

EBS/81/98
Supplement 2

CONFIDENTIAL

February 24, 1982

To: Members of the Executive Board
From: The Secretary
Subject: Ethiopia - Amendment to Stand-By Arrangement

Attached is page 1 of the stand-by arrangement for Ethiopia (EBS/81/98, Supplement 1), with the text of paragraph 3 amended in the light of the decisions taken by the Executive Board on February 5, 1982 (Executive Board Decisions No. 7047-(82/13) and No. 7048-(82/13)) 1/ and in accordance with Ethiopia's request.

Att: (1)

1/ See SM/82/16, Supplement 1 (2/8/82).

Ethiopia - Stand-By Arrangement

Attached hereto is a letter dated April 7, 1981 from the Minister of Finance and the Governor of the National Bank of Ethiopia requesting a stand-by arrangement and setting forth:

- (a) the objectives and policies that the authorities of Ethiopia intend to pursue for the period of this stand-by arrangement;
- (b) the policies and measures that the authorities of Ethiopia intend to pursue for the first two months of this stand-by arrangement; and
- (c) understandings of Ethiopia with the Fund regarding a review that will be made of progress in realizing the objectives of the program and of the policies and measures that the authorities of Ethiopia will pursue for the remaining period of this stand-by arrangement.

To support these objectives and policies the International Monetary Fund grants this stand-by arrangement in accordance with the following provisions:

1. For the period from May 8, 1981 to June 30, 1982 Ethiopia will have the right to make purchases from the Fund in an amount equivalent to SDR 67.5 million, subject to paragraphs 2, 3, 4, and 5 below, without further review by the Fund.

2. (a) Purchases under this arrangement shall not, without the consent of the Fund, exceed the equivalent of SDR 20.5 million until August 31, 1981, SDR 32.25 million until November 30, 1981, SDR 44.0 million until February 28, 1982, and SDR 55.75 million until May 31, 1982.

(b) None of the limits in (a) above shall apply to a purchase under this stand-by arrangement that would not increase the Fund's holdings of Ethiopia's currency in the credit tranches beyond 25 per cent of quota or increase the Fund's holdings of that currency resulting from purchases of supplementary financing or borrowed resources beyond 12.5 per cent of quota.

3. Purchases under this stand-by arrangement shall be made from ordinary and borrowed resources in the ratio of 2 to 1 until purchases under this arrangement reach the equivalent of SDR 20.25 million (37.5 per cent of Ethiopia's quota), then from ordinary and borrowed resources in the ratio of 1 to 1.2, provided that any modification by the Fund of the proportions of ordinary and borrowed resources shall apply to amounts that may be purchased after the date of modification; and provided further that amounts of supplementary financing may be substituted for borrowed resources as determined by the Managing Director at the time of a request by Ethiopia for a purchase.

4. Ethiopia will not make purchases under this stand-by arrangement that would increase the Fund's holdings of Ethiopia's currency in the credit tranches beyond 25 per cent of quota or increase the Fund's holdings of that currency resulting from purchases of supplementary financing or borrowed resources beyond 12.5 per cent of quota:

- (a) during any period in the first two months in which the data at the end of the preceding period indicate that
 - (i) the limit on total outstanding domestic credit described in paragraph 19 of the attached letter of intent, or
 - (ii) the limit on net credit to the Government described in paragraph 17 of the attached letter

are not observed; or

- (b) from July 1, 1981 through June 30, 1982, until suitable performance criteria have been established in consultation with the Fund as contemplated by paragraph 24 of the attached letter, or after such performance criteria have been established, while they are not being observed;
- (c) during the entire period of this stand-by arrangement, if Ethiopia
 - (i) imposes or intensifies restrictions on payments and transfers for current international transactions, or
 - (ii) introduces or modifies multiple currency practices, or
 - (iii) concludes bilateral payments agreements which are inconsistent with Article VIII, or
 - (iv) imposes or intensifies import restrictions for balance of payments reasons.

When Ethiopia is prevented from purchasing under this stand-by arrangement because of this paragraph 4, purchases will be resumed only after consultation has taken place between the Fund and Ethiopia and understandings have been reached regarding the circumstances in which such purchases can be resumed.

5. Ethiopia's right to engage in the transactions covered by this stand-by arrangement can be suspended only with respect to requests received by the Fund after (a) a formal ineligibility, or (b) a decision of the Executive Board to suspend transactions, either generally or in order to consider a proposal, made by an Executive Director or the Managing Director, formally to suppress or to limit the eligibility of Ethiopia. When notice of a decision of formal ineligibility or of a decision to consider a proposal is given pursuant to this paragraph 5, purchases under this arrangement will be resumed only after consultation has taken place between the Fund