercial	…	2	2	2	1	1	0	0	0	0	0	0	0	1	0
New borrowing	…	4	8	10	11	13	15	16	18	19	20	28	35	13	29
Memorandum items:															
Exports	957	1,005	1,077	1,166	1,274	1,400	1,527	1,662	1,811	1,974	2,151	3,303	5,044	1,505	3,548
Debt-service ratio before HIPC relief (percent)	20	16	15	15	14	13	12	11	11	10	9	8	6	13	8
Debt-service ratio after HIPC relief (percent)	…	10	7	7	8	7	7	6	6	5	5	5	4	7	4

Sources: Ethiopian authorities; and Fund-Bank staff estimates and projections.

1/ A stock-of-debt operation under Naples terms is simulated at end-June, 2001. In 2000/01, stock-of debt operation is simulated at end-June, 2000.

2/ Completion point is assumed to be reached in June 2003.

Table 17. Ethiopia: Debt Service Paid and Debt Service Due, 1996/97-2020/21
(In millions of U.S. dollars, unless otherwise indicated)

						Average						
	1996/97	1997/98	1998/99	1999/00	2000/01	Before debt relief			After traditional debt relief		After enhanced HIPC Initiative	
						1996/97-2000/01	2001/02-2010/11	2011/12-2020/21	2001/02-2010/11	2011/12-2020/21	2001/02-2010/11	2011/12-2020/21
Debt service 1/	307	101	127	112	197	169	186	246	174	263	94	155
Debt service-to export ratio	30.4	9.7	13.9	11.4	20.6	17.2	12.4	6.9	11.6	7.4	6.3	4.4
Debt service-to-revenue ratio	…	8.6	11.0	9.6	16.1	14.3	8.4	4.6	7.8	4.9	4.3	2.9
Debt service-to-GDP ratio	4.8	1.5	2.0	1.8	3.1	2.6	1.8	1.0	1.6	1.1	0.9	0.6
Memorandum items:												
Exports of goods and services	1,011	1,037	914	984	957	981	1,505	3,548	1,505	3,548	1,505	3,548
Government revenues 2/	…	1,181	1,150	1,165	1,222	1,179	2,221	5,357	2,221	5,357	2,221	5,357
Gross domestic product	6,383	6,535	6,469	6,388	6,342	6,423	10,569	24,314	10,569	24,314	10,569	24,314

Sources: Ethiopian authorities; and Fund-Bank staff estimates and projections.

1/ Excluding the Fund. For the period 1996/97 to 2000/01, data refer to debt service paid.
2/ Excluding grants.

Table 18. Ethiopia: Discount Rate and Exchange Rate Assumpsions

	Discount Rates 1/ 2/ (in percent)		Exchange Rates 3/ (currency per U.S. dollar)	
	Preliminary Document	Decision Point	Preliminary Document	Decision Point
Currency				
Austrian schilling	6.25	5.76	15.85	16.23
Belgian franc	6.25	5.76	46.45	47.57
Bulgarian leva	6.09	5.40	2.32	2.31
Canadian dollar	7.00	6.23	1.54	1.52
Chinese yuan	6.09	5.40	8.28	8.28
Danish kroner	6.73	6.05	8.60	8.79
Deutsche mark	6.25	5.76	2.25	2.31
Euro	6.25	5.76	1.15	1.18
Finnish markaa	6.25	5.76	6.85	7.01
French franc	6.25	5.76	7.55	7.74
U.K. pound	6.73	6.16	0.70	0.71
Indian rupee	6.09	5.40	46.84	47.04
Irish pound	6.25	6.25	0.85	0.93
Italian lira	6.25	5.76	2,229.70	2,283.34
Japanese yen	2.03	1.76	111.17	124.05
Kuwaiti dinar	6.09	5.40	0.31	0.31
Luxembourg franc	6.25	5.76	0.02	47.57
Netherland guilder	6.25	5.76	2.54	2.60
Norwegian kroner	8.02	7.79	9.27	9.30
Portugese escudo	6.25	5.76	230.86	236.42
Spanish peseta	6.25	5.76	191.60	196.21
Special drawing rights (SDR)	6.09	5.40	0.78	0.80
Swedish kronor	6.20	5.57	10.08	10.85
Swiss franc	5.33	4.44	1.74	1.80
U.S. dollar	7.19	6.20	1.00	1.00
Memorandum item:				
Paris Club cutoff date is December 31, 1989				

Sources: European Central Bank; IMF, International Financial Statistics; OECD; and Fund-Bank staff estimates.

1/ The discount rates are the average Commercial Interest Reference Rates (CIRRs) for the respective currencies over the six-month period ending June 2001 for the decision point; December 2000 for the Preliminary Document.
2/ For all currencies for which the CIRRs are not available, the SDR discount rate is used.
3/ As of end-June 2001 for the decision point; end-December 2000 for the preliminary document.

Table 19. Ethiopia: Possible Delivery of IDA Assistance Under the Enhanced HIPC Initiative, 2001/02-2021/22
(In millions of U.S. dollars, unless otherwise indicated)

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
IDA debt service before HIPC relief	35.0	37.4	41.7	48.1	50.4	53.9	56.8	59.1	63.4	65.1	66.6	70.0	73.2	76.7	76.4	77.9	78.8	79.5	81.7	81.4	81.6	84.5
Principal	21.8	22.1	26.6	33.3	35.8	39.6	42.8	45.4	50.1	52.1	54.0	57.9	61.5	65.4	65.6	67.7	69.0	70.3	73.0	73.2	73.9	77.5
Interest	13.1	15.3	15.1	14.9	14.6	14.3	14.0	13.7	13.4	13.0	12.6	12.2	11.7	11.3	10.8	10.3	9.8	9.3	8.7	8.2	7.6	7.1
IDA debt service after HIPC relief	35.0	24.2	15.0	17.3	18.1	19.4	20.4	21.2	22.8	23.4	23.9	25.2	26.3	27.6	27.5	28.0	28.3	28.6	29.4	29.3	29.3	62.1
Principal	21.8	8.9	0.0	2.4	3.5	5.0	6.4	7.5	9.4	10.4	11.3	13.0	14.6	16.3	16.7	17.7	18.5	19.3	20.7	21.1	21.7	55.0
Interest	13.1	15.3	15.0	14.9	14.6	14.3	14.0	13.7	13.4	13.0	12.6	12.2	11.7	11.3	10.8	10.3	9.8	9.3	8.7	8.2	7.6	7.1
IDA assistance 1/	0.0	13.2	26.7	30.8	32.3	34.5	36.4	37.8	40.6	41.7	42.6	44.9	46.9	49.1	48.9	49.9	50.5	50.9	52.3	52.1	52.2	22.4
Memorandum item:																						
IDA debt relief as percent of IDA debt service due (in percent)	0.0	35.3	64.1	64.1	64.1	64.1	64.1	64.1	64.1	64.1	64.1	64.1	64.1	64.1	64.1	64.1	64.1	64.1	64.1	64.1	64.1	26.5
Interim assistance 2/		36.0																				
Interim relief as percent of total		7.8																				

Sources: Ethiopian authorities; and IDA staff estimates.

1/ Total debt service reduction of US$857 million in nominal terms corresponding to US$463.2 million in NPV terms, using end-June 2001 discount and exchange rates.
2/ In NPV terms; assuming a decision point in November 2001 and a completion point as of end-2002/03.

