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May 12, 1983

To: Members of the Executive Board

From: The Secretary

Subject: Ethiopia - Staff Report for the 1983 Article IV Consultation

Attached for consideration by the Executive Directors is the staff report for the 1983 Article IV consultation with Ethiopia. A draft decision appears on page 22. This subject will be brought to the agenda for discussion on a date to be announced.

If Executive Directors have technical or factual questions relating to this paper prior to the Board discussion, they should contact Mr. Callender (ext. 73397) or Mr. Scheuer (ext. 73768).

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ETHIOPIA

Staff Report for the 1983 Article IV Consultation

Prepared by the Staff Representatives for the
1983 Consultation with Ethiopia

Approved by J.B. Zulu and S. Kanesa-Thasan

May 11, 1983

I. Introduction

A Fund mission visited Addis Ababa during the period March 1-16, 1983 to conduct the Article IV consultation discussions with Ethiopia. The Ethiopian representatives included Mr. Abebe Kebed, Minister of Domestic Trade; Mr. Tadesse Gebre-Kidan, Governor of the National Bank of Ethiopia; Mrs. Desta Bishaw, Permanent Secretary, Ministry of Finance; Mr. Mersie Ejigu, Head of Planning and Development, Central Planning Supreme Council; and other senior officials of ministries and agencies concerned with economic and financial matters. The staff team consisted of Messrs. C.V. Callender (head-AFR), D. Scheuer (AFR), Z. Ebrahim-zadeh (AFR), A. Feltenstein (FAD), E. van der Mensbrugghe (ETR), and Mrs. D. Heflin (secretary-AFR).

The Executive Board approved a stand-by arrangement with Ethiopia in May 1981 in support of an eighteen-month program for a total amount of SDR 67.5 million, equivalent to 125 per cent of quota (Table 1). The staff paper on the 1982 consultation discussions and review of stand-by arrangement was discussed by the Executive Board on June 11, 1982 (EBS/82/83 and SM/82/99).

The World Bank has continued its operations in Ethiopia but has made no new loan commitments since June 1982, pending a satisfactory conclusion of negotiations on the remaining outstanding claims of the previously foreign-owned nationalized businesses. Considerable progress has recently been made in these negotiations, and agreement has been reached with the owners of all the major nationalized industries with the exception of the Fuji Spinning Company of Japan and Mitchell Cotts of the United Kingdom. Negotiations with these two companies are continuing.

Ethiopia continues to avail itself of the transitional arrangements of Article XIV. A summary of Ethiopia's relations with the Fund and a table of World Bank loans and IDA credits are shown in Appendices I and II.

Table 1. Ethiopia: Schedule of Purchases
May 1, 1981-June 30, 1982

(In millions of SDRs and as per cent of quota) 1/

By end of period	Purchases: Total	Purchases: of which: Enlarged access resources	Total Fund holdings 2/	Fund holdings as per cent of quota: Total	Fund holdings as per cent of quota: Tranche holdings and including enlarged resources 3/
1981					
May-July	42.60 4/	6.886	128.50	238.0	138.0
September	11.75 5/	6.409	140.25	259.7	159.7
December	11.75 5/	6.409	152.00	281.5	181.5
1982					
March	11.75 5/	6.409	163.75	303.2	203.2
June	11.75 5/	6.410	175.50	325.0	225.0

Source: Data provided by the Treasurer's Department.

1/ SDR = Br 2.3817 at end-June 1981.
2/ There were no repurchases during the period May 1, 1981-June 30, 1982.
3/ Excluding purchases under the compensatory financing facility.
4/ This reflects purchases of SDR 4.10 million under the reserve tranche, SDR 20.50 million under the stand-by arrangement (approximately equal to the first credit tranche plus 12.5 per cent of quota), and SDR 18.00 million under the compensatory financing facility.
5/ Reflects purchases under the stand-by arrangment at least six weeks after completion of the quarter for which performance criteria have to be observed.

II. Background to the Discussions

In the aftermath of the 1974 revolution, Ethiopia underwent a difficult period of wars and major institutional changes. These disruptions adversely affected Ethiopia's economic performance and financial situation. However, by the end of 1978 most institutional changes were completed and a better control over the security situation was achieved. Through the newly established central planning system, the Government initiated a program of economic recovery. Following this initiative and helped by better harvests, there was an annual average rate of growth in real GDP of 5.4 per cent during the two-year period 1978/79 and 1979/80, and an increase in gross fixed investment from 7.5 per cent of GDP in 1977/78 to 10.1 per cent in 1979/80. In addition, there was a reduction in the external current account deficit from 5.3 per cent of GDP to 4.6 per cent, an increase in gross domestic savings from 1.9 per cent to 4.8 per cent, and a reduction in the overall budgetary deficit to GDP ratio from 6.0 per cent to 4.5 per cent (Table 2). All this was achieved despite an overall 12 per cent deterioration in the external terms of trade during 1978/79-1979/80, which mainly reflected a fall in coffee export prices and rising import prices. However, concurrent with these developments there were recurrent small deficits in the balance of payments, and gross foreign reserves declined from Br 578 million (SDR 225 million) in June 1978, equivalent to 5.7 months' imports, to Br 535 million (SDR 195 million) in June 1980, equivalent to 4.3 months' imports.

The financial program supported by the stand-by arrangement with the Fund, which began in January 1981, aimed at further strengthening the balance of payments situation by containing the overall budgetary deficit, improving the domestic savings performance, and reducing and reallocating investment expenditure. The program covered the second half of 1980/81 and the whole of fiscal 1981/82. 1/ For the central government budget, financial policies were adopted to limit the growth in current expenditure so as to achieve current budget surpluses during the fiscal years 1980/81 and 1981/82. These included the removal of petroleum price subsidies and the increase by 50-60 per cent in the retail prices of those products. Increases in capital outlays were to be limited to 6 per cent in 1980/81 and 14 per cent in 1981/82, and the overall budgetary deficits to 4 per cent and 5.6 per cent of GDP. As part of the performance criteria, expansion in total net domestic credit and net credit to the Government were limited to an annual rate of 20 per cent and 13 per cent of beginning money stock in the first half of 1981, and 25 per cent and 19 per cent in the fiscal year 1981/82. These measures were expected to contribute toward limiting the balance of payments deficit to SDR 115 million (3.3 per cent of GDP) in 1980/81 and to about SDR 67 million (1.6 per cent of GDP) in 1981/82. The ratios of the external current account deficit to GDP were, however, projected to rise in the two years, reflecting an increased inflow of concessionary capital.

1/ Fiscal year is from July 7-July 6.

