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THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

May 2020

REQUESTS FOR PURCHASING UNDER THE RAPID FINANCING INSTRUMENT, DEBT RELIEF UNDER THE CATASTROPHE CONTAINMENT AND RELIEF TRUST, REPHASING OF ACCESS UNDER THE THREE-YEAR ARRANGEMENTS UNDER THE EXTENDED CREDIT FACILITY AND THE EXTENDED FUND FACILITY, AND REDUCTION OF ACCESS UNDER THE EXTENDED FUND FACILITY ARRANGEMENT—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

In the context of the Requests for Purchasing under the Rapid Financing Instrument (RFI), Debt Relief under the Catastrophe Containment and Relief Trust (CCRT), the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on April 30, 2020, following discussions that ended on April 22, 2020, with the officials of The Federal Democratic Republic of Ethiopia on economic developments and policies underpinning the IMF arrangements under the RFI and CCRT. Based on information available at the time of these discussions, the Staff Report was completed on April 24, 2020.
- A **Debt Sustainability Analysis** prepared by the Staffs of the IMF and the World Bank.
- A **Statement by the Executive Director** for The Federal Democratic Republic of Ethiopia.

The documents listed below have been or will be separately released:

Letter of Intent sent to the IMF by the authorities of The Federal Democratic Republic of Ethiopia*

* Also included in Staff Report

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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PR 20/199

IMF Executive Board Approves US$411 Million in Emergency Assistance to Ethiopia to Address the COVID-19 Pandemic

FOR IMMEDIATE RELEASE

- *Ethiopia is facing a pronounced economic slowdown and an urgent balance of payments need owing to the COVID-19 pandemic.*
- *To address this urgent need, the IMF approved US$411 million emergency assistance for Ethiopia under the Rapid Financing Instrument. The country will also benefit from IMF debt service relief under the Catastrophe Containment and Relief Trust.*
- *The authorities have taken swift and decisive action to contain the impact of COVID-19 by strengthening the health system, adopting a state of emergency to limit the spread of the virus, and implementing measures to support the economy.*

Washington, DC – April 30, 2020. The Executive Board of the International Monetary Fund (IMF) approved today a purchase under the Rapid Financing Instrument (RFI) equivalent to SDR 300.7 million (about US$411 million, 100 percent of quota) to help Ethiopia meet the urgent balance of payment needs stemming from the COVID-19 pandemic. The Executive Board also approved a rephasing of disbursements under the Extended Credit Facility (ECF) and Extended Financing Facility (EFF) arrangements that have been supporting Ethiopia's economic reform program since December 2019, and a reduction in access under the EFF arrangement, to maximize financial support under the RFI.

In addition, Ethiopia will benefit from the IMF Executive Board decision of April 13, 2020 to provide debt service relief to the poorest and most vulnerable countries that are eligible for grant assistance under the Catastrophe Containment and Relief Trust (CCRT). As a result, the Board today approved Ethiopia's request for relief under the CCRT on debt service falling due to the IMF until October 13, 2020 of about US$12 million. This relief could be extended up to April 13, 2022, subject to the availability of resources under the CCRT.

The COVID-19 pandemic has created severe health risks and weighed heavily on the Ethiopian economy. If the pandemic is not contained, it will put severe pressure on the health system with devasting social consequences. On the economic front, a fall in demand for exports, combined with domestic containment measures will slow growth and weaken external and fiscal accounts.

The authorities have taken strong actions to contain the health impact by implementing a mandatory 14-day quarantine for travelers entering the country, improving testing and containment capacity, strengthening epidemic response coordination and adopting a state of emergency to limit movement and gatherings and facilitate social distancing. Implementation of expenditures to strengthen the health system and address food security challenges are welcome and will help contain the spread of the virus and support the poor and most vulnerable.

The IMF continues to monitor Ethiopia's situation closely and stands ready to provide policy advice and financial support as needed.

Following the Executive Board's discussion on Ethiopia, Mr. Tao Zhang, Deputy Managing Director and Chair, issued the following statement:

"Ethiopia showed good progress under the extended arrangements with the Fund, which aim to address external vulnerabilities and transition to a private sector-led growth model. The authorities remain committed to the reform program. However, the COVID-19 pandemic has had a significant adverse impact on the economy and created urgent fiscal and balance of payments needs. The authorities have moved decisively to contain the spread of the virus and manage the economic fallout from the global downturn and the needed health-related measures.

"A temporary widening of the budget deficit is appropriate. The immediate priority is to increase spending on health care and provide emergency assistance, including food assistance. The authorities are committed to full transparency on the spending for the emergency response and aim to conduct an ex-post audit of crisis-related spending once the crisis abates. Fiscal consolidation will need to resume after the crisis, with a focus on strengthening debt sustainability and domestic revenue mobilization.

"The National Bank of Ethiopia (NBE) has appropriately provided liquidity to banks to maintain financial stability. Once the crisis abates, monetary policy will need to be tightened significantly to achieve the single-digit inflation objective. Strong efforts are needed to address the real overvaluation of the exchange rate, allowing the exchange rate to act as a shock absorber.

"Fund emergency support under the Rapid Financing Instrument and debt relief under the Catastrophe Containment and Relief Trust would help address balance of payments pressures and create fiscal space for essential pandemic-related expenditures. Participation in the G20 debt relief initiative could provide additional resources to respond to the pandemic."

More information

IMF Lending Tracker (emergency financing request approved by the IMF Executive Board)

https://www.imf.org/en/Topics/imf-and-covid19/COVID-Lending-Tracker

IMF Executive Board calendar

https://www.imf.org/external/NP/SEC/bc/eng/index.aspx

THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

April 24, 2020

REQUESTS FOR PURCHASE UNDER THE RAPID FINANCING INSTRUMENT, DEBT RELIEF UNDER THE CATASTROPHE CONTAINMENT AND RELIEF TRUST, REPHASING OF ACCESS UNDER THE THREE-YEAR ARRANGEMENTS UNDER THE EXTENDED CREDIT FACILITY AND THE EXTENDED FUND FACILITY, AND REDUCTION OF ACCESS UNDER THE EXTENDED FUND FACILITY ARRANGEMENT

EXECUTIVE SUMMARY

Context: Ethiopia is facing a pronounced economic slowdown and an urgent balance of payments need owing to the COVID-19 pandemic. The economy was growing robustly prior to the pandemic, and progress under the ECF-EFF arrangements was encouraging. The shock is expected to significantly reduce growth this fiscal year and next. It has already materially weakened external accounts as services exports, remittances, and foreign direct investment declined. The authorities are taking measures to combat the spread of the virus, mitigate its fallout, and support vulnerable groups. The fiscal deficit will have to expand temporarily to accommodate the additional spending.

Request for IMF support: The authorities have requested financial assistance under the Rapid Financing Instrument to address the urgent balance of payments need they are facing to cope with the immediate impact of the pandemic. They intend to use the proceeds of that financing, in the amount of SDR 300.7 million (100 percent of quota), for budget support. To comply with the normal access limits, they have requested rephasing of disbursements/ purchases under the ECF-EFF arrangements, reductions in the second and third EFF purchases, and the resulting reduction in overall access under the EFF arrangement (by SDR 150.35 million; 50 percent of quota). The authorities have also requested grant assistance under the Catastrophe Containment (CC) window of the Catastrophe Containment and Relief Trust (CCRT). Staff supports these requests to help Ethiopia meet the urgent balance of payments needs stemming from the COVID-19 shock. The authorities are pursuing appropriate macroeconomic policies to combat the crisis while remaining committed to their objectives under the ECF-EFF arrangements. The authorities are also seeking additional financing from multilateral and bilateral donors.

Policy Discussions: Staff supports the authorities' plan to accommodate COVID-related fiscal measures, and to resume the fiscal adjustment when the crisis subsides. To contain the upward pressure on public debt, the authorities should consider further tightening the spending envelope for state-owned enterprises not directly engaged in the COVID-19 emergency response. Providing adequate liquidity to commercial banks is appropriate in the face of the shock, but structural weaknesses in the balance sheet of the systemically important bank should be dealt with through a comprehensive solution that addresses debt sustainability challenges in the state-owned enterprises borrowing from it. The authorities should also closely monitor inflation developments to ensure that the single-digit inflation objective can be achieved as planned. Stepping up the pace of exchange rate depreciation would act as a shock absorber. While the authorities should be appropriately focused on addressing the fallout from the crisis in the near term, efforts should be made to continue implementing the reforms agreed under the ECF-EFF arrangements.

Approved By
Zeine Zeidane (AFR) and Seán Nolan (SPR)

An IMF team consisting of S. Jain-Chandra (head), M. Coelho, N. Raman, C. Saborowski (all AFR), M. Adams and I. Yamamoto (MCM), S. Gupta (SPR), J. Leichter (Resident Representative), and Z. Abiy Hailu (local economist) held discussions with the Ethiopian authorities by videoconferences between April 6–10 and on April 22. The discussions were led on the authorities' side by Finance Minister Ahmed Shide, Governor Yinager Dessie, and other senior officials. Mr. Mahlinza (Executive Director) and Mr. Abdullahi (OED) participated in the discussions.

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CONTEXT

1. **Before the COVID-19 pandemic, the ECF-EFF arrangements had gotten off to a promising start.** The authorities met all but one performance criterion for the first review of the ECF-EFF arrangements and are on track toward meeting most structural benchmarks.[1] Moreover, a pick-up in the pace of depreciation has contributed to narrowing the spread between the official and parallel exchange rates from 35 percent in mid-November to 27.5 percent as of April 22; the fiscal deficit in the first half of the fiscal year was narrower than programmed amid strong revenues; SOE debt has continued to edge down as a share of GDP as of December 2019; the newly-established T-bill auctions are progressing well; and the NBE has kept monetary conditions tight, though inflation remains close to recent peaks on the back of rising food prices.

2. **A decisive policy response has slowed the pandemic, but the virus is spreading, and national elections had to be postponed.** At the outset of the global pandemic, the authorities enforced temperature screening at ports of entry and strengthened epidemic response coordination, including by designating isolation and treatment centers and training rapid response teams. When the first case of COVID-19 was identified in Ethiopia on March 12, and the virus started to spread, the authorities closed schools, banned large gatherings, and announced social distancing. In addition, travelers entering Ethiopia became subject to a mandatory 14-day quarantine. As of April 23, 116 cases had been identified—including some without known contacts with foreigners—and three people have died. The authorities indicated that a new timeline for the elections—previously scheduled for August 29—will be announced once the pandemic subsides.

3. **The authorities have requested emergency financing to help deal with the unfolding crisis.** They have requested a purchase under the Rapid Financing Instrument (RFI)—to meet urgent balance of payments needs arising from both the external shock and the needed fiscal policy response to the crisis—as well as debt relief under the Catastrophe Containment (CC) window of the Catastrophe Containment and Relief Trust (CCRT). Given their request for RFI financing, and to remain within the GRA normal access limits, the authorities have requested rephasing of future disbursements/purchases under the ECF-EFF arrangements and reducing the second and third EFF purchases, as well as the overall access (by a total of SDR 150.35 million; 50 percent of quota), under the EFF arrangement. In this context, they reaffirmed their commitment to the objectives under the ECF-EFF arrangements. To further free up resources for the COVID-19 response, they also intend to request debt service relief from official bilateral creditors under the G20 initiative.