Table 20. Ethiopia: Possible Delivery of IMF Assistance under the Enhanced HIPC Initiative, 2001/02-2008/09 1/
(In millions of U.S. dollars, unless otherwise indicated)

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
(Based on the US$/SDR exchange rate as of June 29, 2001)								
Delivery schedule of IMF assistance								
(in percent of total assistance)	12.0	17.0	13.0	10.0	6.0	17.0	15.0	10.0
Debt Service due on current IMF obligations 2/	10.8 3/	15.1	12.4	9.8	8.0	10.5	8.6	6.7
Of which: Principal	10.6	14.2	11.7	9.1	7.3	9.8	8.0	6.2
Interest	0.2	0.8	0.8	0.7	0.7	0.6	0.6	0.5
IMF assistance--deposits into member's account								
Interim assistance 4/	5.2	5.2						
Completion point assistance		24.1 /5						
IMF assistance under the HIPC Initiative--drawdown schedule 6/	4.2	6.0	5.9	5.4	3.9	6.6	5.6	3.6
Of which: IMF assistance without interest	4.1	5.8	4.5	3.4	2.1	5.8	5.2	3.4
Estimated interest earnings	0.0	0.1	1.4	2.0	1.8	0.7	0.5	0.2
Debt service due on current IMF obligations after IMF assistance 7/	6.6 /3	9.1	6.5	4.4	4.1	3.9	3.0	3.1
Share of debt service due on current IMF obligations covered by								
IMF assistance (in percent) 5/	38.5 3/	39.6	47.5	54.9	48.3	62.8	65.3	54.0
Proportion of each repayment falling due during the period to be paid								
by HIPC Initiative assistance from the principal deposited in member's account	38.7 3/	41.1	38.3	37.7	28.1	59.4	64.4	55.7
Memorandum items:								
(Based on debt service data and exchange rates as of June 29 2001)								
Total debt service due 8/ 9/	157.6	164.2	175.8	177.9	179.8	185.2	189.8	199.7
Debt service due on IMF obligations 9/	14.6	14.6	12.0	9.3	7.5	10.0	8.1	6.2
Debt service due on current IMF obligations after IMF assistance 5/ 9/	10.4	8.6	6.1	4.0	3.7	3.4	2.5	2.6
(in percent of exports)	1.0	0.8	0.5	0.3	0.3	0.2	0.2	0.1
Share of total debt service covered by IMF assistance (in percent) 5/ 9/	2.6	3.6	3.4	3.0	2.2	3.6	3.0	1.8

Source: Fund staff estimates.

1/ Total IMF assistance under the HIPC Initiative is US$ 34.4 million calculated on the basis of projected data at the decision point date of October 2001, excluding interest earned on the member's account and on committed but undisbursed amounts as described in footnotes 4 and 5.
2/ As of August 1, 2001. Interest obligations include net SDR charges and assessments.
3/ It excludes principal repayment of US$3.5 million and interest repayment of US$0.4 million due before the decision point.
4/ The first delivery of interim assistance will be deposited into Ethiopia's account at the expected decision point in end-October 2001 to cover obligations falling due to the Fund in the next twelve-month period.
5/ Remaining amount of assistance assumed to be disbursed into the member's account at the assumed completion point in July 2003, which is reflected in the calculation of interest.
6/ Assistance assumed to be delivered each fiscal year. Fiscal year ends July 7.
7/ Total obligations less HIPC Initiative assistance.
8/ After traditional debt relief mechanisms.
9/ Excludes charges in the SDR Department of the IMF.

Table 21. Ethiopia: Possible Delivery of AfDB/AfDF Assistance Under the Enhanced HIPC Initiative, 2001/02-2013/14 1/
(In millions of U.S. dollars, unless otherwise indicated)

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
AfDB/AfDF debt service before HIPC relief	39.2	37.7	38.2	36.8	34.7	33.8	31.6	30.5	23.6	24.0	21.6	22.4	21.6
of which, AfDB	29.3	27.0	25.6	23.3	20.9	19.8	16.7	15.2	6.8	6.5	4.1	3.9	0.0
AfDF	9.9	10.7	12.5	13.6	13.8	14.0	14.9	15.4	16.8	17.5	17.5	18.6	21.6
AfDB/AfDF debt service after HIPC relief	23.5	7.5	7.6	7.4	6.9	6.8	6.3	6.1	4.7	4.8	4.3	4.5	19.8
of which, AfDB	17.6	5.4	5.1	4.7	4.2	4.0	3.3	3.0	1.4	1.3	0.8	0.8	0.0
AfDF	5.9	2.1	2.5	2.7	2.8	2.8	3.0	3.1	3.4	3.5	3.5	3.7	19.8
AfDB/AfDF assistance 2/	15.7	30.2	30.5	29.5	27.8	27.0	25.3	24.4	18.9	19.2	17.3	18.0	1.8
of which, AfDB	11.7	21.6	20.5	18.6	16.8	15.8	13.4	12.1	5.5	5.2	3.3	3.1	0.0
AfDF	4.0	8.6	10.0	10.9	11.0	11.2	11.9	12.3	13.4	14.0	14.0	14.8	1.8
Memorandum items:													
AfDB/AfDF debt relief as percent of debt service due (in percent)	40.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	8.3
Interim assistance 3/	42.5												
Interim relief as percent of total	19.6												

Sources: Ethiopian authorities; and Fund-Bank staff estimates.

1/ Illustrative Scenario (80% debt service reduction on AfDB and AfDF loans outstanding as of July 7, 2001). Under this scenario total delivery of assistance will be completed by 2013/14.
2/ Total debt service reduction of US$285.5 million in nominal terms corresponding to US$216.5 million in NPV terms, using end-June 2001 discount and exchange rates.
3/ In net present value (NPV) terms; assuming a decision point in November 2001 and a completion point as of end 2002/03.

Table 22. Ethiopia: Possible Delivery of Multilateral Assistance Under the Enhanced HIPC Initiative, 2001/02-2020/21 [1/]
(In millions of U.S. dollars, unless otherwise indicated)

	2001/02	2002/03	2003/04	2004/05	2005/06	2010/11	2015/16	2020/21	2001/02-2010/11	2011/12-2020/21
									Averages	
Assistance under enhanced HIPC from multilateral creditors [2/]										
AfDB/AfDF	15.7	30.2	30.5	29.5	27.8	19.2	0.0	0.0	24.8	3.7
BADEA	0.0	0.0	0.5	0.5	0.5	0.5	0.0	0.0	0.4	0.2
EU	0.0	0.0	3.1	3.1	3.6	2.8	1.6	0.8	2.6	1.6
IDA	13.2	26.7	30.8	32.3	34.5	42.6	49.9	52.2	33.7	49.8
IFAD	0.0	0.0	2.1	2.1	2.1	2.3	0.0	0.0	1.8	0.5
IMF	4.2	6.0	5.9	5.4	3.9	0.0	0.0	0.0	4.1	0.0
NDF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OPEC Fund	0.0	0.0	1.0	0.8	0.6	0.4	0.0	0.0	0.4	0.1
Total	33.0	62.8	74.0	73.6	73.0	67.8	51.6	53.0	67.8	55.9
Share of debt service covered by the assistance under the enhanced HIPC Initiative (in percent)										
AfDB/AfDF	40.0	80.0	80.0	80.0	80.0	80.0	0.0	0.0	76.0	16.8
BADEA	0.0	0.0	57.1	57.1	57.1	57.1	--	--	45.7	57.1
EU	0.0	0.0	60.4	60.4	60.4	60.4	60.4	60.4	48.3	60.4
IDA	35.3	64.1	64.1	64.1	64.1	64.1	64.1	64.1	61.2	64.1
IFAD	0.0	0.0	100.0	100.0	100.0	100.0	0.0	0.0	80.0	--
IMF	28.6	40.8	49.4	57.7	51.4	--	--	--	52.6	--
NDF	0.0	0.0	100.0	100.0	100.0	--	--	--	75.0	--
OPEC Fund	0.0	0.0	85.4	85.4	85.4	85.4	--	--	68.3	85.4
Total	32.4	59.6	68.8	69.7	69.0	65.7	49.1	49.3	63.9	53.2

Sources: Fund-Bank staff estimates and projections.

