

Table I. Ethiopia: Quantitative Benchmarks and Performance Criteria for the Second Annual Program Supported by the PRGF Arrangement, October 2001-March 2003 1/

(In millions of birr, unless otherwise indicated)

	2001						2002						2003		
	July 7	September	December				March				July 7	September		December	March
	Actual (Stock)	Actual 2/	Benchmark	Revised Benchmark	Adjusted Benchmark	Actual	Indicative Target	Perf. Crit. 3/	Adjusted Perf. Crit.	Actual	Benchmark	Indicative Targets	Perf. Crit. 4/	Benchmark 5/	Indicative Targets 6/
I. Quantitative benchmarks and performance criteria															
Floor on net foreign assets of the National Bank of Ethiopia 7/ 8/	1,672	704	253	427	345	562	317	734	306	1,044	1,159	1,230	-177	551	551
Ceiling on net domestic assets of the National Bank of Ethiopia 9/ 10/	7,361	24	-90	-158	-75	-933	-190	-225	203	-321	-334	-371	163	199	446
Ceiling on net domestic financing of the general government (incl. privatization receipts) 10/ 11/ 12/	17,313	-1,210	400	-280	-198	-1,259	500	0	428	-796	400	-371	0	-280	400
Ceiling on outstanding external payments arrears (in million of US\$) 13/	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ceiling on new nonconcessional external debt contracted or guaranteed by the public sector 14/	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
II. Indicative target															
Floor on net foreign liquid reserves of the National Bank of Ethiopia 7/ 8/	1,193	710	253	433	351	562	317	740	312	1,138	1,159	1,230	-177	551	551
III. Triggers for adjustment of quantitative benchmark and performance criteria															
Disbursed nonproject external funding (in million of U.S. dollars) 15/	0	150	179	179	160	160	247	329	210	210	423	168	42	200	259

Source: Ethiopian authorities.

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

2/ September 2001 calculations are based on the previous program exchange rate of 8.255 Birr/USD.

3/ Established as performance criterion in the context of the second review.

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

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

6/ To be established as performance criteria in the context of the fourth review.

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

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

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

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

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

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

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

14/ This limit applies not only to debt as defined in Point No. 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt, adopted by the IMF on August 24, 2000, but also to commitments contracted or guaranteed for which the value has not b

Excluded from this limit are short-term import credits and long-term financing operations of Ethiopian Airlines.

15/ Excluding fertilizer projects.

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

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

1/ Regulation adopted; but needs to be revised by August 31, 2002 to bring it more in line with international best practice.

2/ Initial date was September 30, 2002.

Table 3. Ethiopia: Prior Actions for the Completion of the Third Review
Under the Three-Year PRGF Arrangement

Prior Actions	Timing
Adoption by the Council of Ministers of a budget for fiscal year 2002/03 consistent with the revised fiscal framework presented in the letter of intent.	June 30, 2002 (done)
Tendering the financial audit of the CBE to internationally reputable audit firm.	July 15, 2002 (done)
Revision of the recently adopted regulation for the provisioning by banks for nonperforming loans and other doubtful assets to bring it more in line with international best practice, by including five categories for the classification of nonperforming loans, and removing any temporary weakening of provisioning that may result from the phasing in of the new requirements.	August 31, 2002