[1] The authorities did not meet the continuous performance criterion on the non-accumulation of new external arrears, with a total breach of US$210 million. The breach was due to coordination problems between the National Bank of Ethiopia (NBE) and some state-owned enterprises (SOEs). It also reflected a delay of a Federal government payment of US$8.7 million on suspicion of fraudulent electronic communication ahead of the scheduled date. The authorities have since cleared all these arrears and have taken corrective actions on monitoring and effecting SOEs' external debt service. The authorities met the end-March structural benchmarks (SBs) to enact excise tax legislation and to submit a supplementary 2019/20 budget to parliament and are on track to prepare the FX reform roadmap by end-April (a draft of which has been shared with staff). The authorities have not met the end-February SB on publishing a consolidated financial performance report for PEHAA supervised SOEs but are committed to completing the action by the time of the first review.

OUTLOOK AND RISKS AMID COVID-19

4. **The impact of the pandemic on economic activity is projected to be large but temporary.** It was initially felt through weakening demand for hospitality services and air transport, with Ethiopian Airlines suspending passenger flight routes and reporting sharp losses. Exports of flowers and manufacturing goods—as well as commodities—such as coffee and oil seeds—were hit hard by falling global demand and/or declining prices. Nevertheless, given Ethiopia's limited trade integration and exposure to short-term financial flows, the bulk of the impact on activity is expected to result from domestic containment measures as well as lower remittances and foreign direct investment. While the largely rural and subsistence-based agricultural sector will be less affected, secondary and tertiary activities—especially tourism and hospitality services—are expected to be hit across the board. Given the late spread of the pandemic to Ethiopia, the shock would materialize mostly in Q2 and Q3 of 2020—spreading the negative impact on GDP across two fiscal years. Staff revised growth projections from 6.2 and 6.1 percent to 3.2 and 3.7 percent in 2019/20 and 2020/21, respectively, despite significant policy support. The recovery would start gradually in Q4 2020, with real GDP remaining below pre-shock projections throughout the medium-term.

5. **External accounts are expected to weaken materially.** The current account is projected to strengthen modestly this fiscal year amid a significant decline in imports of goods and services on the back of weak domestic demand and lower project inflows. Falling remittances and the concurrent decline in exports—led by air travel—would less than offset the import contraction amid a substantial strengthening in the terms of trade (including from higher coffee prices and lower global oil prices). However, the overall balance of payments is projected to weaken, on the back of a large drop in foreign direct investment, including due to privatization delays, in part due to the pandemic. As a result, an additional financing gap of US$1.7 billion has emerged for 2019/20 (Text Table 1). In 2020/21, both exports and imports are expected to grow on the back of an incipient recovery, resulting in a deterioration in the trade balance, but an improved services balance and stronger remittances will mitigate the impact on the current account. Privatization revenues will help contain the additional financing gap, which is projected to reach US$731 million.

Text Table 1. Ethiopia: Additional Balance of Payments Needs Relative to Program Approval
(In millions of U.S. dollars)

	2019/20	2020/21
External financing requirement	**-702**	**-195**
Of which: Current account deficit, excl. official transfers	-702	-195
Of which: exports	-2,379	-1,606
imports	-5,120	-5,199
private transfers	-2,108	-3,484
External financing sources	**-2,369**	**-926**
Of which: Foreign direct investment, excl. privatization	-2,265	-871
Financing gap (+ = need for financing)	**1,667**	**731**
Expected financing		
Official transfers	317	-121
Residual gap	**1,350**	**851**
Privatization proceeds	-579	579
Debt service reprofiling	63	0
First phase of reprofiling 1/	63	0
Second phase of reprofiling	0	0
Lower reserve accumulation	949	45
IMF	323	-97
ECF-EFF	-104	-104
RFI	415	0
Exceptional financing (CCR Trust debt relief)	11	7
Prospective donor financing	595	325
Identified donor financing 2/	-220	325
Expected donor financing	815	0

Source: IMF staff estimates.
1/ Reflects a correction in staff's baseline on the timing of principal repayment on one of the underlying debt.
2/ In 2019/20, reflects a move from below the line to above the line in the Balance of Payments.

6. The shock could also worsen bank asset quality and intensify liquidity shortages. Asset quality at the Commercial Bank of Ethiopia (CBE) remains a concern amid large SOE exposures. While deposit funding in the banking system remains stable to date, both private and public banks are now facing increasing calls from borrowers to delay loan payments, especially in sectors directly affected by the pandemic. This could translate into weakening asset quality and intensified liquidity pressures going forward.

7. Risks are tilted to the downside. A prolonged COVID-19 outbreak in Ethiopia, including protracted containment measures and uncertainty about the intensity and duration of the pandemic, could further deteriorate the outlook, impair balance sheets, threaten debt sustainability, and slow the recovery.[2] Widespread social discontent and political instability related to the crisis fallout could complicate the adjustment. Ethiopia is also affected by the worst locust infestation to hit East Africa in decades, though the impact so far seems to be mainly in pastoral regions that are not major food-producing areas. Should it intensify and spread to major crop-producing regions, food shortages could deepen and reignite inflation. Moreover, political instability in the run-up to the elections could delay the implementation of reforms.

ECONOMIC POLICIES TO COMBAT THE COVID CRISIS

Key policy objectives in the near term include (i) providing the health sector with sufficient resources to combat the pandemic, (ii) augmenting the spending envelope, and allowing for a temporarily wider fiscal deficit, to support the economy and protect the most vulnerable during the downturn; (iii) accelerating the pace of exchange rate depreciation to support activity; (iv) addressing tight liquidity conditions in commercial banks to prepare for a potential deterioration in asset quality; and (v) progressing with key commitments under the ECF-EFF arrangements.

A. Fiscal Policy

8. The authorities are loosening the fiscal stance temporarily to combat the pandemic and support the most vulnerable. The initial response included a health sector support package—including to fund medical supplies, facilities, and to cut trade taxes for medical goods—amounting to 5 billion birr (US$154 million; 0.15 percent of GDP) in spending (Box 1). The package is expected to be funded by reallocating budgetary funds away from uncommitted investment projects. On April 3, the authorities announced that additional spending needs during the remainder of the fiscal year would total $1.64 billion (1.6 percent of GDP). They indicated that the bulk of the outlays would be channeled toward emergency food distribution (0.6 percent of GDP) and health sector support (0.4 percent of GDP).[3] With tax revenues declining due to the downturn, and despite higher-than-expected grants, the 2019/20 general government deficit would increase by 1½ percent of GDP to

[2] The April 2020 *World Economic Outlook* sees severe risks of a worse global economic outcome. It estimates that, under alternative outbreak scenarios, global GDP could be 3–8 percent below the baseline over 2020–21, recovering gradually thereafter but remaining below the baseline throughout the medium term (up to 5 percent in 2024).

[3] The authorities are considering implementing additional measures to protect jobs and support micro, small and medium enterprises if the crisis continues to deepen, and conditional on the availability of financing.

4 percent of GDP. To partially offset the impact of the wider deficit on public sector debt, the authorities should consider making space by constraining spending of SOEs that are not engaged in implementing emergency response measures to the pandemic.

Box 1. Economic Policy Response to COVID-19

The authorities have established an inter-ministerial task force chaired by the Prime Minister to coordinate preventative and response measures to mitigate the impact of COVID-19. They announced an initial package to bolster healthcare spending in early March, followed by a set of measures aimed at stabilizing the economy at end-March. The authorities have also published an estimate for the total cost of the pandemic for the remainder of the fiscal year.

Initial healthcare measures. The authorities announced a 300-million-birr package to bolster healthcare spending (funding for health facilities, trade tax cuts for medical imports) in early March. On March 23, the package was augmented to 5 billion birr (US$154 million or 0.15 percent of GDP), to be funded largely through reallocations within the budget.

Initial stabilization measures. The authorities announced a set of measures to counter the economic impact of COVID-19 on March 27. It includes:

- Tax exemptions and preferential access to currency for importers of materials and equipment to be used in the prevention and containment of COVID-19.
- NBE liquidity support of 15 billion birr (US$457 million or 0.45 percent of GDP) to private banks by redeeming NBE bills (associated with the abolished "27 percent rule") to facilitate debt restructuring.
- Increased mobile banking transfer limits at the Commercial Bank of Ethiopia to limit in-person transactions.
- Intensified enforcement action against businesses found to be illegally increasing consumer prices.

Spending measures for the remainder of 2019/20. On April 3, the authorities announced that the multi-sector emergency response plan to be implemented over the next three months will require US$1.64 billion in funding (about 1.6 percent of GDP). The funds are expected to be allocated as follows:

- US$635 million (0.6 percent of GDP) for emergency food distribution to 15 million individuals vulnerable to food insecurity and not currently covered by the rural and urban PSNPs.
- US$430 million (0.4 percent of GDP) for health sector response under a worst-case scenario of community spread with over 100,000 Covid-19 cases of infection in the country, primarily in urban areas.
- US$282 million (0.3 percent of GDP) for provision of emergency shelter and non-food items.
- The remainder (US$293 million, 0.3 percent of GDP) would be allocated to agricultural sector support, nutrition, the protection of vulnerable groups, additional education outlays, logistics, refugee support and site management support.

9. Staff supports relaxing the fiscal stance to address the pandemic. Tax revenues are projected to drop by nearly ¾ percent of GDP relative to 2018/19 due to the severity of the shock. This is expected to more than offset the revenue overperformance in the first half of the fiscal year. While staff expects grant receipts to come in ¾ percent of GDP higher than previously anticipated, higher spending and lower tax revenues are projected to result in a fiscal financing gap of 1.4 percent of GDP, to be financed through budget support under the RFI (0.4 percent of GDP) as well as unidentified financing from donors and domestic banks (1 percent of GDP). Staff emphasized the need to continue reassessing spending needs and to prepare for potential SOE-related contingent liabilities. Staff welcomed the authorities' commitment to a transparent and accountable delivery of these policy measures, including through an independent and robust ex-post audit of how emergency relief funds are spent.

10. Fiscal consolidation is expected to resume in 2021/22. The authorities remain committed to introducing measures to raise tax revenues for 2020/21 by 1 percentage point of GDP. In the event that the pandemic renders this difficult, staff would support delaying implementation until the crisis abates and then introducing them in a supplementary budget law. Spending needs to counter the pandemic are expected to amount to 0.9 percent of GDP. With slightly higher grants than previously projected (0.1 percent of GDP), the deficit would increase to 3½ percent of GDP, 1¼ percent of GDP higher than anticipated at the approval of the ECF-EFF arrangements in December. The deficit is projected to return to its previously projected path by 2021/22.