1/ Debt service projected based on the stock of debt disbursed and outstanding as of end-2000/01, converted from original currencies using end-June 2001 exchange rates.
2/ Simulated according to modalities described in paragraph 48.

Table 23. Paris Club Creditors' Delivery of Debt Relief Under Bilateral Initiatives Beyond the HIPC Initiative

	Countries Covered	ODA (In percent)		Non-ODA (In percent)		Provision of Relief	
		Pre-COD	Post-COD	Pre-COD	Post-COD	Decision Point (In percent)	Completion Point
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Australia	HIPCs	100	100	100	100 1/	1/	1/
Austria	HIPCs (case-by-case)	Case-by-case (100)	Case-by-case (100)	Case-by-case (100)	-	Case-by-case	Case-by-case
Belgium	HIPCs	100	100	Case-by-case(up to 100)	Case-by-case	flow	Stock
Canada	HIPCs 2/	- 3/	- 3/	100	100	100 flow	Stock
Denmark	HIPCs	100	Case-by-case	-	-	-	Stock
France	HIPCs	100	100	100	-	100 flow 4/	Stock
Finland	HIPCs	95	98	-	-	-	-
Germany	HIPCs	100	100	100	-	100 flow	Stock
Ireland	-	-	-	-	-	-	-
Italy	HIPCs	100	100 5/	100	100 5/	100 flow	Stock
Japan	HIPCs	100	100	100	-	-	Stock
Netherlands	HIPCs	100	100	100	-	90–100 flow 6/	Stock 6/
Norway	HIPCs	- 3/	- 3/	100	100 7/	100 flow	Stock
Russia	Case-by-case	-	-	-	-	-	Stock
Spain	HIPCs	100	Case-by-case	Case-by-case	Case-by-case	-	Stock
Sweden	Case-by-case	- 3/	- 3/	Case-by-case (100)	-	-	Stock
Switzerland	HIPCs	- 3/	- 3/	Case-by-case	Case-by-case	Case-by-case, flow	Stock
United Kingdom	HIPCs	100	100	100	100 8/	100 flow 8/	Stock
United States	HIPCs	100	100	100	100 9/	100 flow	Stock

Source: Paris Club Secretariat.

1/ Australia: (a) post-COD non-ODA relief to apply to debts incurred before a date to be finalised; (b) timing details for both flow and stock relief are to be finalised.
2/ Canada: including Bangladesh. Canada has granted a moratorium of debt service as of January 2001 on all debt disbursed before end-March 1999 for 11 out of 17 HIPCs with debt service due to Canada. The debt will be written off at the completion point. The countries to be covered are: Benin, Bolivia, Cameroon, Ethiopia, Guyana, Honduras, Madagascar, Mali, Senegal, Tanzania, and Zambia.
3/ 100 percent of ODA claims have already been cancelled on HIPCs, with the exception of Myanmar's debt to Canada.
4/ France: cancellation of 100 percent of debt service on pre-cutoff date commercial claims as they fall due starting at the decision point. Once countries have reached their completion debt relief on ODA claims will go to a special account and will be used for specific development projects.
5/ Italy: 100 percent cancellation of post-COD ODA and non-ODA debt assumed prior to the Cologne Summit on 6/20/1999.
6/ The Netherlands: (a) ODA: 100 percent ODA pre- and post-cutoff date debt will be cancelled at decision point; (b) non-ODA: in some particular cases (Bolivia, Burkina Faso, Mali, Ethiopia, Nicaragua, and Tanzania), the Netherlands will write off 100 percent of the consolidated amounts on the flow at decision point; all other HIPCs will receive interim relief up to 90 percent reduction of the consolidated amounts. At completion point, all HIPC countries will receive 100 percent cancellation of the remaining stock of the pre-COD debt.
7/ On debt assumed before December 31, 1997.
8/ United Kingdom: "beyond 100%": full write-off of all debts of HIPCs as of their decision points, and reimbursement at the decision point of any debt service paid before the decision point.
9/ United States: 100 percent post-COD non-ODA treated on debt assumed prior to 06/20/99 (the Cologne Summit).

Note: Columns (1) to (7) describe the additional debt relief provided following a specific methodology under bilateral initiatives and need to be read as a whole for each creditor. In column (1), "HIPCs" stands for eligible countries effectively qualifying for the HIPC process. A "100 percent" mention in the table means that the debt relief provided under the enhanced HIPC framework will be topped up to 100 percent through a bilateral initiative.

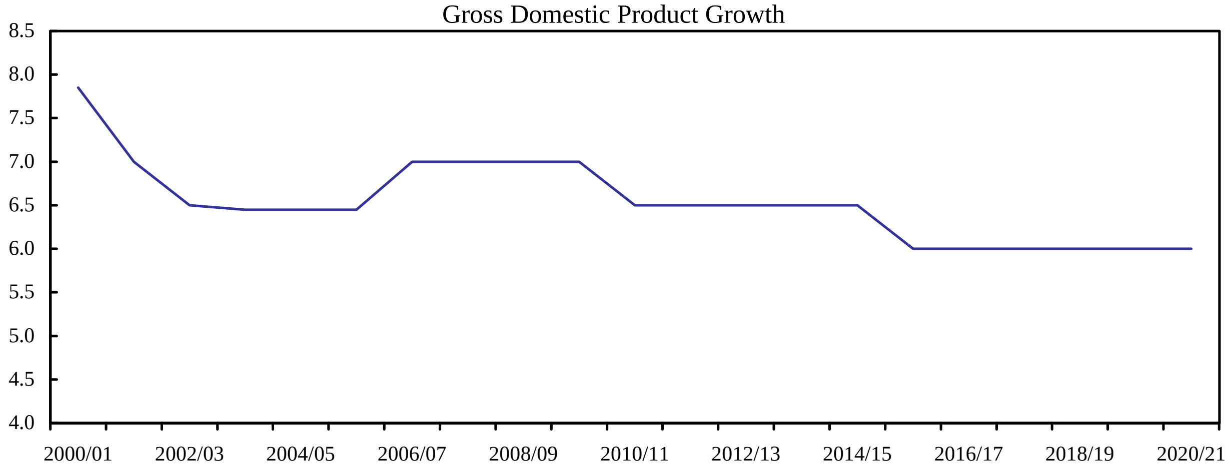
Table 24. HIPC Initiative: Status of Country Cases Considered Under the Initiative, October 2001