Table 2. Ethiopia: Selected Economic and Financial Indicators, 1978/79-1982/83

(Fiscal year ending July 6)

	1979/80	1980/81 Program	1980/81 Actual	1981/82 Program	1981/82 Actual	1982/83 Proj.
	(Annual percentage change unless otherwise specified)					
National income and prices						
GDP at constant factor cost	5.5	6.2	3.2	5.0	2.5	4.8
GDP deflator	1.9	4.9	1.8	6.1	2.0	2.6
Consumer prices	12.5	10.0	1.9	10.0	7.3	10.1
External sector (on the basis of U.S. dollars)						
Exports, f.o.b.	31.8	-11.5	-13.1	3.5	-6.7	11.1
Imports, c.i.f.	20.3	9.9	0.9	9.0	9.5	9.6
Non-oil imports	12.5	1.2	-1.6	8.5	8.4	10.1
Export volume	-3.7	12.3	8.1	6.4	-7.0	13.3
Import volume	9.1	-1.0	-6.6	0.9	12.0	11.2
Terms of trade (deterioration -)	19.8	-29.0	-24.1	-10.0	1.1	-4.3
Nominal effective exchange rate (appreciation -)	0.8	...	-4.8	...	-14.2	...
Real effective exchange rate (appreciation -)	-0.3	...	4.0	...	-12.8	...
Government budget						
Revenue (excluding grants)	13.4	...	11.8	6.5	4.8	4.8
Total expenditure	20.0	0.2	8.2	15.4	8.6	15.9
Money and credit						
Domestic credit 1/	28.4	12.4	10.3	24.9	14.1	18.6
Of which: credit to Government 1/	5.7	11.0	6.6	19.0	3.5	13.7
Money and quasi-money	13.4	-5.3	-1.0	16.6	10.2	7.6
	(In per cent of GDP)					
Current budgetary surplus	0.1	0.3	0.9	0.2	1.4	-0.1
Overall fiscal deficit (-)						
Including public grants	-4.5	-4.0	-4.1	-5.6	-4.9	-7.2
Excluding public grants	-5.2	...	-5.1	...	-6.0	-8.7
Domestic bank financing	2.4	2.5	1.6	2.3	0.4	3.2
Foreign financing	1.7	1.2	1.5	3.0	5.0	2.8
Gross domestic investment	10.1	10.7	10.2	11.8	10.7	11.2
Gross domestic savings	4.8	3.0	4.0	4.0	2.6	3.5
Current account deficit (-)						
Including public transfers	-3.1	-5.8	-4.4	-5.4	-5.6	-5.0
Excluding public transfers	-4.6	-7.3	-5.8	-7.4	-7.1	-6.9
External debt (inclusive of use of Fund credit)	18.2	18.6	20.2	23.3	25.3	26.2
Debt service ratio 2/	5.8	5.6	7.1	5.7	11.7	12.4
Interest payments 2/	2.5	2.6	3.2	2.5	5.4	5.9
	(In millions of SDRs unless otherwise specified)					
Overall balance of payments	-31.0	-115.0	-47.5	-91.6	53.2	-85.4
Gross official reserves (weeks of imports)	11.4	...	10.4	10.7	17.7	12.1

1/ Expressed in per cent of M2 at the beginning of the year.
2/ Expressed in per cent of exports of goods and nonfactor services.

Ethiopia observed all the performance criteria and purchased the SDR 67.5 million from the Fund in accordance with the agreed phasing. The budgetary target for the program period was achieved and there was a turnaround in the balance of payments from a large deficit of SDR 31 million in 1979/80 to a SDR 53 million surplus in 1981/82. The overall inflation rate, as measured by the Addis Ababa retail price index, was lower than programed. However, the growth in real GDP was lower than originally envisaged.

In 1980/81 the current budget surplus, though small, was three times the program estimate and the overall budgetary deficit was within the program target of 4.1 per cent of GDP (Table 2). The overall balance of payments deficit (1.4 per cent of GDP) and the external current account deficit (5.8 per cent of GDP) were substantially lower than envisaged under the program (3.3 per cent and 7.3 per cent, respectively). This was due to a smaller trade deficit than originally envisaged, reflecting lower import payments as a result of tighter credit policies and the emphasis on reducing stocks of imported goods. Both total net domestic credit and net credit to the Government were lower than the program ceilings (Table 3).

Table 3. Ethiopia: Indicators of Performance Under the Program

(In millions of birr)

	Net domestic credit		Net credit to Government	
	Program	Actual	Program	Actual
1981				
June	2935.0	2829.8	1198.8	1107.9
September	3148.0	2931.2	1316.8	1217.1
December	3368.0	2866.8	1376.8	1065.5
1982				
March	3587.0	2987.6	1406.8	1040.5
June	3667.0	3125.1	1426.8	1180.9

Source: Data provided by the Ethiopian authorities.

As discussed below, in 1981/82 both the budgetary and balance of payments objectives were achieved and credit expansion was kept well below the program ceilings.

1. Developments in 1981/82

After averaging 5.4 per cent during 1978/79 to 1979/80, the growth in Ethiopia's real GDP fell to 3.2 per cent in 1980/81 and to 2.5 per cent in 1981/82, compared with a target growth rate of 5 per cent for the program. Gross fixed investment rose slightly, but domestic savings declined from 4.8 per cent in 1979/80 to 4 per cent of GDP in 1980/81 and 2.6 per cent in 1981/82, reflecting in part a decline in the contribution of public sector enterprises. The decline in the overall growth rate was reflected in all sectors of the economy. Agricultural output grew by only 2 per cent in 1981/82, compared with 2.4 per cent in 1980/81, due to poor weather conditions, inadequate incentives, and marketing difficulties. Production of major cereal crops increased by 3.4 per cent, with 26 per cent of the increase attributable to the state farms. Production of export crops increased modestly. Coffee production remained unchanged from the previous year, partly reflecting the drought in the Harerge region, but output of pulses grew significantly. Industrial output increased by 3.4 per cent in 1981/82, compared with an increase of 4.1 per cent in 1980/81. The slower growth reflected partly capacity constraints in a number of import-substituting industries, such as processed foods and textiles, marketing difficulties in some export-oriented industries, such as shoes and leather products, and shortages of domestically produced raw materials in others. Output in the construction sector, which accounts for 60 per cent of gross investment, declined by 2.6 per cent, due mainly to shortages of building material, the breakdown of machinery in the cement industry, and delays in project implementation.

Consumer prices, as measured by the Addis Ababa retail price index, rose by 7.3 per cent in 1981/82, compared with 1.9 per cent in the previous year. The increase mainly reflected increases in food prices, household items, and transport costs. The effect of the drought on the supply of domestic foodstuffs, the removal of subsidies on petroleum products, and inexperienced marketing and distribution organizations were factors contributing to the increase in consumer prices.