Text Table 2. Ethiopia: Additional Fiscal Needs in 2019/20 and 2020/21[1]
(In percent of GDP)

	2019/20		2020/21	
	Program	IMF Staff Proj.	Program	IMF Staff Proj.
Total revenue and grants	12.5	12.3	13.8	13.1
Revenue	11.7	10.7	13.0	12.2
Tax revenue	10.1	9.3	11.5	10.7
Nontax revenue	1.5	1.5	1.5	1.5
Grants	0.9	1.6	0.8	0.9
Program grants	0.3	1.0	0.3	0.4
Of which: Unidentified Covid-19 grant financing	0.0	0.4	0.0	0.0
Project grants	0.6	0.6	0.6	0.6
Total expenditure and net lending (cash basis)	15.0	16.3	16.0	16.7
Recurrent expenditure [2]	8.6	10.0	8.8	9.8
Poverty-reducing expenditure [3]	4.5	5.9	4.7	5.5
Of which: Covid-19 response current costs	0.0	1.5	0.0	0.9
Interest payments	0.5	0.5	0.6	0.7
Capital expenditure	6.5	6.3	7.2	6.8
Central treasury	5.0	5.0	5.8	5.4
External project grants	0.6	0.6	0.6	0.6
External project loans	0.9	0.7	0.8	0.8
Of which: Covid-19 response capital costs	0.0	0.1	0.0	0.1
Overall balance				
Including grants	-2.5	-4.0	-2.2	-3.5
Excluding grants	-3.4	-5.6	-3.0	-4.5
Financing	2.5	4.0	2.2	3.5
Net external financing	1.2	1.9	1.0	1.0
Gross borrowing [4]	1.4	2.1	1.3	1.3
Project loans	0.9	0.7	0.8	0.8
Budget Support	0.5	1.3	0.5	0.5
Of which: Unidentified Covid-19 foreign loan financing	0.0	0.4	0.0	0.0
IMF RFI	0.0	0.4	0.0	0.0
Amortization	-0.2	-0.2	-0.3	-0.3
Domestic (net)	0.8	2.1	0.7	1.5
Of which: Unidentified domestic financing	0.0	0.3	0.0	0.0
Net acquisition of financial assets [5]	0.5	0.0	0.5	1.1
Total unidentified financing needed for Covid-19 response [6]	0.0	1.0	0.0	0.0
Memorandum items :				
Poverty-reducing expenditure	9.1	10.6	9.2	10.1
Primary fiscal balance, including grants	-2.0	-3.5	-1.6	-2.8

Sources: Ethiopian authorities and IMF staff estimates and projections.
[1] Government financial statistics are reported by the authorities based on GFSM 1986.
[2] Excluding special programs (demobilization and reconstruction).
[3] Poverty-reducing spending is defined to include total spending on health, education, agriculture, roads, and food security.
[4] Includes prospective donor financing to close the financing gap.
[5] Reflects privatization receipts net of financial investments or recapitalization on SOEs.
[6] Including grants and excluding requested IMF RFI.

11. Public debt is projected to remain sustainable although downside risks and liquidity pressures have increased. The authorities aim to strengthen Ethiopia's debt position to help improve the external debt distress rating to "moderate" over the course of the ECF-EFF arrangements. However, downside risks have increased. The authorities have made progress on the first phase of reprofiling but have yet to finalize it (it is included in the baseline scenario). Progress on the second phase is uncertain, but staff emphasized the need to get specific and credible assurances ahead of the first review, taking into account the implications of the COVID-19 shock for the needed relief. The joint World Bank–IMF Debt Sustainability Analysis (DSA) shows that debt is sustainable. However, liquidity pressures to service external debt have increased, the room to absorb shocks is now smaller than at program approval due to lower export projections, and a large or more persistent impact of the COVID-19 shock than presently assumed could further worsen the outlook. On the domestic front, public debt remains vulnerable to contingent liability shocks, including those stemming from public banks. Despite severe losses due to COVID-19, Ethiopian Airlines intends to continue servicing its debt and does not have plans to seek government support.

B. Monetary, Exchange Rate, and Financial Sector Policies

12. Staff agrees with the need to ensure adequate commercial bank liquidity buffers. The NBE injected 15 billion birr (0.45 percent of GDP) into private banks in March by redeeming NBE bills (Box 1). The measure aimed at addressing tight liquidity conditions that had arisen prior to COVID-19 and aids banks in repaying some of the 1-month loans previously provided through the Individual Bank Lending Facility—introduced in February—for the same purpose. The NBE is also planning to extend 16 billion birr (0.5 percent of GDP) in liquidity to the CBE. Staff supported the decision to build adequate liquidity buffers but emphasized the need to ensure that NBE lending to the CBE reflects the terms available to private banks and avoids implicit solvency support. Structural weaknesses in CBE's balance sheet should be dealt with through a comprehensive solution that addresses debt sustainability challenges at its SOE borrowers.

13. Staff urged the authorities to closely monitor the impact of COVID-19 on financial stability. The authorities are encouraging banks to reschedule loan repayments, currently on a case-by-case basis, but have not changed loan classification rules. Staff recommended close monitoring of liquidity positions, loan-to-deposit ratios, and asset quality. In particular, there is an urgent need to step up monitoring of deposits and bank liquidity, as well as frequent supervisory review and reassessment of banks' loan portfolios during the crisis. Staff also emphasized the need to consider policy options to deal with potential further bank liquidity shortages, such as strengthening the framework for emergency lending and adjusting reserve requirements.

14. Continued vigilance is needed to ensure that the single-digit inflation objective will be achieved as planned. While it is difficult to predict how the COVID-19 shock will affect the inflation trajectory, staff and the authorities agreed that it will be important to adjust the policy stance as needed to ensure that the single-digit inflation objective can be achieved once the crisis abates. The planned liquidity injections (discussed above) aim at achieving financial stability objectives but will also expand reserve money beyond the levels projected at the time of the ECF-EFF approval. Consequently, and also in view of the upward revision of the near-term inflation path—reflecting higher-than-expected inflation outturns in recent months—a significant tightening of policy will be needed when conditions normalize to bring inflation down to the authorities' single-digit objective as anticipated at ECF-EFF approval. In the meantime, first-round effects from the crisis should be accommodated.

15. Staff urged the authorities to increase the pace of exchange rate depreciation. Increasing the pace of depreciation would help reduce real overvaluation and actas a shock absorber during the crisis. The authorities underscored continued commitment to closing the gap with the parallel rate to eventually move to a market-clearing exchange rate but signaled a need to continue moving with caution.

16. The authorities remain committed to the objectives of the ECF-EFF arrangements. While much of the focus in the near term will be on responding to the fallout of the crisis, the authorities underscored that they will continue to further the reform agenda. They highlighted their commitment to gradually ending financial repression by increasing T-bill issuances, ceasing new NBE financing to the Development Bank of Ethiopia (DBE) in June, and gradually reducing direct NBE advances to the government. They also remain committed to implementing the FX roadmap to be finalized by end-April to lay the groundwork for an eventual move to a market-clearing exchange rate. Dealing comprehensively with debt sustainability challenges in the SOEs to strengthen bank balance sheets will also be key. Finally, the authorities remain committed to strengthening governance under the ECF-EFF arrangements.[4]

MODALITIES OF SUPPORT

17. The authorities request a purchase under the RFI equivalent to 100 percent of quota, provided that the Executive Board approves the request for a rephasing of access under the ECF-EFF arrangements and a reduction of access under the EFF arrangement. Current and prospective access under Ethiopia's existing ECF arrangement does not leave any space for borrowing under the Rapid Credit Facility (RCF), given the hard cap on cumulative exceptional access to PRGT resources. Given their urgent needs, the authorities are therefore requesting a purchase under the RFI regular window in the amount of 100 percent of quota (SDR 300.7 million, about US$ 415 million). They have also requested that access be made available entirely as budget support. The urgent balance of payments difficulties that led the authorities to request access under the RFI were caused primarily by the COVID-19 shock. The purchase would provide support to address these needs and would help avoid a sharper drop in international reserves.

18. Given their request for the RFI purchase, and to remain within the normal General Resources Account (GRA) access limits, the authorities request a rephasing of access under the ECF-EFF arrangements and a reduction of access under the EFF arrangement (by SDR 150.35 million; 50 percent of quota)**.** Under the applicable policies on annual access limits for financing via the GRA, Ethiopia's access in the first 12 months since the approval of the ECF-EFF arrangements is limited to 145 percent of quota (including prospective purchases). With 90 percent of quota in EFF access already approved or available in this period, an additional 100 percent of quota in RFI access can only be accommodated through a reduction of access for the second and

[4] The safeguards assessment is underway. The authorities are planning to undertake a Public Investment Management Assessment in consultation with the IMF. Good progress has been made toward enhancing SOE governance and transparency. While they have not met the February structural benchmark, as mentioned above, the authorities have provided staff with individual financial statements for the majority of the companies and remain committed to completing the consolidated report by the time of the first review of the ECF-EFF arrangements. The authorities have also provided staff with a previously unavailable time series of SOE debt broken down by company and type (external, CBE, and other domestic).

third disbursements under the EFF arrangement, and the resulting reduction in overall access. The requested reduction in access would bring total access to GRA resources under the EFF arrangement to 250 percent of quota. The authorities are also requesting rephasing of future disbursements/purchases (the third and subsequent ECF-EFF disbursements), given delays in the first review discussions resulting from COVID-19 and to comply with limits on annual access to the GRA, which will allow to accommodate the RFI purchase within the normal GRA annual access limit.

19. The authorities also request debt relief under the CCRT. Ethiopia is PRGT eligible and meets the income threshold with GNI per capita of US$790 in 2018, below the threshold of US$1,175. Ethiopia has eligible debt service of SDR 8.56 million falling due during the initial period of debt service relief until October 13, 2020 (Table 5). Its eligible debt service falling due amounts to SDR 14 million between the CCRT request approval date and April 13, 2022 (the maximum potential period of debt service relief, subject to availability of resources and decisions of the Executive Board).

20. Ethiopia's capacity to repay the Fund is assessed to be adequate. Considering the proposed access under the RFI and the modified access under the ECF-EFF arrangements, debt service to the Fund will peak at 0.3 percent of GDP, 2.9 percent of exports, and 1.7 percent of revenues in 2027/28. These ratios are broadly unchanged compared to those at the time of ECF-EFF approval and compare favorably with other high access programs in recent years. However, the outstanding Fund credit to gross reserves ratio would now peak at 41.3 percent in 2021/22, compared to 32.7 percent at the time of the approval of the ECF-EFF arrangements. The authorities will establish a memorandum of understanding between the central bank and the ministry of finance, that clarifies responsibilities for timely servicing of the financial obligations to the IMF.

21. An updated safeguards assessment of the NBE is underway. Initial findings suggest that amendments to the NBE Law are needed to address governance and autonomy weaknesses, strengthen oversight, and to improve financial reporting and external audit arrangements. Moreover, fiscal dominance has weakened the financial position of the central bank, the preparation of annual financial statements is significantly delayed, and the external auditor has an unusually long tenure, which raises concerns about their independence as well as about audit quality (in light of unmodified (clean) audit opinions despite shortcomings in the financial reporting practices in past years). The framework for emergency liquidity support to banks is also underdeveloped. Staff has recommended to the authorities to take steps to address these shortcomings.