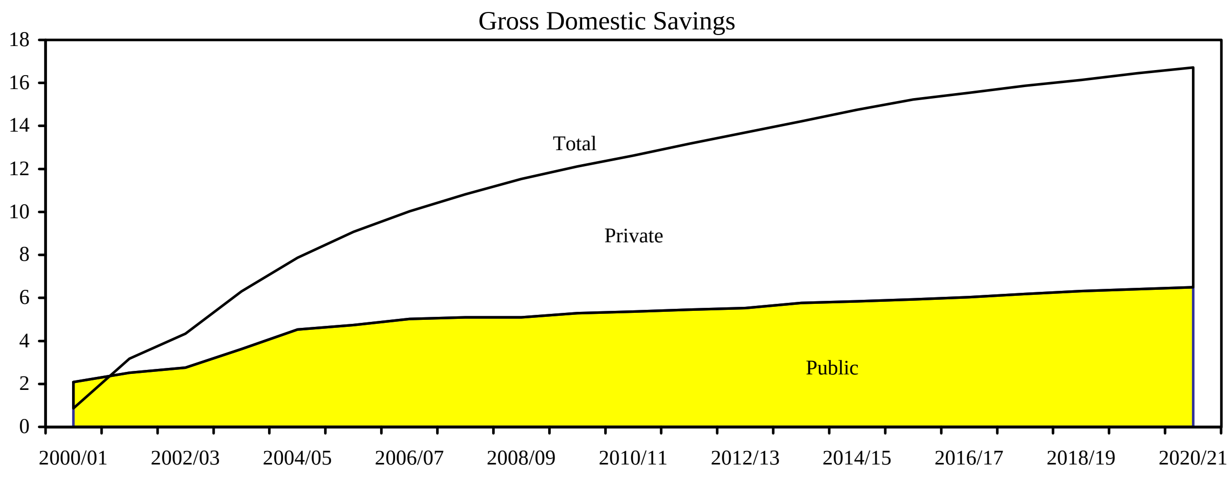
Country	Decision Point	Completion Point	Target NPV of Debt-to- Export (in percent)	Target NPV of Debt-to- Gov. revenue (in percent)	Assistance Levels 1/ (In millions of U.S. dollars, present value) Total	Bilateral	Multilateral	IMF	World Bank	Percentage Reduction in NPV of Debt 2/	Estimated Total Nominal Debt Service Relief (In millions of U.S. dollars)
Completion point reached under enhanced framework											
Bolivia					1,302	425	876	84	194		2,060
original framework	*Sep. 97*	*Sep. 98*	*225*		*448*	*157*	*291*	*29*	*54*	*14*	*760*
enhanced framework	*Feb. 00*	*Jun. 01*	*150*		*854*	*268*	*585*	*55*	*140*	*30*	*1,300*
Mozambique					2,022	1,270	753	143	443		4,300
original framework	*Apr. 98*	*Jun. 99*	*200*		*1,716*	*1,076*	*641*	*125*	*381*	*63*	*3,700*
enhanced framework	*Apr. 00*	*Sep. 01*	*150*		*306*	*194*	*112*	*18*	*62*	*11*	*600*
Uganda					1,003	183	820	160	517		1,950
original framework	*Apr. 97*	*Apr. 98*	*202*		*347*	*73*	*274*	*69*	*160*	*20*	*650*
enhanced framework	*Feb. 00*	*May 00*	*150*		*656*	*110*	*546*	*91*	*357*	*37*	*1,300*
Decision point reached under enhanced framework											
Benin	Jul. 00	Floating	150		265	77	189	24	84	31	460
Burkina Faso					398	56	342	42	162		700
original framework	*Sep. 97*	*Jul. 00*	*205*		*229*	*32*	*196*	*22*	*91*	*27*	*400*
enhanced framework	*Jul. 00*	*Floating*	*150*		*169*	*24*	*146*	*20*	*71*	*27*	*300*
Cameroon	Oct. 00	Floating	150		1,260	874	324	37	179	27	2,000
Chad	May. 01	Floating	150		170	35	134	18	68	30	260
Gambia, The	Dec. 00	Floating	150		67	17	49	2	22	27	90
Guinea	Dec. 00	Floating	150		545	215	328	31	152	32	800
Guinea-Bissau	Dec. 00	Floating	150		416	212	204	12	93	85	790
Guyana					585	220	365	74	68		1,030
original framework	*Dec. 97*	*May 99*	*107*	*280*	*256*	*91*	*165*	*35*	*27*	*24*	*440*
enhanced framework	*Nov. 00*	*Floating*	*150*	*250*	*329*	*129*	*200*	*40*	*41*	*40*	*590*
Honduras	Jun. 00	Floating	110	250	556	215	340	30	98	18	900
Madagascar	Dec. 00	Floating	150		814	457	357	22	252	40	1,500
Malawi	Dec. 00	Floating	150		643	163	480	30	331	44	1,000
Mali					523	162	361	58	182		870
original framework	*Sep. 98*	*Sep. 00*	*200*		*121*	*37*	*84*	*14*	*44*	*9*	*220*
enhanced framework	*Sep. 00*	*Floating*	*150*		*401*	*124*	*277*	*44*	*138*	*28*	*650*
Mauritania	Feb. 00	Floating	137	250	622	261	361	47	100	50	1,100
Nicaragua	Dec. 00	Floating	150		3,267	2,145	1,123	82	189	72	4,500
Niger	Dec. 00	Floating	150		521	211	309	28	170	54	900
Rwanda	Dec. 00	Floating	150		452	56	397	44	228	71	800
Sao Tome & Principe	Dec. 00	Floating	150		97	29	68	-	24	83	200
Senegal	Jun. 00	Floating	133	250	488	193	259	45	124	19	850
Tanzania	Apr. 00	Floating	150		2,026	1,006	1,020	120	695	54	3,000
Zambia	Dec. 00	Floating	150		2,499	1,168	1,331	602	493	63	3,820
Decision point reached under original framework											
Côte d'Ivoire	Mar. 98	Mar. 01	141	280	345	163	182	23	91	6 3/	800
Total assistance provided/committed					**20,885**	**9,814**	**10,972**	**1,757** 4/	**4,960**		**34,680**
Preliminary HIPC document issued 5/											
Ethiopia	...	...	150		1,028	352	649	37	395	42	1,650
Ghana	...	…		250	2,096	1,002	1,095	122	767	55	3,200
Sierra Leone	...	...	150		551	188	326	121	119	79	867

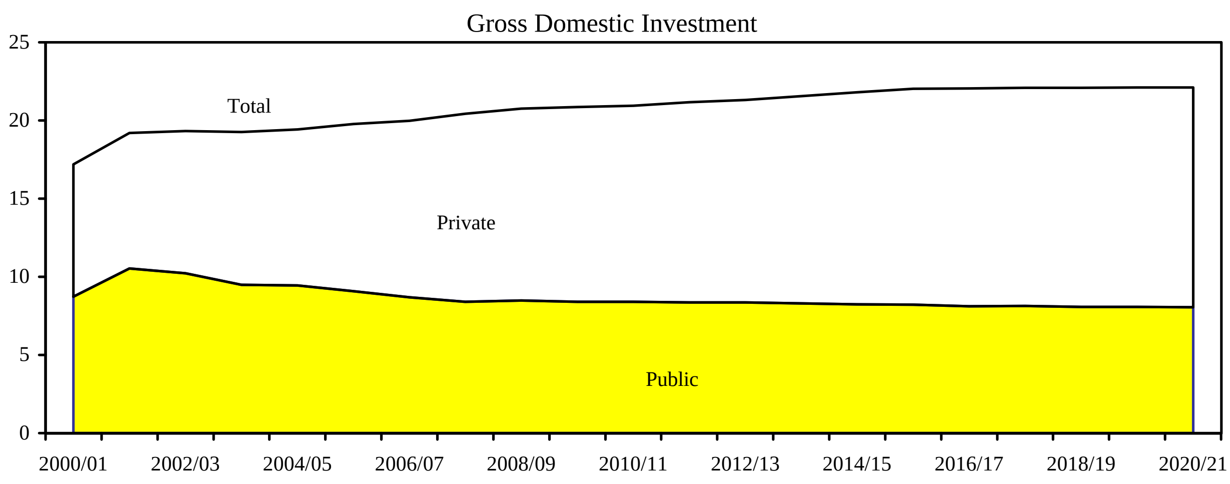
Sources: IMF and World Bank Board decisions, completion point documents, decision point documents, preliminary HIPC documents, and staff calculations.