The overall budgetary deficit as a proportion of GDP increased from 4.1 per cent in 1980/81 to 4.9 per cent in 1981/82, but remained well below the program estimate of 5.6 per cent of GDP. There was a slowdown in the growth of revenues from the high levels of the preceding three years to less than 5 per cent in 1981/82. Receipts from income and profits taxes rose by nearly 11 per cent, reflecting the intensification of the Government's efforts to collect tax arrears. Domestic excise and sales tax revenues and receipts from export taxes rose by less than 3 per cent, while import duties declined. Nontax revenue rose by 9 per cent. Total expenditure increased by nearly 9 per cent (Table 4). Reflecting the

Table 4. Ethiopia: Summary of Central Government Finance, 1978/79-1982/83

Fiscal Year Ended July 6	Actual 1978/79	1979/80	1980/81	1981/82	Estimates 1982/83
Ethiopian Fiscal Year	1971	1972	1973	1974	1975
			(In millions of birr)		
Revenue	1,375.3	1,559.7	1,738.6	1,821.6	1,909.3
Of which: coffee surtax	(203.4)	(275.9)	(147.6)	(159.7)	(178)
Current expenditure	-1,281.9	-1,548.0	-1,658.7	-1,692.4	-1,917.1
Current surplus or deficit (-)	93.4	11.7	79.9	129.2	-7.8
Capital expenditure 1/	-332.9	-389.3	-438.2	-584.8	-722.1
Overall deficit (-)	-239.5	-377.6	-358.3	-455.6	-729.9
External borrowing (net)	164.4	142.3	127.8	460.7	278.9
Loans and credits	(179.4)	(158.3)	(142.7)	(478.7)	(300.0)
Repayments	(-15.0)	(-16.0)	(-14.9)	(-18.0)	(-21.1)
Domestic financing (net)	75.1	235.3	230.5	-5.1	451.0
Banking system (net)	(62.4)	(199.3)	(142.0)	(40.4)	(315.0)
Pension commission and other	(12.7)	(36.0)	(88.5)	(-45.5)	(136.0)

Source: Data provided by the Ministry of Finance.

1/ Net of imputed value of external grants in kind.

continuation of the tight expenditure control measures and the elimination of subsidies on petroleum products, current expenditure rose by only 2 per cent, and the current surplus rose sharply to 1.4 per cent of GDP, compared with 0.9 per cent of GDP in 1980/81. Despite an increase in capital expenditure by nearly 34 per cent, the overall budgetary deficit to GDP ratio was contained at a somewhat lower level than in the program. Unlike the previous year, when more than half of the overall deficit was financed by the domestic banking system, in 1981/82 the deficit was completely covered by net external borrowing and the Government took the opportunity to make a small net repayment to the nonbank sector. Consequently, net credit to the Government rose by less than 7 per cent, and total net domestic credit by only 10 per cent, well below the ceilings indicated in the financial program. Broad money expanded by 11 per cent.

The external current account deficit (goods, services, and private transfers) increased by 30 per cent in 1980/81 to 7 per cent of GDP, somewhat less than the program estimate (Table 5). The main reason for the increase in the current account deficit was the widening of the trade balance. Marginally lower export prices combined with lower volume led to a decline of 7 per cent in the total value of exports. Imports increased by nearly 10 per cent, mainly on account of an increase in volume. The increase in imports was associated, as anticipated, with increased capital inflow. Net services increased marginally, but private transfers rose markedly. The deterioration in the current account was more than offset by a sharp increase in net capital inflows, which resulted in a balance of payments surplus of Br 125 million. Net foreign assets of the banking system rose to Br 370 million at the end of June 1982. Gross foreign reserves were SDR 338 million, which was equivalent to 5.8 months of 1981/82 imports.

2. Developments in 1982/83

Economic developments in 1982/83 appear to be mixed. Although real GDP is estimated to increase moderately, both the budgetary performance and the overall balance of payments situation are expected to deteriorate. Real GDP growth is estimated to increase to 4.8 per cent in 1982/83, and investment to 11.2 per cent of GDP, while domestic savings is estimated to rise only to 3.5 per cent of GDP.

Agricultural output is estimated to increase by about 3 per cent, mainly on account of a larger output of domestic food crops; the latter registered higher yields as a result of improved seed, a greater supply of inputs, and better agricultural techniques. Output of export crops is not estimated to change significantly. Coffee output and exports are expected to rise modestly, but, with lower world market prices, the incomes of coffee producers are estimated to fall. Output in the industrial sector is estimated to increase by 5 per cent in real terms as a result of the expansion of some plants and increased availability of domestic and imported inputs. With the improvement in maintenance and the consequent increase in

Table 5. Ethiopia: Summary Balance of Payments and Medium-Term Projections 1/

(In millions of SDRs)

	1979/80	1980/81	1981/82	Provisional 1982/83	Projected 1983/84	1984/85	1985/86
Trade balance	-180.6	-241.8	-351.1	-396	-412	-417	-437
Exports, f.o.b.	364.5 2/	328.2	338.0	391 3/	409	445	485
Coffee	(234.5)	(201.8)	202.8	(212)	(227)	(245)	(265)
Noncoffee	(120.1)	(126.4)	135.2	(166)	(182)	(200)	(220)
Imports c.i.f.	-545.1	-570.0	-698.1	-787	-821	-862	-922
Net services	20.5	27.1	31.3	44	48	55	59
Private transfers	15.3	19.7	39.8	44	53	55	57
Current account balance	-144.8	-195.0	-280.0	-308	-311	-307	-321
Public transfers (net)	46.0	47.7	59.4	84	97	106	114
Nonmonetary capital	68.7	83.2	232.6	138	159	181	207
Foreign borrowing	(94.4)	(105.5)	(244.5)	(177)	(209)	(242)	(275)
Amortization	(-14.7)	(-17.5)	(-28.6)	(-35)	(-41)	(-50)	(-55)
Short-term (net)	(-11.0)	(-4.8)	(16.7)	(-4)	(-9)	(-11)	(-13)
Net errors and omissions	-4.6	-9.7	22.3	--	--	--	--
SDR allocations	3.7	3.8	4.1	--	--	--	--
Revaluation of reserves	--	22.4 4/	14.8	--	--	--	--
Overall balance	-31.0	-47.5	53.2	-86	-55	-20	--
Memorandum items							
Terms of trade (deterioration -)	19.8	-24.1	1.1	-4.3	1.0	2.0	3.0
Exchange rates 5/	2.69	2.60	2.35	2.26	2.27	2.27	2.27

Sources: National Bank of Ethiopia; Ministry of Finance; and staff estimates

1/ Fiscal year data cover year ended July 6 where available, otherwise June 30.
2/ Includes SDR 9.9 million of nonmonetary gold.
3/ Includes SDR 13 million of nonmonetary gold.
4/ Includes a profit of SDR 18.8 million from the sale of 48,430 ounces of gold.
5/ Birr per SDR (average for period).

operating time in the cement industry, and an increase in the supply of building materials, the construction sector is expected to show a strong recovery.

Consumer prices for the first six months of 1982/83 rose by nearly 6 per cent and are expected to increase by more than 10 per cent over the entire year. Most of the increase stems from higher food prices. The recent slow growth in output of domestic foodstuffs relative to the increase in demand, particularly in the urban areas, has contributed to higher food prices. Given the Government's objective of making food available at a reasonable cost, recent increases in farm-gate prices have been limited and have proved insufficient to generate adequate increases in supply.

Comprehensive data on wages are not available for the entire economy. The Central Government's wage bill rose by 13 per cent in 1982/83 compared with 3 per cent in 1981/82. The increase reflects partly an expansion in employment and partly wage increases. For civil servants earning lower than Br 600 per month and employees of public enterprises earning below Br 650 per month, wage increases are limited to a maximum of 7 per cent. For those receiving larger salaries, wage increases are much smaller.

