

1. ZAMBIA - REVIEW OF ECONOMIC AND FINANCIAL PROGRAM

A. Request by Zambia

Attached to EBS/90/120 is a letter dated June 22, 1990 from the Minister of Finance and National Commission for Development Planning (the "letter"), with an annexed Memorandum on the Economic and Financial Policies of Zambia (the "policy memorandum") setting forth the objectives, policies, and measures that the authorities of Zambia intend to pursue during the period through December 31, 1990 (the "Program"), and requesting that the Fund:

(i) review the Program and find that it meets the Fund's standards for programs supported by extended, enhanced structural adjustment, or upper credit tranche stand-by arrangements from the Fund;

(ii) monitor progress made by Zambia in the implementation of the Program; and

(iii) endorse the intention of the Managing Director to support a future request by Zambia for "rights" accumulation on the basis of a subsequent program, in accordance with the Chairman's summing up of the discussion on Operational Modalities of the Rights Approach (EBM/90/97, 6/20/90).

B. Assessment of Program

The Fund has reviewed the Program of Zambia and finds that it meets the Fund's standards for programs supported by extended, enhanced structural adjustment, or upper credit tranche stand-by arrangements from the Fund.

C. Monitoring of Program Implementation

The Fund will monitor, pursuant to the understandings of Zambia with the Fund, the progress made by Zambia in the implementation of its Program in accordance with the provisions set forth in the Annex to this Decision.

D. Endorsement of the Intention by the Managing Director to Recommend Future "Rights" Accumulation

The Fund endorses the intention by the Managing Director to recommend to the Executive Board that, in the event that Zambia performs satisfactorily under the Program monitored by the Fund under Section C above, he will be prepared to support a future request by Zambia for "rights" accumulation on the basis of a subsequent program, in accordance with the Chairman's summing up of the discussion on Operational Modalities of the Rights Approach (EBM/90/97, 6/20/90).

Decision No. 9494-(90/109), adopted
July 10, 1990

ANNEX

The following provisions will be used to monitor the progress of Zambia in the implementation of its Program:

1. The observance by Zambia of:

- (a) Quarterly limits on reserve money, as described in Table 1 of the policy memorandum;
- (b) Quarterly floors for the gross foreign reserves of the Bank of Zambia, as described in Table 1 of the policy memorandum;
- (c) Quarterly limits on the net claims on Government by the banking system, as described in Table 1 of the policy memorandum;
- (d) Quarterly floors on the domestic revenues of Government, as described in Table 1 of the policy memorandum;
- (e) Quarterly limits on the cumulative change in external payments arrears, including quarterly sublimits on the change in arrears to the IMF, as described in Table 1 of the policy memorandum;
- (f) Quarterly limits on the contracting of new public or publicly guaranteed nonconcessional external debt with a maturity of more than one year, with a subceiling on debt with a maturity of one to five years, as described in Table 1 of the policy memorandum;
- (g) Quarterly limits on the stock of short-term debt, as described in Table 1 of the policy memorandum;
- (h) Intentions regarding structural and other policies, as described in Table 1 of the policy memorandum.

2. The avoidance by Zambia of: any imposition of new, or intensification of existing, restrictions on payments and transfers for current international transactions; any introduction of new, or modification of existing, multiple currency practices (except as provided for in paragraph 4 of the letter); the conclusion of any bilateral payments agreement that is inconsistent with Article VIII; and any imposition of new, or intensification of existing, restrictions on imports for balance of payments reasons; and

3. Zambia will remain in close consultation with the Fund during the period of the monitored Program, and, in accordance with paragraph 5 of the letter dated June 22, 1990, will consult

the Fund on the adoption of any measures that may be appropriate at the initiative of Zambia, or whenever the Managing Director requests consultation because the understandings specified under paragraph 1 above have not been observed or because he considers that consultation on the Program is desirable. For the purposes of these consultations, Zambia will provide to the Fund, through reports at intervals or dates requested by the Fund, such information as the Fund requests in connection with Zambia's objectives, policies, and measures.