1/ Assistance levels are at countries' respective decision or completion points, as applicable.
2/ In percent of the net present value of debt at the decision or completion point (as applicable), after the full use of traditional debt-relief mechanisms.
3/ Nonreschedulable debt to non-Paris Club official bilateral creditors and the London Club, which was already subject to a highly concessional restructuring, is excluded from the NPVof debt at the completion point in the calculation of this ratio.
4/ Equivalent to SDR 1,366 million at an SDR/USD exchange rate of 0.7776, of October 1, 2001.
5/ Figures are based on preliminary assessments at the time of the issuance of the preliminary HIPC document; and are subject to change.

Figure 1. Ethiopia: National Accounts, 2000/01-2020/21 1/
(In percent of GDP)



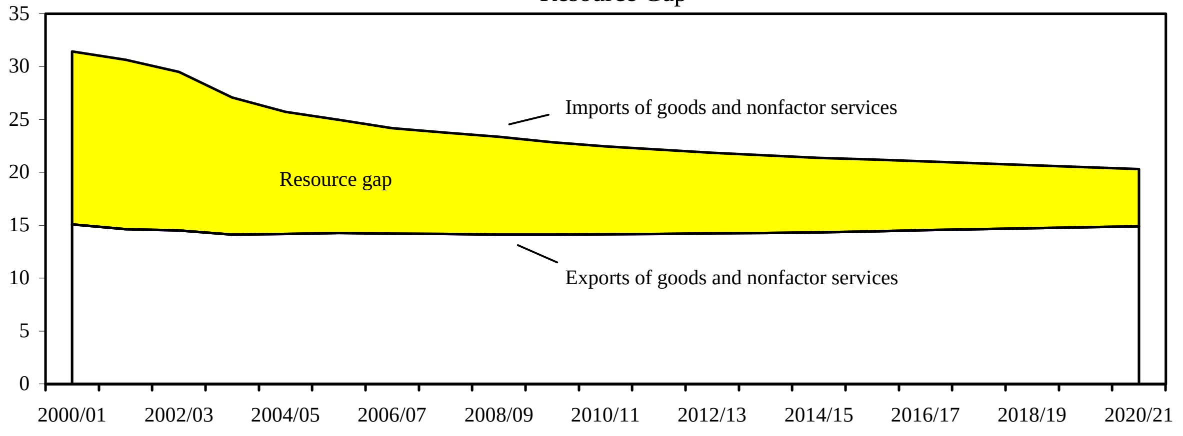


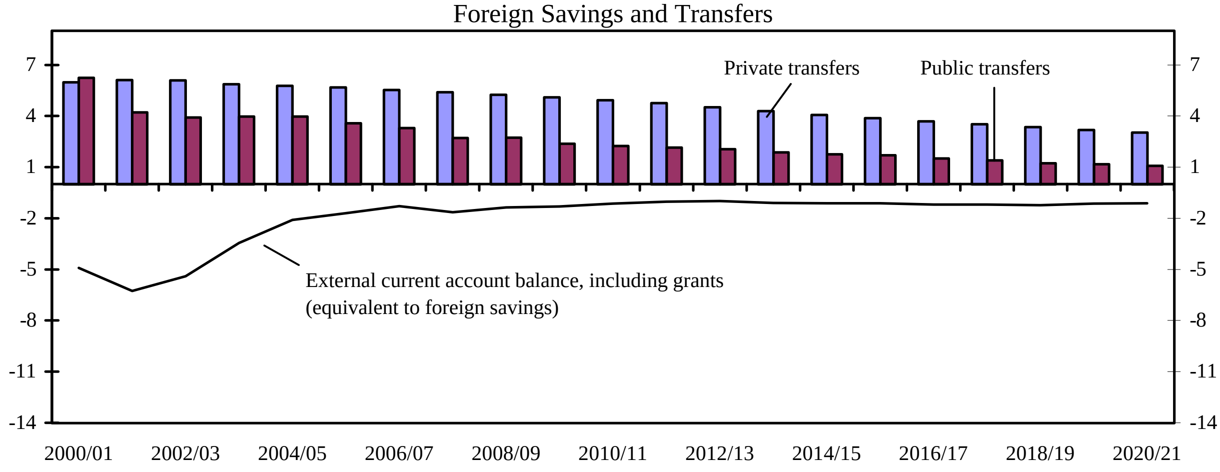


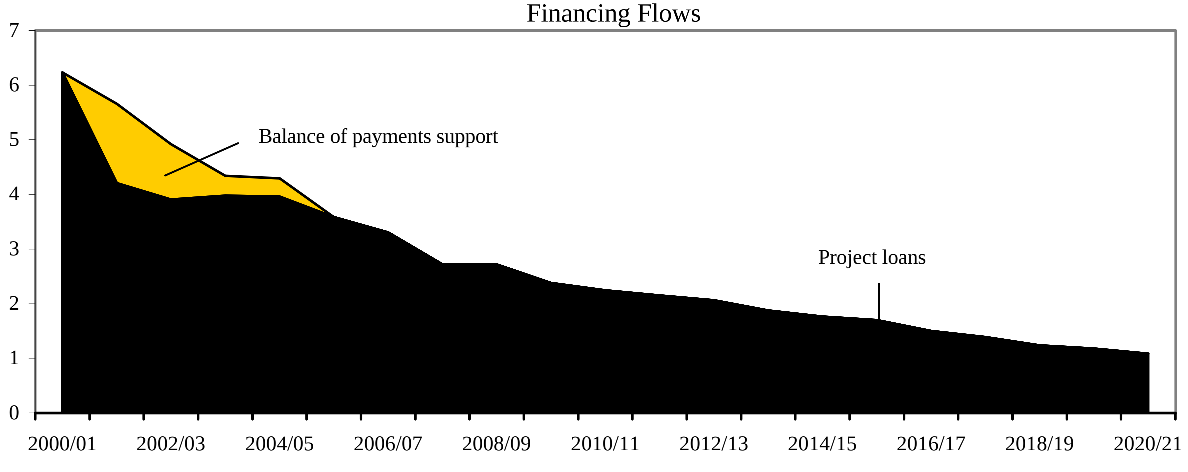
Sources: Ethiopian authorities; and Fund-Bank staff estimates and projections.

1/ All data pertain to the period July 8-July 7.

Figure 2. Ethiopia: Balance of Payments, 2000/01-2020/21 1/
(In percent of GDP)







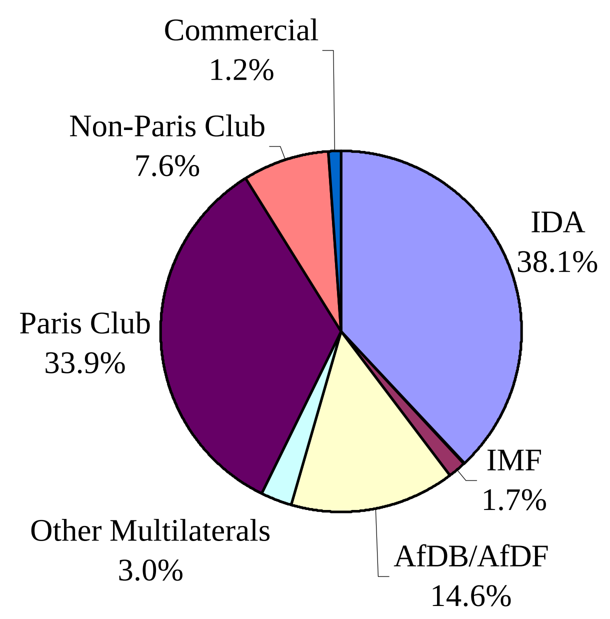
Sources: Ethiopian authorities; and Fund-Bank staff estimates and projections.