STAFF APPRAISAL

22. **Ethiopia faces a pronounced economic slowdown and an urgent balance of payments need as a result of the pandemic.** COVID-19 is affecting Ethiopia through both global spillovers and domestic containment measures. Economic growth projections have been revised down substantially for this fiscal year and next.

23. **Staff welcomes the swift policy response to contain the virus and limit the human and economic fallout.** Beyond strengthening the health system's ability to respond to the pandemic, the authorities have moved decisively to contain the virus and have announced a set of measures to limit the pandemic's impact on the economy and to support vulnerable households.

24. **Staff supports expanding the fiscal deficit on a temporary basis, within the framework of a continued commitment to strengthen debt sustainability.** The increase in the spending envelope is appropriately targeted toward dealing with the fallout of the crisis, and the authorities highlighted that these needs are temporary. The authorities should continue their efforts to finalize the first phase of debt relief, and secure credible assurances for the second phase, ahead of the first review of the ECF-EFF arrangements.

25. **Strengthening bank liquidity will help prepare for the expected slowdown.** Targeted liquidity provision to ensure adequate bank liquidity buffers is needed in the face of the crisis. Structural weaknesses in the systemically important bank's balance sheet should be dealt with through a comprehensive solution that addresses debt sustainability challenges in its state-owned enterprise borrowers.

26. **The authorities should continue to gear monetary policy toward achieving the single-digit inflation objective.** While it is difficult to predict how the COVID-19 shock will affect the inflation trajectory, it will be important to adjust the policy stance as needed to ensure that the single-digit inflation objective can be achieved.

27. **Staff also welcomes the authorities' continued commitment to the objectives of the ECF-EFF arrangements.** Discussions on the first review of the arrangement have been delayed amid the heightened uncertainty. While a shift toward proactively dealing with the fallout of the crisis is needed in the near term, the authorities should continue working toward their commitments under the ECF-EFF arrangements and implement the reform agenda as conditions permit.

28. **Staff supports the following requests from the authorities:**

- *Request for a purchase under the Rapid Financing Instrument in the amount of SDR 300.7 million (100 percent of quota), provided that the Executive Board approves the request for a rephasing of the ECF-EFF arrangements.* Staff support is based on the severity of the impact of the pandemic, the authorities' existing and prospective policies to address this external shock, the urgent balance of payments need, and the authorities' policy commitments to the objectives of the ECF-EFF arrangements. Staff also supports the authorities' request to use this financing as budget support as the additional financing need results primarily from outlays on healthcare and social protection to face the COVID-19 shock.

- *Rephasing of access under the ECF-EFF arrangements and reduction of access under the EFF arrangement (by SDR 150.35 million; 50 percent of quota).* The rephasing of access under the ECF-EFF arrangements, and the reduction of access under the EFF arrangement, would allow for an RFI purchase up to the maximum limit to deal with Ethiopia's urgent balance of payments needs while remaining within the normal GRA access limits.
- *Request for debt relief under the CCRT.* Ethiopia is eligible for the debt relief and staff assesses that Ethiopia faces exceptional balance of payments needs stemming from the impact of COVID-19 and is pursuing appropriate macroeconomic policies to address the disaster.

Table 1. Ethiopia: Selected Economic and Financial Indicators, 2017/18–2024/25

GDP		**Poverty indicators in 2015/16 (national definitions)**	
Nominal GDP (2018, billions of U.S. dollars)	84.3	Poverty headcount ratio (percent of population)	23.5
GNI per capita, Atlas method (2018, current US$)	790	Food poverty (percent of population)	24.8
Population characteristics		**Income distribution, 2015**	
Total (2018, million)	94.1	Income shared by highest 10 percent of population	28.5
Urban population (2015)	19.5	Income shared by lowest 20 percent of population	7.3
Life expectancy at birth (2017, years)	65.9	GINI index	35.0

Economic Indicators

	2017/18	2018/19	2019/20		2020/21		2021/22		2022/23	2023/24	2024/25
	Act.	Prel.	Prog.	Rev. proj.	Prog.	Rev. proj.	Prog.	Rev. proj.	IMF Staff Proj.	IMF Staff Proj.	IMF Staff Proj.
	(Annual percentage change)										
National income and prices											
GDP at constant prices (at factor cost)	7.7	9.0	6.2	3.2	6.1	3.7	7.0	8.7	8.0	8.0	8.0
GDP deflator	12.4	13.2	19.4	20.8	12.3	17.2	8.8	8.4	8.0	8.0	8.0
Consumer prices (period average) [1]	14.5	12.6	19.4	20.1	11.1	15.5	8.1	8.4	8.0	8.0	8.0
Consumer prices (end period) [1]	16.8	15.3	18.1	22.0	9.4	10.7	8.0	8.0	8.0	8.0	8.0
External sector											
Exports of goods and services (U.S. dollars, f.o.b.)	13.1	7.9	12.8	-18.5	12.7	30.0	14.0	23.2	12.5	12.1	11.7
Imports of goods and services (U.S. dollars, c.i.f.)	0.2	4.1	11.3	-14.3	9.4	11.7	8.5	11.9	7.6	7.1	6.8
Terms of trade (goods, deterioration –)	-6.8	-2.7	4.1	7.4	5.6	9.8	3.2	-0.8	0.3	0.5	0.2
Nominal effective exchange rate (end of period)	-16.3	-1.8	…	…	…	…	…	…	…	…	…
Real effective exchange rate (end of period)	-5.1	6.4	…	…	…	…	…	…	…	…	…
	(Annual percentage change, unless otherwise indicated)										
Money and credit											
Change in net foreign assets	3.5	-63.2	83.9	-15.7	222.1	492.5	95.2	102.7	63.7	37.6	22.0
Change in net domestic assets (including other items net)	31.0	24.4	16.9	27.7	13.9	7.1	14.4	11.2	12.0	15.1	20.0
Broad money	29.2	19.7	18.0	27.0	19.2	12.4	19.9	16.5	17.2	18.3	20.3
Base money	19.1	15.3	12.5	25.0	13.0	10.0	13.0	10.5	10.5	11.0	11.0
Velocity (GDP/broad money)	2.97	3.04	3.24	2.98	3.28	3.26	3.23	3.33	3.34	3.30	3.20
	(Percent of GDP, unless otherwise indicated)										
Financial balances[2]											
Gross domestic savings	24.1	22.3	25.2	22.0	25.0	20.4	26.7	19.8	21.6	25.3	28.5
Public savings	1.3	1.7	2.6	0.2	3.6	2.0	4.7	3.9	4.5	4.7	4.8
Private savings	22.8	20.6	22.6	21.8	21.4	18.4	22.0	15.9	17.1	20.6	23.7
Gross domestic investment	34.2	35.2	34.3	32.2	36.3	30.9	38.1	30.9	32.4	35.2	37.6
Public investment	11.6	11.2	10.0	9.9	10.3	9.5	10.3	9.0	8.9	8.8	7.1
Private investment	22.5	24.0	24.3	22.3	26.0	21.5	27.8	22.0	23.5	26.5	30.5
Resource gap	-10.1	-12.9	-9.1	-10.2	-11.4	-10.5	-11.4	-11.1	-10.9	-10.0	-9.2
External current account balance, including official transfers	-6.2	-5.1	-5.5	-4.6	-4.6	-4.5	-4.6	-4.6	-4.3	-3.6	-3.1
Government finances											
Revenue	12.3	11.5	11.7	10.7	13.0	12.2	14.2	13.4	14.0	14.4	14.4
Tax revenue	10.7	10.0	10.1	9.3	11.5	10.7	12.7	12.0	12.6	13.0	13.0
Nontax revenue	1.6	1.6	1.5	1.5	1.5	1.5	1.5	1.5	1.4	1.4	1.4
External grants	0.8	1.2	0.9	1.6	0.8	0.9	0.6	0.9	0.9	0.7	0.8
Expenditure and net lending	16.1	15.3	15.0	16.3	16.0	16.7	16.8	16.2	16.9	17.1	17.1
Fiscal balance, excluding grants (cash basis)	-3.8	-3.8	-3.4	-5.6	-3.0	-4.5	-2.6	-2.8	-2.8	-2.6	-2.7
Fiscal balance, including grants (cash basis)	-3.0	-2.5	-2.5	-4.0	-2.2	-3.5	-1.9	-1.9	-1.9	-1.9	-1.9
Total financing (including residuals)	3.0	2.5	2.5	4.0	2.2	3.5	1.9	1.9	1.9	1.9	1.9
External financing	1.3	1.3	1.2	1.9	1.0	1.0	1.7	0.9	1.0	0.3	-0.4
Domestic financing (incl. privatization)	2.7	1.3	1.3	2.1	1.2	2.5	0.3	1.0	1.0	1.6	2.3
Public debt [3]	60.8	56.9	53.4	56.7	52.7	55.8	52.0	54.1	48.9	44.6	40.2
Domestic debt	29.2	28.6	25.4	27.1	22.6	24.5	19.1	21.3	18.7	17.7	16.9
External debt (including to the IMF)	31.6	28.3	28.0	29.5	30.1	31.3	32.8	32.8	30.2	26.9	23.3
Overall balance of payments (in millions of U.S. dollars)	-202	58	-346	-2,275	22	-250	-547	-420	-121	1,157	840
Gross official reserves (in millions of U.S. dollars)	2,847	3,415	4,031	3,082	5,661	4,668	7,441	6,380	8,004	9,151	9,964
(months of imports of goods and nonfactor services of following year)	1.7	2.4	2.0	1.9	2.6	2.6	3.2	3.3	3.9	4.2	4.2
GDP at current market prices (billions of birr)	2,200	2,696	3,391	3,352	4,094	4,130	4,828	4,913	5,761	6,744	7,855

Sources: Ethiopian authorities and IMF staff estimates and projections.

[1] For 2015/16 and earlier, based on December 2011 base; for all subsequent data and projections, the base is December 2016.

[2] Based on data from Central Statistical Agency (CSA), except for the current account balance, which is based on BOP data from National Bank of Ethiopia (NBE).

[3] Public and publicly-guaranteed external debt, which includes long-term foreign liabilities of the NBE and external debt of Ethio-Telecom.

