

Table 1. Mozambique: Prior actions for completion of the Third Review Under the PRGF Arrangement

Actions	Status
Acceptance of bids from a short list of reputable international banks for the purchase of BA.	Observed
No recapitalization of BA by the government before the bank has been taken over by its new owners	Observed
Appointment of external experts to secure the documentation for the loans of BA and prepare a full inventory	Observed
Monthly reporting to the staffs of the Fund and World Bank of BA's balance sheet data to show compliance with the instruction not to provide new lending and thereby reduce the net credit outstanding	Observed
Publication of a list of all of BA's delinquent borrowers	Observed
Submission of a report to staffs of the World Bank and Fund considering the legal remedies for loan recovery	Observed
Preparation of a detailed loan recovery strategy for BA	Observed

Table 2. Quantitative Performance Criteria and Benchmarks
Under the PRGF Arrangement, December 2000-December 2001 (End of Period)

	December 2000		March 2001				June 2001		Estimate	Sep. 2001	Dec. 2001
	Performance criteria		Benchmarks		Perf. criteria		Benchmarks	Perf. criteria			
	Program	Adjusted	Program	Adjusted	Program	Adjusted					
(In billions of meticaais)											
Central government domestic primary deficit (ceiling) 1/ 2/ 3/	4,411	4,014	3,923	2,035	1,417	1,227	3,031	2,613	2,145	...	...
Central government domestic primary deficit excluding bank recapitalization costs (ceiling) 1/ 2/	...	...	...	...	...	...	...	...	...	3,771	4,340
Central government revenue (floor; benchmark only) 2/	7,471	7,471	7,463	1,893	1,893	2,043	3,902	3,902	4,140	6,039	8,670
Stock of net domestic assets of the Bank of Mozambique (ceiling) 4/ 5/ 6/	5,827	4,126	4,039	6,046	5,365	3,987	6,229	4,980	3,246	5,133	5,412
Stock of reserve money (ceiling; benchmark only) 6/	4,171	3,770	3,940	4,130	3,642	3,729	4,133	4,133	4,697	5,018	5,297
(In millions of U.S. dollars)											
Stock of net international reserves of the Bank of Mozambique (floor) 7/	469	508	526	454	425	518	444	385	525	526	526
New nonconcessional borrowing contracted or guaranteed by the government or the Bank of Mozambique with maturity of more than one year (ceiling) 2/	0	0	0	0	0	0	0	0	0	0	0
Stock of short-term external public debt outstanding (ceiling) 8/	0	0	0	0	0	0	0	0	0	0	0
External payments arrears (ceiling) 2/ 9/	0	0	0	0	0	0	0	0	0	0	0
(In billions of meticaais, unless otherwise indicated)											
Memorandum items:											
Foreign program assistance (grants and loans; in million of U.S. dollars) 2/	178	...	217	82	...	53	139	...	80	215	322
Exchange rate (Meticais per U.S. Dollar)	15,932	...	17,140	16,093	...	18,667	16,245	...	21,788	23,133	23,000
Bank recapitalization costs	1,351	...	954	852	...	234	852	...	434	...	...
Required reserves shortfall	0	...	-401	0	...	-488	0	...	0	...	...
Adjustment to BoM's NDA at program exchange rates	0	...	-10	0	...	11	0	...	-399	0	0
Adjustment to reserve money	0	...	-17	0	...	-24	0	...	-30	0	0
Adjustment to NFA	0	...	7	0	...	36	0	...	-369	0	0
Stock adjustments in medium and long term liabilities	9,360	-662	8,698	9,461	-667	8,794	9,550	-1,803	7,747	12,607	12,535

1/ Defined as revenue minus noninterest current expenditure minus locally financed capital expenditure and locally financed net lending.

2/ Cumulative from the beginning of the calendar year.

3/ To be adjusted downward in December, March, and June by the shortfalls in bank recapitalization/restructuring relative to the programmed amounts.

4/ Defined as reserve money minus net foreign assets (NFA) of the Bank of Mozambique. The foreign currency component of reserve money and NFA are valued at program exchange rates; NFA are defined to exclude the effect of any stock adjustments in medium- and long-term liabilities.

5/ To be adjusted upward/downward to the extent of any shortfall/excess of foreign program assistance valued at program exchange rates.

6/ To be adjusted downward to the extent that eligible bank reserves fall short of 7.95 percent (11.51 percent after June) of deposits in commercial banks at the end of each quarter. At end-December 2000, this ratio was 6.7 percent, giving rise to a downward adjustment of Mt 401 billion to the program ceiling. At end-March 2001 the downward adjustment was Mt 484 billion.

7/ To be adjusted downward/upward to the extent of any shortfall/excess of foreign program assistance relative to the amounts shown in the memorandum item.

8/ Loans of 0-1 year's maturity, excluding normal import-related credit. Non-U.S. dollar debt converted to U.S. dollars at actual exchange rates.

9/ Continuous performance criterion; excluding arrears arising from debt-service payments that become due pending the conclusion of debt-rescheduling agreements.

Table 3. Structural Performance Criteria and Benchmarks Under the PRGF Arrangement, October 2000-June 2001

Actions	Date of Implementation (End of period)	Status
Tax policy and administration		
Approve the legal basis for the creation of a special section within the tax directorate to handle tax collection, audits, and control with respect to large taxpayers.	March 2001	Observed
Draft new code of fiscal incentives for investment.	May 2001	Observed
Prepare a plan for the creation of a central revenue authority.	June 2001	Observed
Fiscal accountability		
Submit a new public accounting law to the National Assembly that regulates all stages of expenditure, including commitment and verification 1/	March 2001	Observed (September 2001)
Include in quarterly budget execution reports (beginning with first quarter of 2001) information on budgetary allocations and actual expenditures on programs specified in the PARPA.	May 2001	Observed
Financial sector		
With respect to recapitalization and restructuring of Banco Comercial de Moçambique (BCM) and Banco Austral (BA),		
<ul style="list-style-type: none"> • obtain shareholders' commitment to recapitalize and restructure the BA; and 	December 2000	Observed
<ul style="list-style-type: none"> • complete the recapitalization of the BCM and BA 1/ 	March 2001	Observed for BCM but not for BA
Introduce computerized clearing system	June 2001	Observed

1/ Structural performance criteria.

Table 4. Structural Performance Criteria and Benchmarks Under the PRGF Arrangement, October 2001-December 2001

Actions	Date of Implementation (End of period)
Tax policy and administration	
Submit to the National Assembly a new income tax law (“lei de bases do sistema tributario”) to overhaul corporate, personal and complementary taxes and increase their yields by simplifying procedures for calculation and payment and increasing the bases for these taxes. 1/	December 2001
Launch operations of the large taxpayer unit in Maputo.	December 2001
Financial sector	
Issue regulations to commence consolidated supervision of related financial institutions.	October 2001
Tighten the regulations on connected lending by lowering limits on commercial bank lending to shareholders.	October 2001

1/ Performance criterion