1/ All data pertain to the period July 8-July 7.

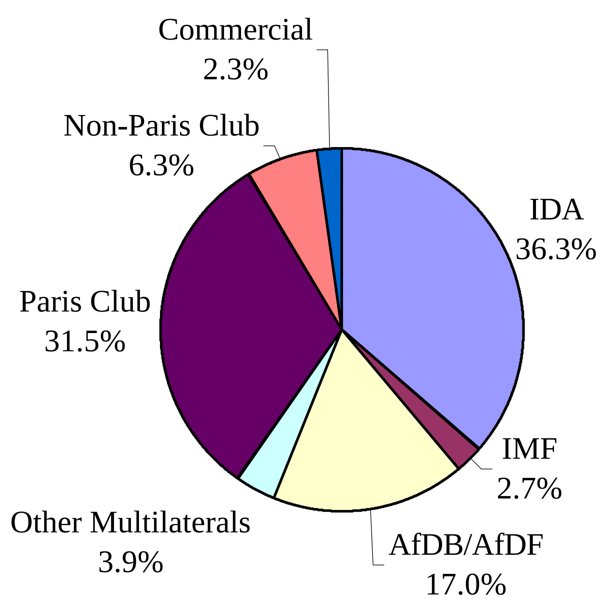
Figure 3. Ethiopia: Composition of Stock of External Debt, end-June, 2001

After full use of traditional debt relief mechanisms.

Nominal Value of Debt: US $5,358 million

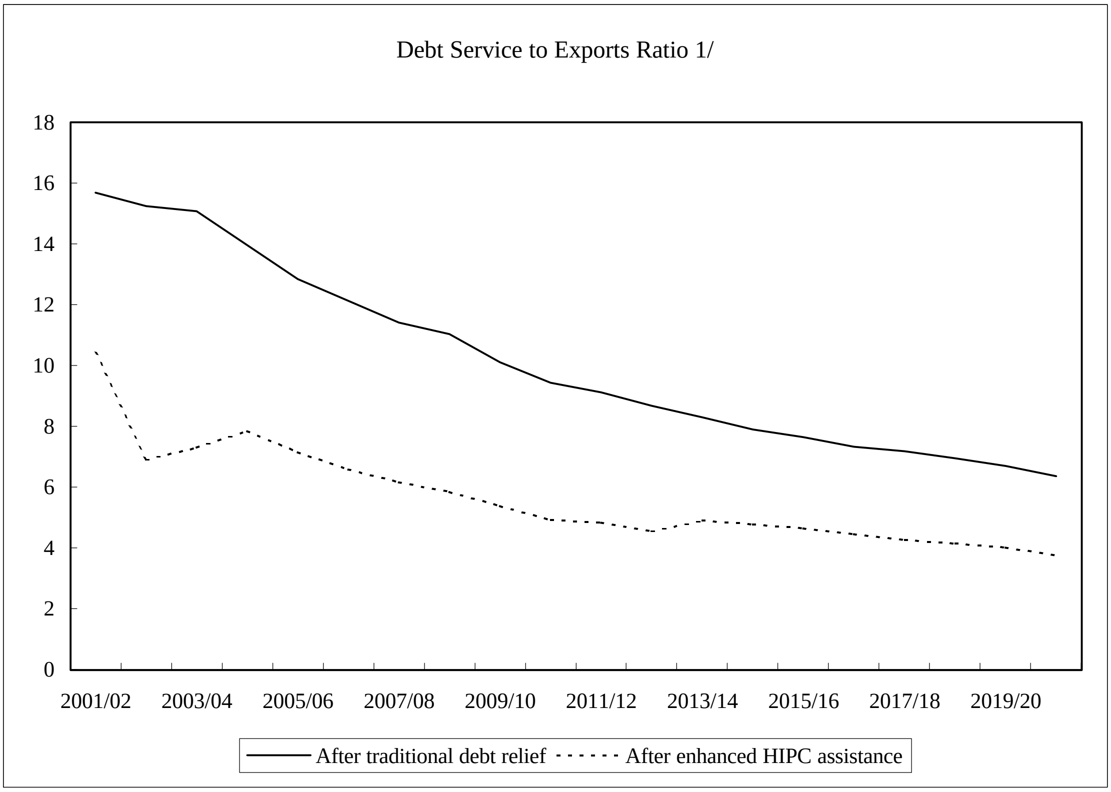


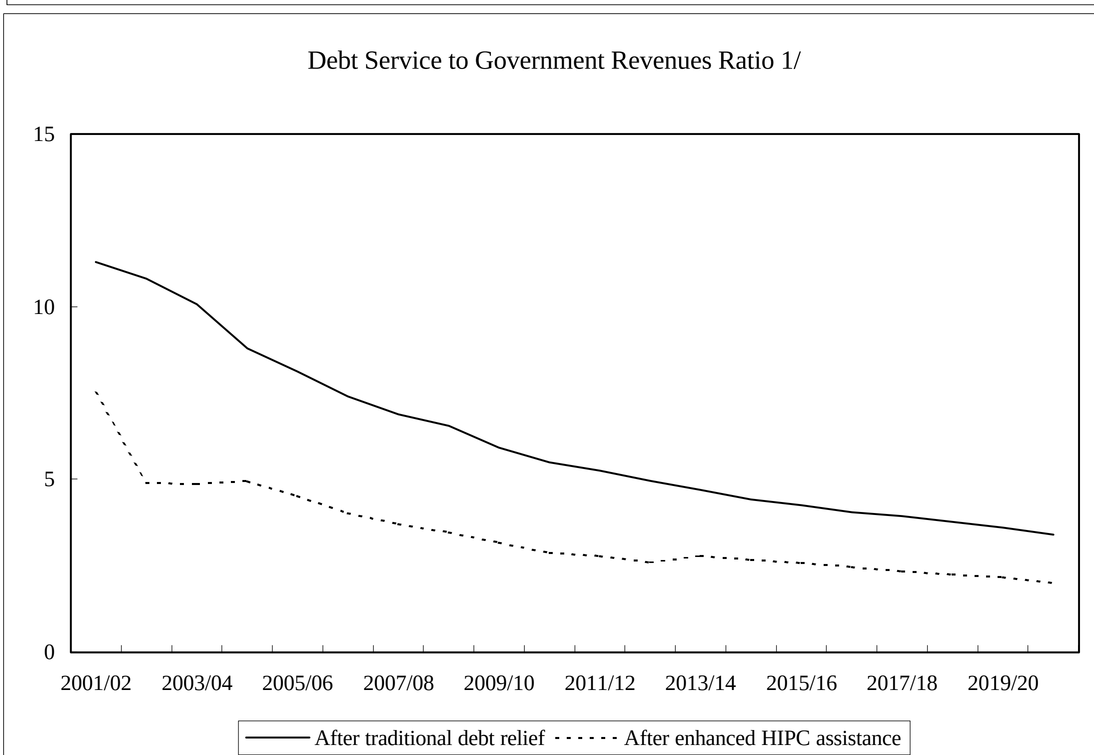
Present Value of Debt: US $2,703 million



Sources: Ethiopian authorities; and Fund-Bank staff estimates.