The budgetary situation is estimated to deteriorate further in 1982/83 and the overall budgetary deficit as a proportion of GDP is estimated to increase to 7.3 per cent. According to revised estimates, revenue is expected to increase at about the same rate (4.8 per cent) as the previous year, mainly on account of larger receipts from export duties, export taxes, and excise and sales taxes. Current expenditure is estimated to rise by 13 per cent, mainly due to increases in employment and materials. Capital expenditure is estimated to rise by 24 per cent on account of the provision of equity finance for some public enterprises. This is aimed at improving the debt-equity ratio of these enterprises, thereby strengthening their financial structure. The larger overall deficit, unlike the previous year, will be financed mainly from domestic sources, with 43 per cent from the banking system.

Monetary and credit developments in 1982/83 reflect the Government's recourse to the banking system to finance the large budgetary deficit. In order to provide additional equity finance for the public enterprises, the Government issued a proclamation providing for the sale of bonds by the Treasury to the National Bank and the Commercial Bank. This resulted in a considerable expansion in domestic credit. During the first six months of the fiscal year (July to December 1982) net domestic credit rose at an annual rate of nearly 16 per cent; net credit to the Government expanded at an annual rate of 34 per cent, while claims on other sectors rose by less than 6 per cent. Net foreign assets fell sharply in the first half of 1982/83. Reflecting these developments, broad money grew slightly. For the entire fiscal year total net domestic credit is expected to expand by 14 per cent; net credit to the Government is expected to increase by 27 per cent and credit to the other sectors by 6 per cent. No change in net foreign assets is expected in the second half of the fiscal year. Accordingly, broad money is expected to grow by nearly 8 per cent.

Despite an increase of 8.3 per cent in the trade deficit, the external current account deficit is estimated to decline from 7.1 per cent of GDP in 1981/82 to 6.9 per cent in 1982/83. Exports are provisionally estimated to increase by 11 per cent on account of a rise in noncoffee exports. Improvements in quality and processing, as well as the Government's strong encouragement of private traders (starting from the beginning of 1983) to participate actively in export trade, account for this favorable development. Imports are provisionally estimated to grow by about 10 per cent in nominal terms. Net capital inflows are estimated to be lower than in the previous year, with the result that the overall balance of payments is estimated to swing sharply into deficit of SDR 86 million in 1982/83. Gross foreign reserves are expected to decline to SDR 266 million at the end of June 1983, which is equivalent to 4.0 months of 1982/83 imports.

Unlike most developing countries, Ethiopia does not have to meet onerous amortization payments, due to the low level of external assistance it receives and the concessionary nature of such assistance. During the five-year period ended June 1982, Ethiopia's outstanding public debt increased on an average of only US$100 million per annum (Table 6). As a percentage of GDP, external debt constituted only 22 per cent in June 1982. This reflects the policy of the Ethiopian authorities to rely mainly on concessionary loans. Thus, the debt service ratio has remained relatively low, although it increased from 7 per cent in 1980/81 to 12 per cent in 1981/82. Projections for the next few years indicate an average debt service ratio of 14 per cent excluding repurchases to the Fund, and 17 per cent including repurchases.

III. Report on the Discussions

The Ethiopian Government is currently preparing a Ten-Year Perspective Plan covering the period 1983/84-1992/93. Within the general framework of the Ten-Year Plan, the Government has prepared a draft public sector investment program for the three-year period 1983/84-1985/86, outlining the general objectives, strategies, sectoral priorities, investment targets, and proposed financing.

The program aims at growth rates in real GDP of 6 per cent in 1983/84, 6.5 per cent in 1984/85, and 6.5 per cent in 1985/86. It envisages total investment at 1981/82 prices of about Br 6,309 million, compared with Br 3,400 million in the previous three years, with 21 per cent allocated to mining, power, and water development, 20 per cent to transport and communications, 19 per cent to industry, 15 per cent to agriculture, 10 per cent to construction, housing, and urban development, and the remainder

Table 6. Ethiopia: Medium-Term Debt Scenario

(In millions of SDRs)

	1981/82	1982/83	1983/84 1/	1984/85 1/	1985/86 1/	1986/87 1/
Debt service payments						
a. Payments on existing debt	53.5	66.6	71.9	78.7	77.7	69.6
Interest	(24.9)	(31.9)	(30.7)	(28.5)	(23.2)	(19.8)
Amortization 2/	(28.6)	(34.7)	(41.2)	(50.2)	(54.5)	(49.8)
b. IMF	7.1	21.1	26.9	37.2	39.5	17.3
Charges	(7.1)	(9.8)	(8.9)	(7.3)	(4.9)	(2.5)
Repurchases	--	(11.3)	(18.0)	(29.9)	(34.6)	(14.8)
c. Payments on new borrowing 3/	...	...	6.2	13.7	22.0	31.3
Interest	(...)	(...)	(6.2)	(13.7)	(22.0)	(31.3)
Amortization	(...)	(...)	(--)	(--)	(--)	(--)
d. Total (a + c)	53.5	66.6	77.9	92.4	99.7	100.9
Interest	(24.9)	(31.9)	(36.9)	(42.2)	(45.2)	(51.[illegible])
Amortization	(28.6)	(34.7)	(41.0)	(50.2)	(54.5)	(49.8)
e. Total debt service payments/exports of goods and nonfactor services	11.7	12.4	13.7	14.9	14.7	13.6
External debt outstanding	860	1,049	1,209	1,400	1,620	1,878
External debt/GDP	22.2	23.7	25.8	28.2	29.7	31.3

Sources: National Bank of Ethiopia; Ministry of Finance; IMF Treasurer's Department; and staff estimates.

1/ Assumes Br 2.27 = SDR 1.
2/ Excludes IMF repurchases.
3/ Assumes average interest rate of 3 per cent, 4 years grace period, and maturity of 20 years. The terms assumed are somewhat less favorable than those experienced in recent years.

to trade, tourism, and education. About 46 per cent of the total investment is expected to be financed from domestic sources and the remainder from external sources.

The staff representatives reviewed the program targets for investment, savings, the balance of payments, and the budget. They pointed out that, on the basis of historical data, the investment target appeared to be ambitious and that it relied heavily on external financing for its implementation. Moreover, the expectations with respect to capital inflows were overly optimistic and, as a result, there was a risk of an acceleration of inflation and pressures on the exchange rate. Therefore, the discussions focused on the economic and financial policies to be followed in the medium term, particularly those affecting domestic production and exports, budgetary performance, the mobilization of domestic financial savings, and external debt management.

1. Production policies

In accordance with the longer-term objective of attaining self-sufficiency in food production, increasing agricultural output, and increasing the share of industrial output in total production, the public sector investment program places heavy emphasis on agricultural and industrial development. Indeed, a large portion of the investment allocated to power and water development and to transportation is designed to improve the productive capacity in the agricultural and industrial sectors.

In the agricultural sector the focus has been on the organization of farmers on a voluntary basis into producers' and service cooperatives with a view to providing the organizational framework for improving infrastructure, providing inputs to farmers, and improving marketing effficiency. In addition, while the acreage under cultivation by state farms is not expected to expand rapidly, greater emphasis is being placed on improved management and agricultural practices, and yields are expected to increase substantially.

The results so far have been mixed. The movement from peasants' associations into cooperatives has been slower than anticipated, and output on some of the state farms in rain-fed areas has been adversely affected by drought. Although output and yields on state farms in irrigated areas have been increasing, and the average yields for the major cereal crops are currently above the national average, they are not yet sufficiently high to make the operations of the state farms profitable.