Table 2a. Ethiopia: General Government Operations, 2017/18–2024/25[1]

(Millions of birr)

	2017/18	2018/19	2019/20		2020/21		2021/22		2022/23	2023/24	2024/25
	Act.	Prel.	Program	Rev. Proj.	Program	Rev. Proj.	Program	Rev. Proj.	IMF Staff Proj.	IMF Staff Proj.	IMF Staff Proj.
Total revenue and grants	287,562	344,937	425,265	413,334	566,159	542,416	718,448	702,951	860,187	1,022,460	1,195,407
Revenue	269,648	311,318	395,067	360,110	532,115	503,564	687,367	659,886	808,274	974,381	1,131,556
Tax revenue	235,229	268,458	343,513	310,056	470,475	442,500	615,392	587,957	724,753	877,560	1,019,900
Direct taxes	97,646	115,858	147,438	129,644	179,569	165,756	213,356	212,889	256,988	309,640	368,283
Indirect taxes	137,583	152,600	196,075	180,411	290,906	276,744	402,036	375,068	467,765	567,920	651,617
Domestic indirect taxes	67,172	77,774	97,802	87,065	159,045	138,116	235,824	207,526	273,944	356,776	421,408
Import duties and taxes	70,411	74,826	98,273	93,347	131,861	138,628	166,212	167,541	193,821	211,144	230,210
Nontax revenue	34,419	42,860	51,554	50,054	61,640	61,064	71,975	71,930	83,521	96,821	111,656
Grants	17,914	33,619	30,198	53,224	34,044	38,852	31,081	43,065	51,913	48,079	63,851
Program grants	3,746	17,646	11,056	33,981	10,710	15,570	3,062	14,921	18,911	9,442	18,852
Of which: Unidentified Covid-19 grant financing	0	0	0	11,734	0	0	0	0	0	0	0
Project grants	14,168	15,973	19,142	19,243	23,334	23,282	28,019	28,144	33,002	38,637	45,000
Total expenditure and net lending (cash basis)	354,209	413,105	509,794	547,403	655,898	687,877	812,562	797,871	971,492	1,152,768	1,346,580
Recurrent expenditure [2]	210,474	238,156	290,093	335,939	360,239	405,106	430,210	448,807	539,668	661,642	809,914
Defense spending	12,814	15,605	15,605	15,605	19,602	19,772	23,115	23,520	27,580	39,034	45,462
Poverty-reducing expenditure [3]	104,070	120,140	152,103	197,949	190,517	227,270	230,805	235,403	282,424	338,793	394,587
Of which: Covid-19 response current costs	0	0	0	48,600	0	35,103	0	0	0	0	0
Interest payments	11,571	13,526	17,408	17,408	23,355	28,719	29,307	38,590	57,976	82,816	135,763
Domestic interest and charges	6,181	7,436	9,351	9,351	13,239	18,625	16,501	25,727	43,040	66,469	117,922
External interest payments [4]	5,390	6,090	8,057	8,057	10,116	10,094	12,806	12,863	14,936	16,347	17,841
Other recurrent expenditure	82,019	88,885	104,977	104,977	126,766	129,345	146,984	151,293	171,687	201,000	234,102
Capital expenditure	143,735	174,949	219,701	211,464	295,659	282,771	382,352	349,064	431,824	491,126	536,666
Central treasury	108,673	142,739	169,468	167,221	238,288	224,900	290,118	280,426	348,555	413,560	443,404
External project grants	14,168	15,973	19,142	19,243	23,334	23,282	28,019	28,144	33,002	38,637	45,000
External project loans	20,895	16,237	31,091	25,000	34,037	34,589	64,215	40,493	50,267	38,930	48,262
Of which: Covid-19 response capital costs	0	0	0	4,190	0	5,163	0	0	0	0	0
Overall balance											
Including grants	-66,647	-68,168	-84,529	-134,070	-89,739	-145,461	-94,113	-94,919	-111,304	-130,308	-151,173
Excluding grants	-84,561	-101,787	-114,727	-187,294	-123,783	-184,313	-125,195	-137,984	-163,218	-178,387	-215,024
Financing	87,930	71,726	84,529	134,070	89,739	145,461	94,113	94,919	111,304	130,308	151,173
Net external financing	28,135	35,401	40,936	62,699	40,158	40,634	81,805	44,771	55,825	23,150	-29,489
Gross borrowing [5]	32,450	40,973	48,285	70,048	52,860	53,716	99,727	62,886	78,064	60,458	74,952
Project loans	20,895	16,237	31,091	25,000	34,037	34,589	64,215	40,493	50,267	38,930	48,262
Budget Support	11,555	24,736	17,194	45,048	18,823	19,128	35,512	22,393	27,798	21,528	26,690
Of which: Unidentified Covid-19 foreign loan financing	0	0	0	11,734	0	0	0	0	0	0	0
IMF RFI	0	0	0	13,000	0	0	0	0	0	0	0
Amortization	-4,315	-5,572	-7,349	-7,349	-12,701	-13,082	-17,922	-18,115	-22,240	-37,308	-104,441
Domestic (net)	50,447	36,325	25,571	71,370	28,204	60,880	-7,645	30,106	55,480	107,158	180,662
Of which: Unidentified domestic financing	0	0	0	8,853	0	0	0	0	0	0	0
Net acquisition of financial assets [6]	9,349	0	18,021	0	21,376	43,948	19,953	20,042	0	0	0
Total unidentified financing needed for Covid-19 response [7]	0	0	0	32,320	0	0	0	0	0	0	0
Memorandum items :											
Total poverty-reducing expenditure	210,898	245,490	309,528	354,233	377,947	417,147	448,914	459,015	543,258	643,160	749,564
Primary fiscal balance, including grants	-55,076	-54,642	-67,121	-116,662	-66,384	-116,742	-64,807	-56,329	-53,329	-47,492	-15,410

Sources: Ethiopian authorities and IMF staff estimates and projections.

[1] Government financial statistics are reported by the authorities based on GFSM 1986.

[2] Excluding special programs (demobilization and reconstruction).

[3] Poverty-reducing spending is defined to include total spending on health, education, agriculture, roads, and food security.

[4] External interest and amortization are presented after HIPC debt relief from the World Bank and the African Development Bank.

[5] Includes prospective donor financing to close the financing gap.

[6] Reflects privatization receipts net of financial investments or recapitalization on SOEs.

[7] Including grants and excluding requested IMF RFI.

Table 2b. Ethiopia: General Government Operations, 2017/18–2024/25[1]

(Percent of GDP)

	2017/18	2018/19	2019/20		2020/21		2021/22		2022/23	2023/24	2024/25
	Act.	Prel.	Program	Rev. Proj.	Program	Rev. Proj.	Program	Rev. Proj.	IMF Staff Proj.	IMF Staff Proj.	IMF Staff Proj.
Total revenue and grants	13.1	12.8	12.5	12.3	13.8	13.1	14.9	14.3	14.9	15.2	15.2
Revenue	12.3	11.5	11.7	10.7	13.0	12.2	14.2	13.4	14.0	14.4	14.4
Tax revenue	10.7	10.0	10.1	9.3	11.5	10.7	12.7	12.0	12.6	13.0	13.0
Direct taxes	4.4	4.3	4.3	3.9	4.4	4.0	4.4	4.3	4.5	4.6	4.7
Indirect taxes	6.3	5.7	5.8	5.4	7.1	6.7	8.3	7.6	8.1	8.4	8.3
Domestic indirect taxes	3.1	2.9	2.9	2.6	3.9	3.3	4.9	4.2	4.8	5.3	5.4
Import duties and taxes	3.2	2.8	2.9	2.8	3.2	3.4	3.4	3.4	3.4	3.1	2.9
Nontax revenue	1.6	1.6	1.5	1.5	1.5	1.5	1.5	1.5	1.4	1.4	1.4
Grants	0.8	1.2	0.9	1.6	0.8	0.9	0.6	0.9	0.9	0.7	0.8
Program grants	0.2	0.7	0.3	1.0	0.3	0.4	0.1	0.3	0.3	0.1	0.2
Of which: Unidentified Covid-19 grant financing	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project grants	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Total expenditure and net lending (cash basis)	16.1	15.3	15.0	16.3	16.0	16.7	16.8	16.2	16.9	17.1	17.1
Recurrent expenditure [2]	9.6	8.8	8.6	10.0	8.8	9.8	8.9	9.1	9.4	9.8	10.3
Defense spending	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6
Poverty-reducing expenditure [3]	4.7	4.5	4.5	5.9	4.7	5.5	4.8	4.8	4.9	5.0	5.0
Of which: Covid-19 response current costs	0.0	0.0	0.0	1.5	0.0	0.9	0.0	0.0	0.0	0.0	0.0
Interest payments	0.5	0.5	0.5	0.5	0.6	0.7	0.6	0.8	1.0	1.2	1.7
Domestic interest and charges	0.3	0.3	0.3	0.3	0.3	0.5	0.3	0.5	0.7	1.0	1.5
External interest payments [4]	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.2	0.2
Other recurrent expenditure	3.7	3.3	3.1	3.1	3.1	3.1	3.0	3.1	3.0	3.0	3.0
Capital expenditure	6.5	6.5	6.5	6.3	7.2	6.8	7.9	7.1	7.5	7.3	6.8
Central treasury	4.9	5.3	5.0	5.0	5.8	5.4	6.0	5.7	6.1	6.1	5.6
External project grants	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
External project loans	0.9	0.6	0.9	0.7	0.8	0.8	1.3	0.8	0.9	0.6	0.6
Of which: Covid-19 response capital costs	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Overall balance											
Including grants	-3.0	-2.5	-2.5	-4.0	-2.2	-3.5	-1.9	-1.9	-1.9	-1.9	-1.9
Excluding grants	-3.8	-3.8	-3.4	-5.6	-3.0	-4.5	-2.6	-2.8	-2.8	-2.6	-2.7
Financing	4.0	2.7	2.5	4.0	2.2	3.5	1.9	1.9	1.9	1.9	1.9
Net external financing	1.3	1.3	1.2	1.9	1.0	1.0	1.7	0.9	1.0	0.3	-0.4
Gross borrowing [5]	1.5	1.5	1.4	2.1	1.3	1.3	2.1	1.3	1.4	0.9	1.0
Project loans	0.9	0.6	0.9	0.7	0.8	0.8	1.3	0.8	0.9	0.6	0.6
Budget Support	0.5	0.9	0.5	1.3	0.5	0.5	0.7	0.5	0.5	0.3	0.3
Of which: Unidentified Covid-19 foreign loan financing	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IMF RFI	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	-0.2	-0.2	-0.2	-0.2	-0.3	-0.3	-0.4	-0.4	-0.4	-0.6	-1.3
Domestic (net)	2.3	1.3	0.8	2.1	0.7	1.5	-0.2	0.6	1.0	1.6	2.3
Of which: Unidentified domestic financing	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net acquisition of financial assets [6]	0.4	0.0	0.5	0.0	0.5	1.1	0.4	0.4	0.0	0.0	0.0
Total unidentified financing needed for Covid-19 response [7]	0.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Float/unidentified financing	-1.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items :											
Poverty-reducing expenditure	9.6	9.1	9.1	10.6	9.2	10.1	9.3	9.3	9.4	9.5	9.5
Primary fiscal balance, including grants	-2.5	-2.0	-2.0	-3.5	-1.6	-2.8	-1.3	-1.1	-0.9	-0.7	-0.2

Sources: Ethiopian authorities and IMF staff estimates and projections. The Ethiopian fiscal year ends July 7.

[1] Government financial statistics are reported by the authorities based on GFSM 1986.

[2] Excluding special programs (demobilization and reconstruction).

[3] Poverty-reducing spending is defined to include total spending on health, education, agriculture, roads, and food security.

[4] External interest and amortization are presented after HIPC debt relief from the World Bank and the African Development Bank.

[5] Includes prospective donor financing to close the financing gap.

[6] Reflects privatization receipts net of financial investments or recapitalization on SOEs.