Figure 4. Ethiopia: Key Debt Ratios, 2000/01-2018/19

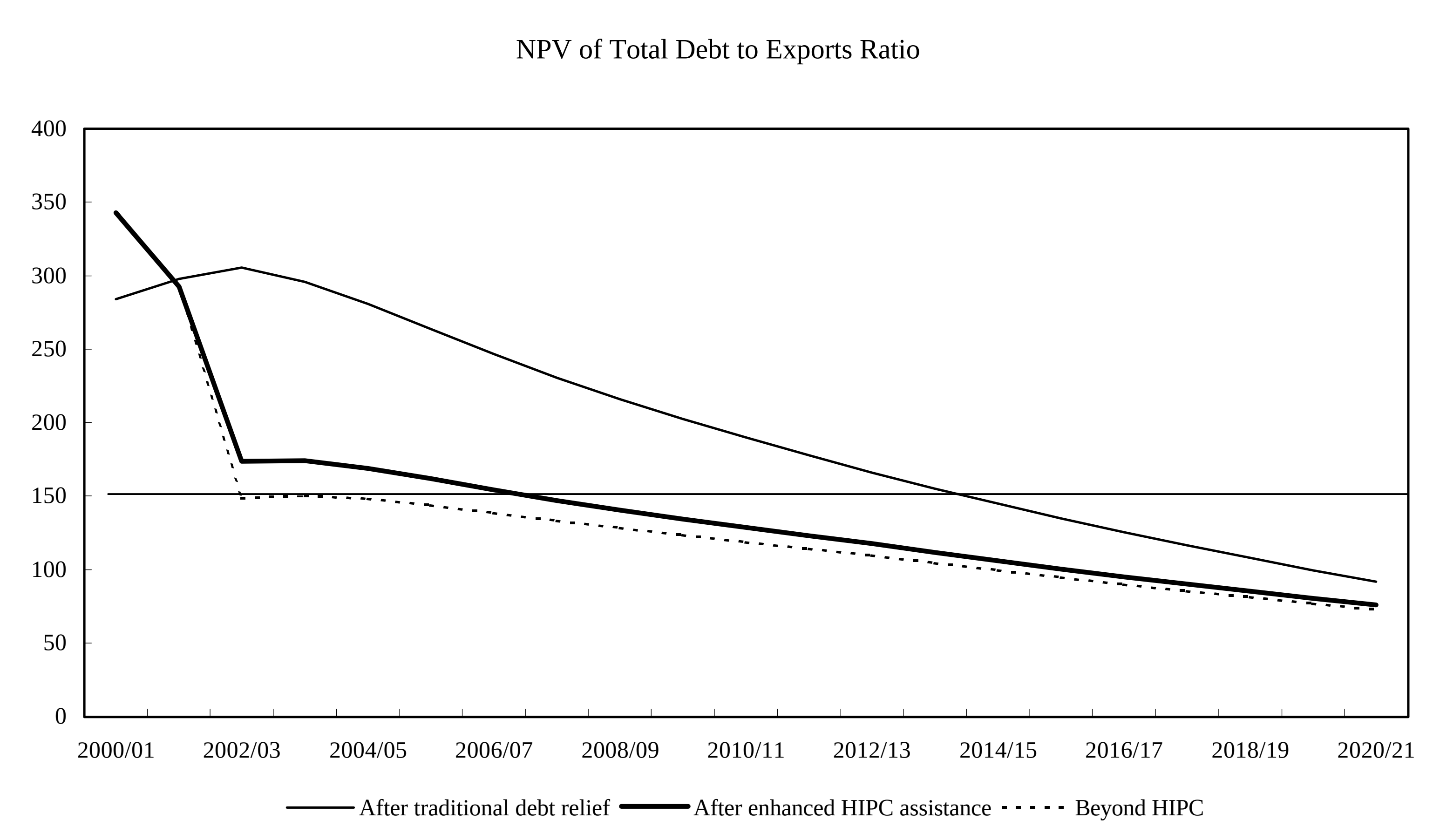




Sources: Ethiopian authorities and Fund-Bank staff estimates and projections.

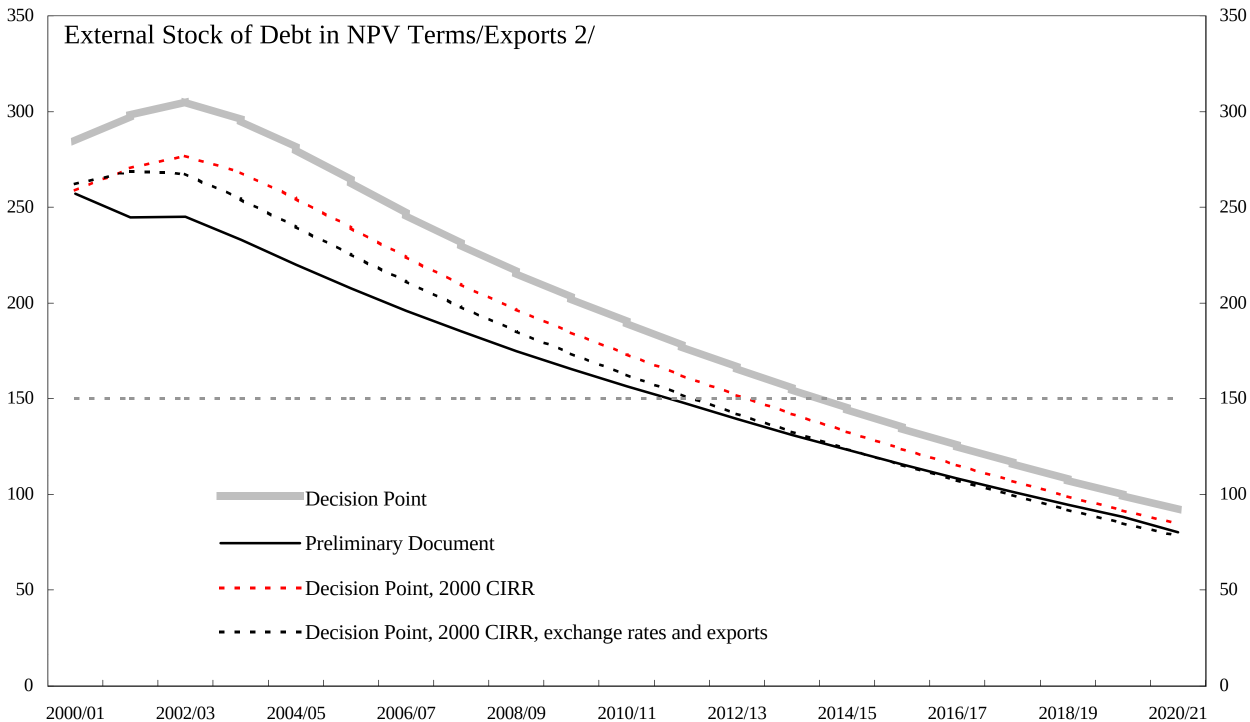
1/ Scheduled debt service.

Figure 5. Ethiopia: Net Present Value (NPV) of Debt to Exports Ratio, 2000/01-2020/21



Sources: Ethiopian authorities; and Fund-Bank staff estimates and projections.

