

1. NEPAL - STAND-BY ARRANGEMENT - REVIEW AND MODIFICATION

1. Nepal has consulted with the Fund in accordance with paragraph 3 of the stand-by arrangement for Nepal (EBS/85/264, Sup. 2, 12/26/85) and paragraph 3 of the letter dated December 3, 1985 from the Minister of Finance of Nepal, in order to review the progress made by Nepal in implementing the program supported by the arrangement and to establish suitable performance criteria for the remaining period of the arrangement and has requested an extension of the period of the arrangement to April 22, 1987.

2. The letter dated September 8, 1986 together with the technical memorandum from the Minister of State for Finance and Industry of Nepal shall be attached to the stand-by arrangement and the letter dated December 3, 1985 with annexed memoranda shall be read as supplemented and modified by the letter of September 8, 1986 together with the technical memorandum.

3. Accordingly,

(a) the period of the stand-by arrangement is extended to April 22, 1987;

(b) purchases under the arrangement shall not, without the consent of the Fund, exceed the equivalent of SDR 12.35 million until December 15, 1986 and the equivalent of SDR 15.5 million until March 15, 1987;

(c) Nepal will not make purchases under the arrangement that would increase the Fund's holdings of Nepal's currency in the credit tranches beyond 25 percent of quota:

(i) during any period in which the data at the end of the preceding period indicate that the quarterly limit on net domestic assets of the banking system or the quarterly limit on net bank claims on the Government set out in the technical memorandum attached to the letter of September 8, 1986 is not observed; or

(ii) if Nepal fails to observe the limit on the contracting or guaranteeing of new nonconcessional foreign indebtedness set out in paragraph 22 of the letter of September 8, 1986; or

(iii) during any period after March 15, 1987 until the review of the progress of Nepal in implementing the program supported by the arrangement, contemplated in paragraph 23 of the letter of September 8, 1986, has been completed.

4. The Fund decides that the review contemplated in paragraph 3 of the stand-by arrangement is completed and that Nepal may proceed to make purchases under the arrangement.

Decision No. 8391-(86/155), adopted
September 12, 1986