The Ethiopian authorities plan to continue their policy of encouraging the formation of producers' and service cooperatives. These cooperatives are intended to serve as vehicles for providing inputs, extension services, and credit to farmers cultivating small plots scattered over wide areas.

In order to reduce the dependence on rainfall, irrigated agriculture is being encouraged. Low-cost projects to divert water from rivers and other irrigation supply and distribution systems are being constructed.

In the medium term, greater emphasis will be placed on improving productivity. Improvements in harvesting techniques could play an important role in increasing yields. Losses due to improper handling and inadequate storage are presently estimated at 20 to 30 per cent of output. It is possible to reduce this loss by half through the use of animal driven or mechanized harvesters and by providing better storage facilities. Other measures designed to improve yields include the expansion of the program for seed multiplication and dissemination and the establishment of a farmers' multi-purpose training center. The latter, by providing agricultural training to farmers, is expected to make a significant contribution to an improvement in agricultural practices.

The Government intends to expand the acreage under cultivation by state farms, though at a much slower rate than in the past. Greater care will be taken with respect to crop selection to ensure that the crop is well suited to the particular area, and emphasis will be placed on irrigated farming. The Awash Valley irrigated project will be expanded at a rate of about 2,500 hectares a year, and additional projects are being developed. Priority will be given to the cultivation of export crops such as coffee, tea, cotton, pulses, oil seeds, sugarcane, spices, vegetables, and fruits.

In view of the recent slow growth in agricultural output, particularly of domestic foodstuffs, the Government has decided to re-examine its grain pricing and marketing policies. To this end, a special study financed by the World Bank is being undertaken to investigate ways to stimulate grain production and improve marketing. The study will take into account recent developments in the costs of inputs, the prices of items in the farmers' consumption basket, and the impact of increased prices for grains on the cost of living. The study is expected to be completed shortly and will be used as a basis for future government action. The staff representatives said that adjustments in prices by the Agricultural Marketing Corporation (AMC) to reflect increased costs of production have been slow and generally inadequate, and marketing problems (including transportation) have hindered the efficient collection and distribution of domestic foodstuffs. Therefore, action in these areas should be expedited.

The Government's plans for the livestock sector include the improvement of the quality of both beef and dairy cattle through crossbreeding and an increase in sheep production through the provision of better veterinary services and genetic and institutional improvements.

In recent years industrial expansion has been hampered by lack of capacity, shortages of local raw materials, and, in the case of shoes and leather goods, weakness in foreign markets and deterioration in price competitiveness. In order to overcome these problems and increase output, investments in import-substituting industries will be geared to increasing production of basic consumer goods, such as sugar, textiles, edible oil, and processed cereal products, and intermediate goods, such as cement and building materials, jute bags, paper bags, and metal products. With respect to the export-oriented industries, priority will be given to improved processing of hides and skins, production of shoes and other leather goods, and soluble coffee, and the promotion of handicrafts such as weaving, metal and leather products, and pottery and woodwork. In addition, a more aggressive export strategy to obtain new markets will be adopted.

2. Domestic policies

The Government will need to mobilize a larger amount of domestic resources if its medium-term investment goal is to be attained. Policies aimed at achieving budgetary savings through revenue-raising or expenditure-restraining measures will need to be implemented, and greater efforts made to mobilize domestic savings through the banking system or through the issue of domestic public debt instruments.

During 1982/83 government fiscal policy was characterized by a lack of any new measures to improve revenues. At the same time, there was, to a certain extent, a loss of control over current expenditures, as wages and operating expenses rose by almost 14 per cent. Fiscal policy continued to emphasize raising the level of capital expenditures, mainly in the area of economic rather than social development. As a result, the overall fiscal deficit rose and was financed, to a large extent, by recourse to the domestic banking system, with corresponding inflationary pressure.

The Government is aware of the need to increase revenues, and some revenue-raising measures have already been proposed but have not yet been implemented. Some are expected to be implemented in fiscal 1983/84. Tax administration will be simplified. The corporate income tax, which is currently paid annually on the basis of the previous year's income, will be paid quarterly, based on the estimated current year's income. This is intended to smooth out the fluctuations in the Government's cash flow and enable more efficient expenditure planning. In addition, proposals for a reform of the indirect tax system, with a view to both simplifying these taxes and adjusting selected tax rates, are expected to be implemented in the near future. The number of indirect tax rates will be reduced to four rates of 0, 15, 25, and 35 per cent, to be levied upon all goods, both foreign and domestic, according to their classification as luxury or essential items, and specific taxes will be changed to an ad valorem basis. This package of measures is expected to increase revenue by about 8 per cent annually, but this amount could increase substantially if proposals to raise the sales tax rates and increase their coverage are implemented. Proposals have also been submitted to improve the assessment of agricultural incomes and related tax collections. Farmers with annual incomes below Br 600 pay Br 10 as income tax and Br 10 as land-use tax, while farmers with incomes over Br 600 are expected to pay taxes on the excess. However, very few farmers report incomes in excess of Br 600, and proper assessment under the existing system is difficult. If the proposals are approved, the yield from this source is expected to expand pari passu with the extension of producer cooperatives.

The Ethiopian authorities have, up until 1981/82, exerted firm control over expenditure and will need to reassert such control in the future. There is considerable pressure to increase expenditure on investment in the productive sector, and there may be increasing resort to domestic bank financing for this purpose. The staff representatives pointed out that the ensuing expansion in domestic liquidity could have an adverse impact on the balance of payments and prices. Although it is possible that this increased liquidity may eventually be matched by increased output from projects currently being undertaken, it is unlikely that these effects will be felt within the next three years, given the gestation period of most projects. Continuous recourse to large amounts of bank financing, as occurred during 1982/83, is not sustainable. Therefore, the authorities should continue to restrain credit expansion to a level consistent with the balance of payments objective.

Public enterprises have, in the past, contributed significantly to budgetary revenue. However, in the past two years their contribution to revenue has declined. One of the reasons has been delays in the adjustment of the prices of their products. The staff representatives suggested that the delay in adjustment of prices should be reduced and that efforts to improve management, increase productivity, and control costs should be intensified. The recent measures to reduce the debt/equity ratios of some public enterprises should enable them to increase their operating surplus by reducing amortization payments, but the Government should also be prepared, as in the case of some of the state farms, to reappraise the performance of individual public enterprises and, if their operations are unprofitable, to liquidate them.

The staff representatives pointed out that, while loan rates of interest were positive, deposit rates were slightly negative, and there was only a small differential between short- and long-term deposit rates. Moreover, to the extent that the authorities would be continuing to rely on domestic bank financing to cover a sizable part of future budgetary deficits, it would be important to limit the size of central bank financing and rely more on financial savings mobilized through the deposit money banks. To ensure that deposit money banks are able to meet this need, as well as the expected growth in the demand for credit of the nongovernment sectors, the staff representatives suggested that an increase in interest rates would be appropriate. The Ethiopian representatives replied that, in the present circumstances, only a sizable increase in interest rates, to about 20 per cent, would have any appreciable effect. Instead, their first priority is to extend commercial bank branches to the rural areas to tap the incomes of farmers. They will also consider developing suitable debt instruments for sale to the nonbank private sector. In the context of developing such debt instruments, they will be seeking technical assistance from the Fund.