[7] Including grants and excluding requested IMF RFI.

Table 3. Ethiopia: Monetary Survey and Central Bank Accounts, 2017/18–2024/25

	2017/18	2018/19	2019/20		2020/21		2021/22		2022/23	2023/24	2024/25
	Act.	Act.	Program	Rev. Proj.	Program	Rev. Proj.	Program	Rev. Proj.	IMF Staff Proj.	IMF Staff Proj.	IMF Staff Proj.
	(Millions of birr, unless otherwise indicated)										
Monetary survey											
Net foreign assets	39,376	14,505	26,681	12,227	85,945	72,445	167,722	146,830	240,350	330,709	403,383
Central bank	28,759	3,968	14,246	-418	70,575	56,613	149,215	128,123	220,712	310,080	381,707
Commercial banks	10,617	10,537	12,434	12,645	15,370	15,832	18,507	18,707	19,638	20,629	21,676
Net domestic assets	701,241	872,152	1,019,875	1,113,674	1,161,424	1,192,627	1,328,350	1,326,533	1,486,206	1,711,034	2,053,331
Domestic credit	784,622	978,092	1,125,451	1,166,079	1,292,249	1,275,602	1,463,230	1,410,407	1,583,744	1,874,315	2,248,152
Claims on government (net) [1]	102,003	124,191	131,814	165,581	146,358	196,462	142,535	211,515	239,255	292,834	347,818
Claims on nongovernment	682,619	853,901	993,636	1,000,499	1,145,891	1,079,140	1,320,695	1,198,893	1,344,489	1,581,481	1,900,334
Public enterprises	441,297	528,780	608,941	605,430	667,266	660,369	703,893	689,461	703,614	728,745	765,534
Private sector	241,322	325,121	384,695	395,069	478,625	418,771	616,802	509,432	640,875	852,736	1,134,800
Broad money	740,617	886,657	1,046,556	1,125,901	1,247,369	1,265,072	1,496,072	1,473,363	1,726,557	2,041,743	2,456,714
Money	281,155	308,505	354,932	384,923	417,417	429,166	492,390	491,803	566,010	658,647	786,916
Currency outside banks	86,417	92,017	95,956	107,466	106,643	116,163	118,457	126,113	135,819	148,556	171,089
Demand deposits	194,737	216,488	258,977	277,458	310,774	313,003	373,933	365,691	430,191	510,091	615,827
Quasi money	459,462	578,152	691,623	740,978	829,953	835,906	1,003,682	981,559	1,160,547	1,383,096	1,669,797
Savings deposits	382,564	487,544	582,281	623,833	697,601	702,605	842,468	823,898	972,801	1,157,761	1,397,752
Time deposits	76,899	90,608	109,342	117,145	132,352	133,301	161,215	157,661	187,746	225,335	272,045
Central bank											
Net foreign assets	28,759	3,968	14,246	-418	70,575	56,613	149,215	128,123	220,712	310,080	381,707
Foreign assets	77,617	98,727	137,531	106,941	238,731	202,743	377,846	327,448	431,252	517,916	592,579
Foreign liabilities	48,858	94,759	123,285	107,359	168,157	146,130	228,631	199,325	210,540	207,836	210,872
Net domestic assets	145,416	196,782	211,597	251,372	184,700	219,405	139,279	176,877	116,168	63,858	33,364
Domestic credit	187,500	224,314	249,764	259,764	260,206	270,206	260,206	270,206	270,206	270,206	270,206
Government (net)	140,207	172,171	191,622	201,622	202,063	212,063	202,063	212,063	212,063	212,063	212,063
Other items (net)	-42,083	-27,533	-38,168	-8,393	-75,505	-50,800	-120,926	-93,328	-154,037	-206,348	-236,842
Reserve money	174,175	200,749	225,843	250,954	255,275	276,019	288,494	305,001	336,881	373,937	415,071
Currency outside banks	86,417	92,017	95,956	107,466	106,643	116,163	118,457	126,113	135,819	148,556	171,089
Commercial bank reserves	87,758	108,732	129,887	143,488	148,632	159,856	170,038	178,888	201,062	225,381	243,982
Cash in vault	26,494	29,783	31,681	34,998	31,794	34,195	31,272	32,900	36,978	41,450	44,871
Reserve deposit	61,264	78,949	98,206	108,490	116,838	125,661	138,766	145,988	164,084	183,931	199,111
	(Annual percentage change, unless otherwise indicated)										
Monetary survey											
Net foreign assets	3.5	-63.2	83.9	-15.7	222.1	492.5	95.2	102.7	63.7	37.6	22.0
Net domestic assets	31.0	24.4	16.9	27.7	13.9	7.1	14.4	11.2	12.0	15.1	20.0
Domestic credit	29.9	24.7	15.1	19.2	14.8	9.4	13.2	10.6	12.3	18.3	19.9
Claims on government (net) [1]	19.4	21.8	6.1	33.3	11.0	18.7	-2.6	7.7	13.1	22.4	18.8
Claims on nongovernment	31.7	25.1	16.4	17.2	15.3	7.9	15.3	11.1	12.1	17.6	20.2
Public enterprises	37.3	19.8	15.2	14.5	9.6	9.1	5.5	4.4	2.1	3.6	5.0
Private sector	22.5	34.7	18.3	21.5	24.4	6.0	28.9	21.6	25.8	33.1	33.1
Broad money	29.2	19.7	18.0	27.0	19.2	12.4	19.9	16.5	17.2	18.3	20.3
Money	29.7	9.7	15.0	24.8	17.6	11.5	18.0	14.6	15.1	16.4	19.5
Quasi money	28.8	25.8	19.6	28.2	20.0	12.8	20.9	17.4	18.2	19.2	20.7
Memorandum items:											
Base money growth	19.1	15.3	12.5	25.0	13.0	10.0	13.0	10.5	10.5	11.0	11.0
Nominal GDP growth	20.0	22.5	25.8	24.3	20.8	23.2	17.9	19.0	17.3	17.1	16.5
Excess reserve deposit (billions of birr)	22,654	40,813	46,693	53,585	55,819	64,232	65,901	74,643	80,564	85,288	80,846
Percent of deposits	3.5	5.1	4.9	5.3	4.9	5.6	4.8	5.5	5.1	4.5	3.5
Money multiplier (broad money/reserve money)	4.25	4.42	4.63	4.49	4.89	4.58	5.19	4.83	5.13	5.46	5.92
Velocity (GDP/broad money)	2.97	3.04	3.24	2.98	3.28	3.26	3.23	3.33	3.34	3.30	3.20
Currency-deposit ratio	0.132	0.116	0.101	0.106	0.093	0.101	0.086	0.094	0.085	0.078	0.075
Birr per U.S. dollar (end of period)	27.3	28.9	…	…	…	…	…	…	…	…	…
Nominal GDP (millions of birr)	2,200,121	2,696,223	3,390,554	3,351,742	4,094,284	4,129,760	4,827,955	4,912,625	5,760,650	6,744,198	7,854,872

Sources: NBE and IMF staff estimates and projections.

[1] Claims on the general government by the banking system less deposits of the general government with the banking system.

Table 4a. Ethiopia: Balance of Payments, 2017/18–2024/25

(Millions of U.S. dollars)

	2017/18 Act.	2018/19 Act.	2019/20 Program	2019/20 Rev. Proj.	2020/21 Program	2020/21 Rev. Proj.	2021/22 Program	2021/22 Rev. Proj.	2022/23 IMF Staff Proj.	2023/24 IMF Staff Proj.	2024/25 IMF Staff Proj.
	(Millions of U.S. dollars, unless otherwise indicated)										
Current account balance (excl. prospective grant financing)	-5,231	-4,934	-5,962	-4,944	-4,810	-4,736	-4,742	-4,761	-4,703	-4,416	-4,144
Excl. other official transfers	-6483	-7021	-7336	-6634	-6088	-5893	-5903	-5928	-5978	-5886	-5773
Trade balance	-12,417	-12,445	-13,460	-10,912	-14,848	-11,148	-15,876	-11,716	-12,222	-12,691	-13,205
Exports of goods	2,836	2,667	2,937	2,452	3,240	2,817	3,653	3,093	3,392	3,713	4,051
Coffee	839	764	860	855	1,008	1,003	1,124	1,114	1,186	1,254	1,340
Oil seeds	424	388	388	295	412	303	427	314	329	344	360
Gold	100	28	33	24	52	30	83	42	63	96	97
Other	1,473	1,487	1,656	1,279	1,768	1,482	2,018	1,623	1,813	2,019	2,254
Imports of goods	-15,253	-15,112	-16,397	-13,364	-18,088	-13,965	-19,529	-14,808	-15,614	-16,404	-17,256
Services (net)	237	39	-234	-42	155	48	471	204	334	506	816
Exports	4,220	4,949	5,647	3,753	6,432	5,249	7,376	6,844	7,790	8,820	9,952
Imports	-3,982	-4,910	-5,882	-3,795	-6,277	-5,201	-6,905	-6,640	-7,457	-8,314	-9,136
Income (net)	-377	-590	-672	-603	-674	-588	-672	-608	-620	-624	-580
Private transfers (net)	6,075	5,975	7,030	4,922	9,279	5,795	10,174	6,191	6,531	6,923	7,195
Official transfers (net)	1,252	2,087	1,374	1,690	1,278	1,157	1,161	1,168	1,274	1,469	1,629
Capital account balance	5,808	6,178	5,617	2,668	4,832	4,485	4,195	4,340	4,583	5,574	4,834
Foreign direct investment (net, incl. privatization)	3,723	3,015	4,665	1,821	4,495	4,203	4,127	4,259	4,709	5,665	6,091
Other investment (net)	2,084	3,162	952	847	338	283	68	81	-126	-91	-1,256
Federal government	1,655	1,344	1,118	1,514	1,074	1,024	1,061	874	771	585	-465
Disbursements	1,821	1,537	1,331	1,728	1,375	1,325	1,414	1,227	1,184	1,244	1,291
Amortization	-165	-193	-213	-213	-301	-301	-353	-353	-413	-659	-1,756
Other public sector [1]	324	1,431	-166	-667	-736	-741	-993	-793	-898	-677	-792
Disbursements	1,689	2,767	1,078	577	776	771	444	644	530	632	614
Amortization	-1,365	-1,336	-1,244	-1,244	-1,512	-1,512	-1,437	-1,437	-1,428	-1,308	-1,405
SOEs (incl EAL)	-990	-1,211	-994	-994	-1,087	-1,087	-962	-962	-953	-1,083	-1,305
NBE	-375	-125	-250	-250	-425	-425	-475	-475	-475	-225	-100
Private sector borrowing (net)	251	264	0	0	0	0	0	0	0	0	0
Other (net)	-145	122	0	0	0	0	0	0	0	0	0
Errors and omissions	-778	-1,185	0	0	0	0	0	0	0	0	0
Overall balance	-202	58	-346	-2,275	22	-250	-547	-420	-121	1,157	840
Excl. residual financing gap [2]	…	…	*-1,919*	*-4,250*	*-2,137*	*-3,216*	*-3,298*	*-2,976*	*-1,865*	*980*	*796*
Financing	202	-58	-30	815	-831	-890	-790	-718	-1,125	-1,157	-840
Central bank (net; increase –)	-17	-83	-30	815	-831	-890	-790	-718	-1,125	-1,157	-840
Reserves (increase –)	350	-568	-617	332	-1,630	-1,585	-1,780	-1,712	-1,624	-1,147	-813
Of which: Prospective donor financing	…	…	*-220*	-815	*-175*	-500	*-700*	-500	-700	0	0
Of which: grants	…	…	…	*-408*	…	*-250*	…	*-250*	*-250*	*0*	*0*
Debt service reprofiling	…	…	*-156*	-218	*-634*	-634	*-637*	-637	-546	-178	-43
first phase of reprofiling			*-156*	*-218*	*-479*	*-479*	*-514*	*-514*	*-437*	*-114*	*16*
second phase of reprofiling			*0*	*0*	*-155*	*-155*	*-124*	*-124*	*-108*	*-64*	*-60*
Exceptional financing (IMF CCR Trust debt relief)	…	…	…	-11	…	-7	…	-1	0	0	0
Liabilities (increase +)	-367	485	586	482	799	695	990	994	499	-10	-26
IMF credit (net)	-52	-52	586	482	799	695	990	994	499	-10	-26
IMF (Rapid Financing Instrument)	…	…	…	415	…	…	…	…	…	…	…
Commercial banks (net; increase –)	219	25	0	0	0	0	0	0	0	0	0
	(Annual percentage change, unless otherwise indicated)										
Memorandum items:											
Exports of goods	-2.5	-6.0	10.2	-8.0	10.3	14.9	12.7	9.8	9.7	9.5	9.1
Imports of goods	-3.5	-0.9	8.5	-11.6	10.3	4.5	8.0	6.0	5.4	5.1	5.2
Services exports	26.7	17.3	14.2	-24.2	13.9	39.8	14.7	30.4	13.8	13.2	12.8
Services imports	17.4	23.3	20.0	-22.7	6.7	37.0	10.0	27.7	12.3	11.5	9.9
Private transfers	10.7	-1.6	17.7	-17.6	32.0	17.7	9.7	6.8	5.5	6.0	3.9
Exports of goods and services (percent of GDP)	8.4	7.9	7.9	5.8	9.2	7.6	10.8	9.6	10.2	10.3	10.3
Imports of goods and services (percent of GDP)	-22.8	-20.8	-20.5	-16.0	-23.3	-18.1	-25.8	-20.7	-21.1	-20.2	-19.5
Trade balance (percent of GDP)	-14.7	-12.9	-12.4	-10.2	-14.2	-10.5	-15.5	-11.3	-11.2	-10.4	-9.8
Private transfers (net, percent of GDP)	7.2	6.2	6.5	4.6	8.9	5.5	9.9	6.0	6.0	5.7	5.3
Gross official reserves (millions U.S. dollars)	2,847	3,415	4,031	3,082	5,661	4,668	7,441	6,380	8,004	9,151	9,964
(Months of following year's imports of goods and services)	1.7	2.4	2.0	1.9	2.6	2.6	3.2	3.3	3.9	4.2	4.2
(Months of imports – authorities' definition) [3]	2.3	3.1	2.4	2.5	3.1	3.4	3.8	4.3	5.1	5.4	5.5