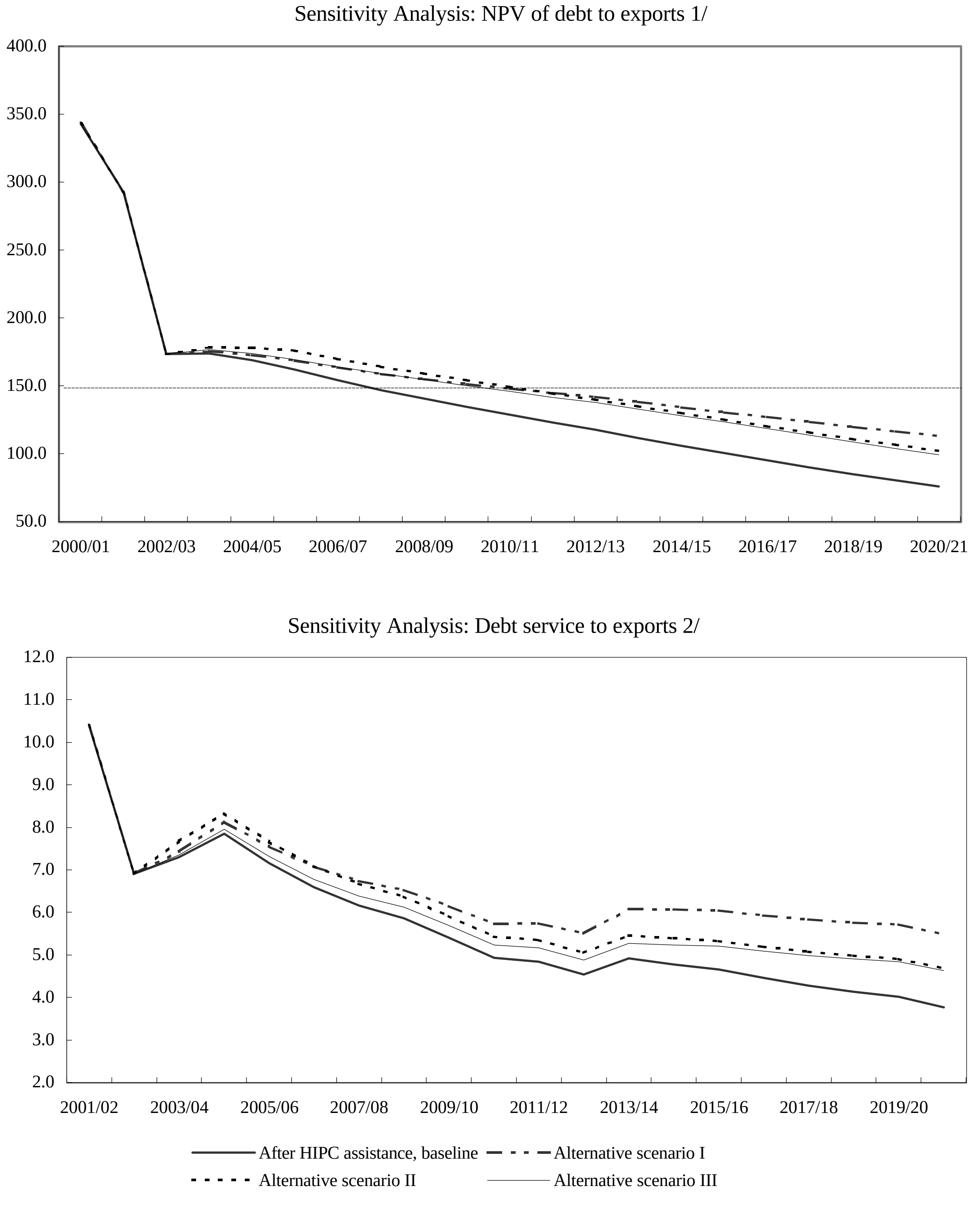
Figure 6. Ethiopia: Comparison of External Debt Indicators
Between the Preliminary and Decision Point Documents, 2000/01-2020/21 1/
(In percent)



Sources: National Bank of Ethiopia; and Fund-Bank staff estimates and projections.

1/ After traditional debt relief.
2/ Three-year bakward looking average.

Figure 7. Ethiopia: Sensitivity Analysis, 2000/01-2020/21



Sources: Data provided by the Ethiopian authorities; and Fund-Bank staff estimates.

1/ Debt after Enhanced HIPC Initiative assistance. Export data refer to three-year-backward-looking averages.

2/ Debt service after Enhanced HIPC Initiative assistance. Exports refer to annual figures.

Debt-Management Issues

Ethiopia’s external debt-monitoring and debt-management system is run by the Credit and Investment Department in the Ministry of Finance. It currently uses the UNCTAD-DMFAS (version 4.1) system for maintaining a detailed loan-by-loan database on government direct debt, government-guaranteed debt, and public enterprise direct debt. From this system, reports can be produced on both debt service due and actual debt service on a monthly, quarterly, and annual basis. Information on loan agreements is provided to the debt unit directly by creditors, and a fairly good documentation on government and public sector debt is maintained. Reconciliation of existing loan data with creditors is made infrequently and only in the context of debt renegotiations. Although the existing system can and has produced the detailed external debt data necessary for running debt sustainability analyses and deriving the NPV of debt in the context of the enhanced HIPC Initiative, it has major deficiencies and fulfills only the basic operational and analytical needs of the debt unit.

At present, the system is incapable of handling information on private external debt and domestic public debt. In addition, it is not installed in a network environment and is thus not accessible to all debt-management staff and other agencies involved in debt management. Also, the level of staff with sufficient training to carry out even basic debt-management functions is inadequate. Some staff training has been provided by Debt Relief International on renegotiation techniques, debt sustainability analysis, and debt strategy design, but more is needed and additional training on the use of the new version of DMFAS software is considered a priority. In addition, regular training support is felt to be necessary to ensure that staff are able to master the necessary techniques. Crucially, an adequate number of staff must be acquainted with modern techniques and skills of debt renegotiation and have an understanding of Paris Club terms and the entire process of the HIPC Initiative framework. In this respect, capacity building and training in debt management, together with an upgrade in computer hardware and software, have been identified by the debt unit as critical areas for development, a view shared by Fund and IDA staffs. Ethiopia has completed the self-assessment questionnaire as part of the joint Bank-Fund review on debt management capacity in HIPC Initiative countries. It is intended that the results of this review will be shared with the main agencies/donors providing assistance and capacity building in debt management. This process will help establish the remaining capacity-building needs in debt management and thus provide a starting point for further assistance efforts aimed at achieving and maintaining long-term external debt sustainability.

In addition to the concerns noted above, there is some weakness in coordination amongst government agencies, including the National Bank of Ethiopia (NBE), which compiles the balance of payments statistics. There is no established committee or working group that facilitates the flow of information and debt-strategy coordination, and information is exchanged between different units dealing with external debt management only when deemed necessary. As a result, the link between external debt management and the formulation of macroeconomic policies is weak, with the NBE and Ministry of Finance tending to form separate perceptions on medium-term balance of payments projections and the forecasting of the fiscal budget. In addition, there are no formal procedures to track the public sector's debt-servicing needs and their impact on the budget and the balance of payments. Such discussions take place on an ad hoc basis, mainly in response to the information requirements and discussions associated with a Fund visit. This general lack of coordination also means that information on aid and loan-financed projects is not readily available for incorporation in public investment projections and a medium-term expenditure framework. In addition, although Ethiopia maintains a prudent policy of contracting only concessional debt, its evaluation of new borrowing proposals is made independently of the existing loan portfolio, making possible the buildup of debt-service obligations, which could have adverse implications for the future.

Staffs support the view of the debt unit that the coordination and working relationship among the Ministry of Finance, the NBE, and the Planning Ministry must be strengthened, and procedures established to ensure a timely and adequate flow and exchange of information. As a first step, staff from the NBE were encouraged to accompany the joint mission in all discussions it had with the debt unit and were kept informed of the process by which debt relief was being calculated and presented in the balance of payments. The need for the establishment of a clearly defined borrowing policy, which includes analysis of the macroeconomic effect of new borrowing prior to acquiring new loans, was also stressed.