Regarding the provision of credit to finance agricultural development, the Ethiopian representatives said that at present the Agricultural Investment and Development Bank (AIDB) was primarily responsible for financing the credit needs of the peasants' associations and producers' cooperatives. If the demand for credit from those groups rises considerably, the Commercial Bank will be allowed to participate in financing their needs. The representatives added that credit in kind, through fertilizers and pesticides, was also provided by the Ministry of Finance and by the AIDB through the AMC.

3. External prospects and policies

In assessing the medium-term balance of payments prospects for Ethiopia, the staff took into account the Government's objective of maintaining reserves at a level equivalent to three months' imports, the likely growth of exports, and availability of foreign resources. Imports were then derived as a residual. Taking into consideration the trend in capital inflows over the past five years, the level of committed but as yet undisbursed foreign aid, and the authorities' assessment of likely disbursements of such aid as well as disbursements from negotiations now under way, and projected increases in debt repayments, net inflows of capital and public transfers are forecast to increase by 14 per cent annually between 1982/83 and 1985/86. This rate of increase is lower than that indicated in the Government's draft public sector investment program.

Under present exchange rate policies, the value of exports is projected to increase at an annual rate of 8 per cent. Export volume is projected to rise by about 5 per cent annually, with most of the increase coming from noncoffee exports. This reflects the Government's policy of export diversification, particularly expansion of output of cotton, vegetables and fruits, and pulses from the state farms, and the enhanced role of private traders in exporting cattle, pulses, and oilseeds. The U.S. dollar export price index is forecast to rise by about 3 per cent annually, which reflects higher average prices for coffee (with the growth of sales of washed coffee), and improvements in the quality of hides and skins and other leather products.

Based on the above forecasts for increases in foreign assistance and exports, and projected moderate increases in the surpluses on net services and private transfers, it was estimated that the growth of total imports would have to be restrained to about 6 per cent annually, roughly 2 per cent in real terms. Within this overall increase in total imports, the increase in capital goods imports, reflecting the anticipated rise in net inflows of foreign aid, is expected to account for a major share. The overall increase in other imports is expected to be modest as the share of oil imports is expected to decline from 22 per cent in 1982/83 to 19 per cent in 1985/86, mainly as a result of falling oil prices and energy conservation, and the share of other non-oil imports is expected to decline from 43 per cent to 39 per cent, reflecting the Government's policies of expenditure control and import substitution.

The Ethiopian representatives agreed that, in view of their objective to maintain gross reserves at a level equivalent to three months of imports, any further increase in imports to accelerate their investment program would require a more rapid expansion of exports and higher net capital inflows. They stressed their commitment to expanding and diversifying exports and cited policies under way to increase the proportion of washed coffee in total exports, to improve the quality of hides and skins, and increase exports of shoes and other leather products, pulses, oilseed cake, cotton, sugar, fruits and vegetables, and livestock products. At the same time, the Government's policy of import substitution was expected to save foreign exchange spent on consumer and intermediate goods, with the result that the proportion of capital goods in total imports would increase.

With respect to mobilization of foreign resources, the representatives indicated that Ethiopia's debt service ratio is still relatively low and that there was some room to increase its external indebtedness. However, they stressed that they would continue to try to obtain external resources only on concessionary terms. The flow of resources to Ethiopia, particularly from the World Bank, had been impeded by complications arising from the compensation issue for nationalized foreign enterprises, but, now that negotiations for the settlement of most of these claims have been satisfactorily completed, they expected the volume of external aid to increase. The recent proclamation on joint ventures, outlining the terms and conditions under which foreign capital can participate in investment, should also enhance the climate for private foreign investment in Ethiopia. Consequently, the inflow of capital may exceed the amounts indicated in Table 5 and thereby support a higher level of imports and investment than currently envisaged.

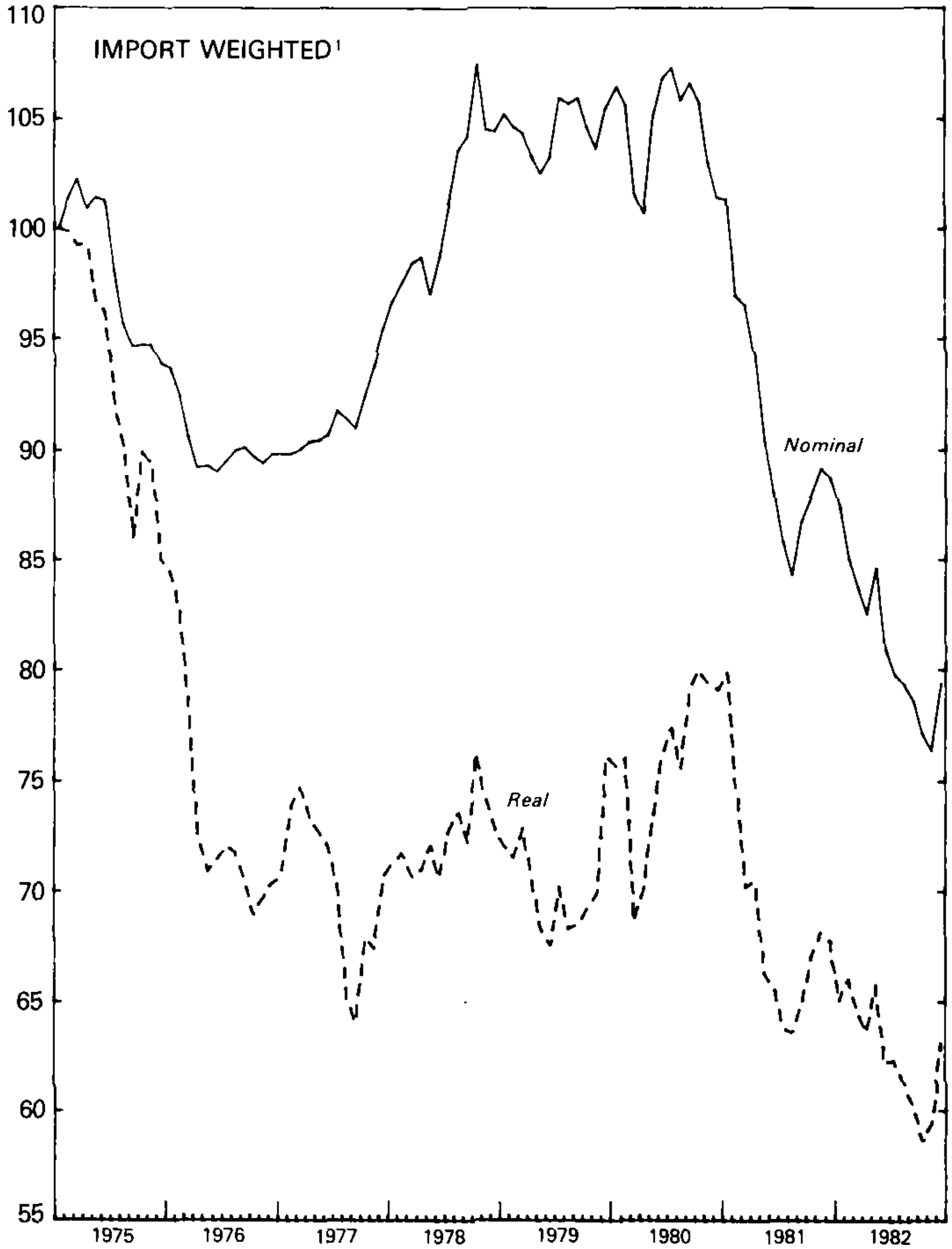
The birr is pegged to the U.S. dollar. Between January 1975 and December 1982, based on changes in the consumer price index, Ethiopia's import-weighted real effective exchange rate appreciated against the currencies of her major industrialized trading partners by 37.5 per cent (Chart 1). On account of the strength of the U.S. dollar, the birr effectively appreciated in real terms by 13 per cent during fiscal year 1981/82. Despite the marked appreciation, the average annual increase in the volume of noncoffee exports during the period 1977/78-1982/83 was 8 per cent. In this context, and given the fact that imports were tightly controlled through a system of licensing and geared to the country's investment program, the Ethiopian representatives were not convinced that a devaluation would result in an improvement in the balance of payments.