Sources: Ethiopian authorities and IMF staff estimates and projections.

[1] Includes net borrowing by state-owned enterprises and NBE time deposits.

[2] In 2023/24 and 2024/25, savings from debt reprofiling are shown in the residual financing gap for completeness.

[3] The NBE definition for import coverage excludes food-aid and franco-valuta imports.

Table 4b. Ethiopia: Balance of Payments, 2017/18–2024/25

(Percent of GDP)

	2017/18	2018/19	2019/20		2020/21		2021/22		2022/23	2023/24	2024/25
	Act.	Act.	Program	Rev. Proj.	Program	Rev. Proj.	Program	Rev. Proj.	IMF Staff Proj.	IMF Staff Proj.	IMF Staff Proj.
	(Percent of GDP, unless otherwise indicated)										
Current account balance (excl. prospective grant financing)	-6.2	-5.1	-5.5	-4.6	-4.6	-4.5	-4.6	-4.6	-4.3	-3.6	-3.1
Excl. other official transfers	-7.7	-7.3	-6.7	-6.2	-5.8	-5.6	-5.8	-5.7	-5.5	-4.8	-4.3
Trade balance	-14.7	-12.9	-12.4	-10.2	-14.2	-10.5	-15.5	-11.3	-11.2	-10.4	-9.8
Exports of goods	3.4	2.8	2.7	2.3	3.1	2.7	3.6	3.0	3.1	3.0	3.0
Coffee	1.0	0.8	0.8	0.8	1.0	0.9	1.1	1.1	1.1	1.0	1.0
Oil seeds	0.5	0.4	0.4	0.3	0.4	0.3	0.4	0.3	0.3	0.3	0.3
Gold	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.1	0.1
Other	1.7	1.5	1.5	1.2	1.7	1.4	2.0	1.6	1.7	1.7	1.7
Imports of goods	-18.1	-15.7	-15.1	-12.5	-17.3	-13.2	-19.1	-14.3	-14.3	-13.4	-12.7
Services (net)	0.3	0.0	-0.2	0.0	0.1	0.0	0.5	0.2	0.3	0.4	0.6
Exports	5.0	5.1	5.2	3.5	6.2	5.0	7.2	6.6	7.1	7.2	7.4
Imports	-4.7	-5.1	-5.4	-3.5	-6.0	-4.9	-6.7	-6.4	-6.8	-6.8	-6.8
Income (net)	-0.4	-0.6	-0.6	-0.6	-0.6	-0.6	-0.7	-0.6	-0.6	-0.5	-0.4
Private transfers (net)	7.2	6.2	6.5	4.6	8.9	5.5	9.9	6.0	6.0	5.7	5.3
Official transfers (net)	1.5	2.2	1.3	1.6	1.2	1.1	1.1	1.1	1.2	1.2	1.2
Capital account balance	6.9	6.4	5.2	2.5	4.6	4.2	4.1	4.2	4.2	4.6	3.6
Foreign direct investment (net, incl. privatization)	4.4	3.1	4.3	1.7	4.3	4.0	4.0	4.1	4.3	4.6	4.5
Other investment (net)	2.5	3.3	0.9	0.8	0.3	0.3	0.1	0.1	-0.1	-0.1	-0.9
Federal government	2.0	1.4	1.0	1.4	1.0	1.0	1.0	0.8	0.7	0.5	-0.3
Disbursements	2.2	1.6	1.2	1.6	1.3	1.3	1.4	1.2	1.1	1.0	1.0
Amortization	-0.2	-0.2	-0.2	-0.2	-0.3	-0.3	-0.3	-0.3	-0.4	-0.5	-1.3
Other public sector [1]	0.4	1.5	-0.2	-0.6	-0.7	-0.7	-1.0	-0.8	-0.8	-0.6	-0.6
Disbursements	1.8	2.6	1.0	0.5	0.8	0.7	0.4	0.6	0.4	0.5	0.4
Amortization	-1.4	-1.2	-1.2	-1.2	-1.5	-1.5	-1.3	-1.3	-1.2	-1.0	-0.9
SOEs (incl EAL)	-1.0	-1.1	-1.0	-0.9	-1.1	-1.0	-0.8	-0.9	-0.8	-0.8	-0.9
NBE	-0.4	-0.1	-0.2	-0.2	-0.4	-0.4	-0.4	-0.4	-0.4	-0.2	-0.1
Private sector borrowing (net)	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other (net)	-0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions	-0.9	-1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-0.2	0.1	-0.3	-2.1	0.0	-0.2	-0.5	-0.4	-0.1	0.9	0.6
Excl. residual financing gap [2]	...	...	*-1.8*	*-4.0*	*-2.0*	*-3.0*	*-3.2*	*-2.9*	*-1.7*	*0.8*	*0.6*
Financing	0.2	-0.1	0.0	0.8	-0.8	-0.8	-0.8	-0.7	-1.0	-0.9	-0.6
Central bank (net; increase –)	0.0	-0.1	0.0	0.8	-0.8	-0.8	-0.8	-0.7	-1.0	-0.9	-0.6
Reserves (increase –)	0.4	-0.6	-0.6	0.3	-1.6	-1.5	-1.7	-1.7	-1.5	-0.9	-0.6
Of which: Prospective donor financing	...	...	-0.2	-0.8	-0.2	-0.5	-0.7	-0.5	-0.6	0.0	0.0
Of which: grants	...	...	...	*-0.4*	...	*-0.2*	...	*-0.2*	*-0.2*	*0.0*	*0.0*
Debt service reprofiling	...	...	-0.1	-0.2	-0.6	-0.6	-0.6	-0.6	-0.5	-0.1	0.0
first phase of reprofiling	...	...	*-0.1*	*-0.2*	*-0.5*	*-0.5*	*-0.5*	*-0.5*	*-0.4*	*-0.1*	*0.0*
second phase of reprofiling	...	...	*0.0*	*0.0*	*-0.1*	*-0.1*	*-0.1*	*-0.1*	*-0.1*	*-0.1*	*0.0*
Exceptional financing (IMF CCR Trust debt relief)	...	...	...	0.0	...	0.0	...	0.0	0.0	0.0	0.0
Liabilities (increase +)	-0.4	0.5	0.5	0.5	0.8	0.7	1.0	1.0	0.5	0.0	0.0
IMF credit (net)	-0.1	-0.1	0.5	0.5	0.8	0.7	1.0	1.0	0.5	0.0	0.0
IMF (Rapid Financing Instrument)	...	...	...	0.4	...	...	...	...	...	...	...
Commercial banks (net; increase –)	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross official reserves	3.4	3.6	3.7	2.9	5.4	4.4	7.3	6.2	7.3	7.5	7.4

Sources: Ethiopian authorities and IMF staff estimates and projections.

[1] Includes net borrowing by state-owned enterprises and NBE time deposits

[2] In 2023/24 and 2024/25, savings from debt reprofiling are shown in the residual financing gap for completeness.

Table 5. Ethiopia: Debt Service to the Fund Eligible for Debt Relief, May 2020–April 2022

(In SDR)

Category	Original disbursement date	Due date	Total amount	Eligible for CCRT debt relief 1/	Debt relief as percent of quota 1/	Cumulative debt Relief as percent of quota 1/
GRA charges	24-Dec-19	1-May-20	295,792	295,792	0.10	0.10
PRGT repayment (ESF-HAC)	22-Nov-10	22-May-20	4,011,000	4,011,000	1.33	1.43
PRGT repayment (ESF-HAC)	25-Jun-10	25-Jun-20	4,011,000	4,011,000	1.33	2.77
GRA charges	24-Dec-19	1-Aug-20	239,002	239,002	0.08	2.85
GRA charges	24-Dec-19	1-Nov-20	239,002	239,002	0.08	2.93
PRGT repayment (ESF-HAC)	22-Nov-10	20-Nov-20	4,011,000	4,011,000	1.33	4.26
GRA charges	24-Dec-19	1-Feb-21	239,223	239,223	0.08	4.34
GRA charges	24-Dec-19	1-May-21	231,842	231,842	0.08	4.42
GRA charges	24-Dec-19	1-Aug-21	239,658	239,658	0.08	4.50
GRA charges	24-Dec-19	1-Nov-21	239,658	239,658	0.08	4.58
GRA charges	24-Dec-19	1-Feb-22	239,658	239,658	0.08	4.65

Source: IMF, Finance Department.