CHART 1

ETHIOPIA

NOMINAL AND REAL EFFECTIVE EXCHANGE RATES, JAN. 1975 - DEC. 1982

(Birr/basket; January 1975=100)



[1] Upward (downward) movements signify depreciation (appreciation)

Given the development requirements, the demand for imports is highly inelastic. Also, in their view, exports have manifested low price responsiveness. On these grounds, therefore, the representatives did not think that a depreciation of the birr was prudent at this time. They emphasized that the present system of administered prices, of which the exchange rate was only one element, had served them well so far, and that any changes in the system had to be considered within the general framework of prices and incomes policies.

The staff representatives replied that, in the present environment of scarce financial resources, both domestic and external, a depreciation of the birr would contribute materially toward achieving a sustainable current account balance in the medium term and improve the prospects for overall growth. Devaluation would increase coffee producer prices, giving the farmers incentive for increasing marketing through official channels, and encouraging new investment to regenerate and improve coffee production capacity. Higher export tax revenue would also be generated, which can be mobilized to support export diversification and investment in import-substituting industries. The higher price of foreign exchange would also lead to improved efficiency of investment and better utilization of relatively cheap labor resources.

In 1977/78, restrictions on current international payments and transfers were introduced when Ethiopia was faced with rapidly declining reserves. Foreign exchange licenses were granted for only essential commodities. Some relaxation of restrictions was later introduced with regard to the importation of certain items, such as basic consumer goods. Although gross official reserves have declined sharply since the last consultations, no new restrictions have been introduced and the authorities have continued to administer the existing restrictive system in a flexible manner to meet the country's essential import needs. The authorities intend to relax the existing restrictions as Ethiopia's balance of payments situation improves. Ethiopia does not currently have any bilateral payments arrangements.

IV. Staff Appraisal and Proposed Decision

After recovering from the disruptions caused by the revolution and the major institutional changes instituted in its aftermath, Ethiopia's economic and financial situation weakened in 1980/81. The balance of payments situation improved after the introduction of the financial program in 1981/82, but the growth rate of real GDP declined and the overall budgetary deficit as a proportion of GDP increased. Growth in real GDP is estimated to recover in 1982/83, but the balance of payments is estimated to swing into a considerable deficit and the overall budgetary deficit to increase further from 4.9 per cent of GDP in 1981/82 to 7.2 per cent in 1982/83. Domestic savings as a percentage of GDP is estimated to rise slightly in 1982/83 but will be lower than in 1979/80-1980/81.

In view of the recent slow growth in agricultural output, particularly of domestic food crops, the Government should take steps to provide price incentives to farmers which will cover the cost of production, including the cost of the various inputs, and give them an adequate income. The reorganization of the agricultural sector, with its emphasis on producers' and service cooperatives, may generate better agricultural practices, provide better and more widespread extension services and a larger supply of inputs, and ultimately result in higher yields in the medium term. But, without adequate price incentives, these efforts may not yield the desired results. The Government should also continue its pragmatic policy with respect to the state farms, giving greater attention to the selection of crops for specific areas, intensifying efforts to increase productivity, and terminating the operations of unprofitable farms.

There was a significant weakening in budgetary performance in 1982/83. In the past the Ethiopian authorities have succeeded in restricting expenditure to the available domestic and foreign resources and in avoiding any undue domestic credit expansion. The authorities have attributed the developments in 1982/83 mainly to the provision of capital for some state enterprises, and have stated that they intend to adopt a cautious policy with respect to domestic bank financing of the deficit. This policy should be strictly adhered to, as continued sharp increases in the overall budgetary deficit and greater recourse to the banking system would have an adverse impact on the balance of payments and on price developments. The Government has shown that it is aware of the problem and is considering implementing additional revenue measures in an effort to contain the overall budgetary deficit. In addition, in view of the declining contribution of the public enterprises to revenue, the Government should intensify its efforts to improve management, productivity, and profitability of the enterprises and thereby increase their contribution to revenues. The staff feels that, in addition to the expansion of bank branches and the development of appropriate public debt instruments, adjustments in domestic interest rates could help to increase the contribution of domestic savings to investment. Moreover, the Government should be prepared to reduce the level of investment over the medium term if disbursements of external resources fall below the levels expected in the three-year program.

In view of the objective of the Ethiopian authorities to maintain gross reserves at a level equivalent to three months' imports, a large public sector investment program would call for intensified efforts to strengthen fiscal and credit policies, to increase import substitution and exports, and to obtain higher net capital inflows. The Government is already implementing policies in support of these objectives. The staff believes that such efforts would be strengthened by a more active exchange rate policy and the resulting more appropriate cost-price relationships. The proclamation on joint ventures, setting out the terms and conditions for foreign participation in investment, and the progress with negotiations for the settlement of compensation claims for nationalized foreign enterprises, should improve the climate for foreign investment and for enhanced external support. Nevertheless, the authorities should pursue a more vigorous policy to mobilize external aid and private foreign investment, and particularly to settle outstanding compensation claims. Ethiopia's debt service payments, based on existing obligations, are still relatively low, and the staff supports the authorities' preference to limit further borrowing only to those on concessional terms. It would also be important that such borrowing be used for productive purposes.

Since 1978, Ethiopia has maintained restrictions on payments and transfers for most current international transactions. Some de facto liberalization of restrictions on certain imports was adopted in mid-1979. Despite the decline in reserves since the last consultations, no new restrictions have been introduced and the authorities have continued to administer the restrictive system in a flexible manner as far as payments for essential imports are concerned, although for other transactions the exchange and trade systems remain highly restrictive; payments arrears have been avoided. The authorities intend to relax existing restrictions as Ethiopia's balance of payments situation improves. The staff believes that the authorities should aim at renewed liberalization in the forthcoming year. This would be facilitated by reinforced implementation of economic and financial policies to strengthen the balance of payments and transfers, including a more flexible use of exchange rate policy. In the meantime, the staff recommends approval of the restrictions on current payments, until the completion of the next Article IV consultation with Ethiopia or May 31, 1984, whichever is earlier. It is recommended that the next Article IV consultation with Ethiopia be held on the standard 12-month cycle.

The following draft decision is proposed for adoption by the Executive Board:

1. The Fund takes this decision relating to Ethiopia's exchange measures subject to Article VIII, Section 2, and in concluding the 1983 Article XIV consultation with Ethiopia, in the light of the 1983 Article IV consultation with Ethiopia conducted under Decision No. 5392-(77/63), adopted April 29, 1977 (Surveillance Over Exchange Rate Policies).

2. Ethiopia continues to maintain restrictions on payments and transfers for most current international transactions as described in SM/83/ . The Fund notes the intention of the authorities to relax the existing restrictions as the balance of payments situation improves. In the meantime, the Fund grants approval for the retention of the exchange restrictions subject to Article VIII, Section 2, until the completion of the next Article IV consultation with Ethiopia or May 31, 1984, whichever is earlier.

ETHIOPIA--Basic Data

Area, population, and GDP per capita

Area:	1.2 million square kilometers
Population:	
Total (mid-1983 estimate)	34.3 million
Growth rate	2.3 per cent
GDP per capita (1983):	SDR 129 (Br 291)

	1978/79	1979/80	1980/81	1981/82	1982/83 1/
		Fiscal year ended July 6			
Gross domestic product (GDP)		(In millions of birr)			
GDP at current market prices	7,961.3	8,469.8	8,805.6	9,247.9	9,996.4
Agriculture (per cent of total)	44.1	44.0	44.0	43.3	42.1
Manufacturing (per cent of total)	5.9	6.3	6.4	6.5	6.6
Distribution services (per cent of total)	13.5	13.8	14.2	14.4	14.2
GDP at constant 1960/61 factor cost	4,221.7	4,454.2	4,595.4	4,710.9	4,936.2
Government finance					
Revenues and cash grants	1,375.3	1,559.7	1,738.6	1,821.6	1,909.3
Expenditure	1,614.8	1,937.3	2,096.9	2,277.2	2,639.2
Current	(1,281.9)	(1,548.0)	(1,658.7)	(1,692.4)	(1,917.1)
Capital	(332.9)	(389.3)	(438.2)	(584.8)	(722.1)
Overall deficit and financing	239.5	377.6	358.3	455.6	729.9
External borrowing (net)	(164.4)	(142.3)	(127.8)	(460.7)	(278.9)
Domestic financing (net)	(75.1)	(235.3)	(230.5)	(-5.1)	(451.0)

1/ Provisional estimates.

ETHIOPIA--Basic Data (continued)

	1979	1980	1981	1982	1982
		End of June			End of December
Money and credit		(In millions of birr)			
Domestic credit	2,085.0	2,612.3	2,829.7	3,125.1	3,371.4
Claims on Government (net)	(862.3)	(968.1)	(1,107.9)	(1,180.9)	(1,370.4)
Other credit	(1,222.7)	(1,644.2)	(1,721.8)	(1,944.2)	(2,001.0)
Money and quasi-money	1,859.3	2,332.2	2,377.7	2,643.7	2,689.5
	1978/79	1979/80	1980/81	1981/82	1982/83 1/
		Fiscal year ended July 6			
Balance of payments		(In millions of SDRs)			
Exports, f.o.b.	280.7	364.5	328.2	338.0	391.3
Of which: coffee	(204.1)	(234.5)	(201.8)	(202.8)	(212.0)
Imports, c.i.f.	-459.9	-545.1	-570.0	-698.1	-787.5
Trade balance	-179.2	-180.6	-241.8	-351.1	-396.2
Services (net)	15.9	20.5	27.1	31.3	44.4
Private unrequited transfers	18.2	15.3	19.7	39.8	44.3
Current account balance	-145.1	-144.8	-195.0	-280.0	-307.5
Official unrequited transfers	46.5	46.0	47.7	59.4	84.1
Capital account (net)	40.3	68.6	83.2	232.5	138.0
Errors and omissions	18.8	-4.5	-7.7	22.4	--
SDR allocations	3.6	3.7	3.8	4.1	--
Revaluation of reserves	--	--	22.5	14.8	--
Overall balance (deficit -)	-35.9	-31.0	-47.5	53.2	-85.4
Exchange rate (Br/SDR, period average)	2.6531	2.6934	2.5986	2.3535	2.2579

1/ Provisional estimates.

ETHIOPIA--Basic Data (concluded)

	1978/79	1979/80	1980/81	1981/82	1982/83 1/
			(In millions of SDRs)		
External public debt (end of period)					
Disbursed and outstanding	454.9	526.3	664.0	923.2	1,041.2
Debt service payments (including Fund charges)	24.2	26.1	31.5	53.5	66.1
	1979	1980	1981	1982	1983
Gross official international reserves (end of June)					Dec.
	84.9	117.9	124.7	248.2	181.4

1/ Provisional estimates.

ETHIOPIA--Relations with the Fund
(As of March 31, 1983)

Date of membership:	December 27, 1945
Quota:	SDR 54 million (Ethiopia has consented to the increase of its quota under the eighth general review to SDR 70.6 million)
Status:	Article XIV
Intervention currency and the rate:	US$ Br 1 = US$0.48309
SDR/Local currency equivalent:	SDR 1 = Br 2.2328
Direct distribution of profits from gold sales (July 1, 1976-July 31, 1980):	US$4.27 million
Distribution:	23,106.991 fine ounces in four distributions
Trust Fund loan disbursements:	SDR 26.38 million
Fund currency holdings:	SDR 168.74 million (312.49 per cent of quota), of which SDR 47.25 million (87.50 per cent of quota) under compensatory financing and SDR 32.52 million under EAR (60.23 per cent of quota)
SDR position:	Holdings of SDR 1.19 million (10.69 per cent of net cumulative allocation of SDR 11.16 million)

Staff contacts

Last Article IV consultation and stand-by review:	February 28-March 13, 1982

ETHIOPIA: IBRD Loans and IDA Credits by Sector

(As of January 31, 1983; in million of U.S. dollars)

	Total			Disbursed			Undisbursed		
	Total	IBRD	IDA	Total	IBRD	IDA	Total	IBRD	IDA
Agriculture	192.57 1/	--	175.57	118.46	--	118.46	57.11	--	57.11
Education	80.34	--	80.34	54.46	--	54.46	25.88	--	25.88
Power	46.60	46.60	--	46.60	46.60	--	--	--	--
Water Supply	10.98 2/	10.80	--	10.80	10.80	--	--	--	--
Roads	135.70	3.50	102.20	123.57	33.50	90.07	12.13	--	12.13
Industry	44.33	4.00	40.33	15.00	4.00	11.00	29.33	--	29.33
Communications	47.10 3/	13.70	29.37	42.55	13.70	28.85	.52	--	.52
Rehabilitation	10.00	--	10.00	9.08	--	9.08	.92	--	.92
Total	567.62	108.60	437.81	420.52	108.60	311.92	125.89	--	125.89

Source: Data provided by the World Bank.

1/ Includes US$17 million canceled credit.
2/ Includes Addis Ababa Water Grant and Sewerage (US$.18 million).
3/ Includes US$4.03 million canceled credit.