1/ Effective from the date of approval by the Executive Board of Ethiopia's request for debt relief under the CCR Trust. The first tranche is applicable to eligible debt service up to October 13, 2020. The second tranche is contingent on adequate financing for the Trust.

Table 6. Ethiopia: Financial Stability Indicators, 2012/13–2018/19

	Jun-12	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19
Capital adequacy								
Capital to Risk-Weighted Assets	13.4	17.9	17.4	16.4	14.7	21.8	22.3	19.2
Regulatory Capital Tier I to Risk-Weighted Assets	13.4	17.9	17.4	16.4	14.7	21.8	22.3	19.2
Capital to Assets	6.7	7.2	7.0	6.6	6.5	8.8	8.3	7.8
Asset quality								
NPLs to Total Loans	1.4	2.5	2.0	2.1	2.9	2.6	3.0	2.3
NPLs Net of Provisions to Capital	-5.6	-0.5	-2.3	-1.1	2.9	2.1	0.8	n.a.
Earning and profitability								
Return on Assets	3.9	3.2	3.1	3.1	2.7	1.9	1.7	1.9
Return on Equity[1]	55.7	48.0	44.9	47.4	43.0	29.7	20.2	23.8
Gross Interest Income to Total Income [2]	56.8	64.9	62.8	67.9	73.9	74.9	84.2	79.6
Interest Margin to Gross Income	39.1	45.1	42.3	46.1	49.9	48.4	34.4	n.a.
Non-interest Expenses to Gross Income [3]	22.9	26.9	32.7	32.1	33.1	34.2	36.2	n.a.
Personnel Expenses to Non-interest Expenses	42.2	43.3	43.7	47.4	48.2	51.3	55.4	n.a.
Liquidity								
Liquid Assets to Total Assets	20.6	23.2	16.2	11.7	11.9	12.5	12.4	14.5
Liquid Assets to Short-term liabilities	26.7	30.1	20.8	14.8	15.6	17.7	16.5	16.9
Total Loans and Bonds to Total Deposits [4]	94.0	93.9	100.6	105.0	107.2	106.5	101.0	108.2

Sources: National Bank of Ethiopia, provided to IMF staff during the mission.

[1]The average capital used to calculate the ROE execludes retained earning and profit & loss.

[2] Total income comprises gross interest income and gross non-interest income.

[3]Gross income comprises net interest income and total non-interest income.

[4]Customer deposit includes time, current and saving deposits.

Table 7. Ethiopia: Gross External Financing Needs

(Millions of U.S. dollars)

	2019/20		2020/21		2021/22		2022/23	2023/24
	Program	Rev. Proj.	Program	Rev. Proj.	Program	Rev. Proj.	IMF Staff Proj.	IMF Staff Proj.
External financing requirement	**9,442**	**7,791**	**9,537**	**9,297**	**9,473**	**9,431**	**9,442**	**9,217**
Current account deficit, excl. official transfers	7,336	6,634	6,088	5,893	5,903	5,928	5,978	5,886
Federal government amortization	213	213	301	301	353	353	413	659
Other public sector amortization 1/	1,244	1,244	1,512	1,512	1,437	1,437	1,428	1,308
Repayments to Fund	32	32	6	6	0	0	0	217
Change in gross reserves (+ = increase)	617	-332	1,630	1,585	1,780	1,712	1,624	1,147
Change in commercial bank reserves (+ = increase)	0	0	0	0	0	0	0	0
External financing sources	**6,495**	**4,126**	**6,099**	**5,174**	**5,562**	**5,708**	**6,423**	**7,541**
Foreign direct investment, excl. privatization	4,086	1,821	3,949	3,078	3,704	3,836	4,709	5,665
External loans to Federal government	1,331	1,728	1,375	1,325	1,414	1,227	1,184	1,244
Other public sector external borrowing	1,078	577	776	771	444	644	530	632
Other (net)	0	0	0	0	0	0	0	0
Financing gap (+ = need for financing)	**2,947**	**3,665**	**3,437**	**4,123**	**3,911**	**3,723**	**3,019**	**1,676**
Expected financing								
Official transfers	1,374	1,690	1,278	1,157	1,161	1,168	1,274	1,469
Residual gap	**1,573**	**1,975**	**2,159**	**2,966**	**2,750**	**2,556**	**1,745**	**207**
IMF	619	942	804	707	990	995	499	0
ECF-EFF arrangements	*619*	*515*	*804*	*700*	*990*	*994*	*499*	*0*
RFI (budget support)	…	*415*	…	*0*	…	*0*	*0*	*0*
Exceptional financing (CCR Trust debt relief) 2/	…	*11*	…	*7*	…	*1*	*0*	*0*
Privatization proceeds	579	0	546	1,125	423	423	0	0
Debt service reprofiling 3/ 4/	156	218	634	634	637	637	546	178
First phase of reprofiling	*156*	*218*	*479*	*479*	*514*	*514*	*437*	*114*
Second phase of reprofiling	*0*	*0*	*155*	*155*	*124*	*124*	*108*	*64*
Prospective donor financing	220	815	175	500	700	500	700	0
Identified	220	0	175	500	…	0	0	0
Budget support 5/	…	0	…	500	…	0	0	0
Expected/unidentifed	…	815	…	0	…	500	700	0

Source: IMF staff estimates.

1/ Includes guaranteed and non-guaranteed SOE loans and long-term debt of National Bank of Ethiopia (NBE).

2/ Currently available on debt service to the Fund falling due until October 13, 2020. Subsequent relief is contingent on availability of financing for the Trust.

3/ Represents reprofiling that could yield moderate risk of external debt distress rating during the ECF-EFF arrangements. Includes data corrections for the first phase. Specific and credible commitments for the second phase of debt reprofiling are expected by the first review of the arrangements.

4/ In 2023/24, saving from debt reprofiling, reflected above the line in the balance of payments (BoP), is shown for completeness of information.

5/ In 2019/20, the previously identified donor support has been moved above the line following its approval in April 2020. In 2020/21, reflects staff expectation on financing from the World Bank Development Policy Operation (previously included above the line in BoP).

Table 8a. Ethiopia: Approved Schedule of Disbursements/Purchases Under the ECF and EFF Arrangements

Date of availability	Condition for disbursement	Amount (millions of SDR)				Percent of quota 1/		
		Total	Percent share of total	ECF	EFF	Total	ECF	EFF
December 20, 2019	Executive Board approval of the ECF/EFF arrangements	223.85	10.6	133.64	90.21	74.44	44.44	30.00
April 15, 2020	Observance of continuous performance criteria (PCs) and PCs for end-December 2019 and completion of the first review	223.85	10.6	133.64	90.21	74.44	44.44	30.00
October 15, 2020	Observance of continuous PCs and PCs for end-June 2020 and completion of the second review	223.85	10.6	133.64	90.21	74.44	44.44	30.00
April 15, 2021	Observance of continuous PCs and PCs for end-December 2020 and completion of the third review	358.33	17.0	200.47	157.87	119.17	66.67	52.50
October 15, 2021	Observance of continuous PCs and PCs for end-June 2021 and completion of the fourth review	358.33	17.0	200.47	157.87	119.17	66.67	52.50
April 15, 2022	Observance of continuous PCs and PCs for end-December 2021 and completion of the fifth review	358.33	17.0	200.47	157.87	119.17	66.67	52.50
October 17, 2022	Observance of continuous PCs and PCs for end-June 2022 and completion of the sixth review	358.33	17.0	200.47	157.86	119.17	66.67	52.50
	Total	**2,104.90**	**100.00**	**1,202.80**	**902.10**	**700.00**	**400.00**	**300.00**

Source: IMF staff caculations.

1/ Ethiopia's quota is SDR 300.7 million.

Table 8b. Ethiopia: Proposed Revised Schedule of Disbursements/Purchases Under the ECF and EFF Arrangements

Date of availability	Condition for disbursement	Amount (millions of SDR)				Percent of quota 1/		
		Total	Percent share of total	ECF	EFF	Total	ECF	EFF
December 20, 2019	Executive Board approval of the ECF/EFF arrangements	223.854	11.5	133.644	90.210	74.44	44.44	30.00
April 15, 2020	Observance of continuous performance criteria (PCs) and PCs for end-December 2019 and completion of the first review	148.679	7.6	133.644	15.035	49.44	44.44	5.00
November 15, 2020	Observance of continuous PCs and PCs for end-June 2020 and completion of the second review	148.679	7.6	133.644	15.035	49.44	44.44	5.00
May 15, 2021	Observance of continuous PCs and PCs for end-December 2020 and completion of the third review	358.335	18.3	200.467	157.868	119.17	66.67	52.50
November 15, 2021	Observance of continuous PCs and PCs for end-June 2021 and completion of the fourth review	358.335	18.3	200.467	157.868	119.17	66.67	52.50
May 15, 2022	Observance of continuous PCs and PCs for end-December 2021 and completion of the fifth review	358.335	18.3	200.467	157.868	119.17	66.67	52.50
November 15, 2022	Observance of continuous PCs and PCs for end-June 2022 and completion of the sixth review	358.333	18.3	200.467	157.866	119.17	66.67	52.50
	Total	**1,954.550**	**100.00**	**1,202.800**	**751.750**	**650.00**	**400.00**	**250.00**

Source: IMF staff caculations.
1/ Ethiopia's quota is SDR 300.7 million.

Table 9. Ethiopia: Capacity to Repay to the Fund, 2019/20–2034/35 1/

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
Fund obligations based on existing credit																
(In millions of SDR)																
Principal	23.4	4.0	0.0	0.0	7.5	15.0	41.8	41.8	55.1	28.4	34.3	0.0	0.0	0.0	0.0	0.0
Charges and interest	0.3	1.0	1.0	1.0	1.0	0.9	0.7	0.5	0.4	0.2	0.1	0.0	0.0	0.0	0.0	0.0
Fund obligations based on existing and prospective credit 2/																
(In millions of SDR)	23.7	8.4	9.2	18.6	177.1	183.8	138.0	261.5	364.6	356.6	361.2	281.9	166.6	33.3	0.0	0.0
Principal	23.4	4.0	0.0	0.0	157.9	169.1	126.3	252.5	359.2	352.5	358.3	280.2	166.0	33.2	0.0	0.0
ECF	*23.4*	*4.0*	*0.0*	*0.0*	*0.0*	*0.0*	*66.8*	*140.3*	*233.9*	*227.2*	*240.6*	*173.7*	*100.2*	*20.1*	*0.0*	*0.0*
EFF	*0.0*	*0.0*	*0.0*	*0.0*	*7.5*	*18.8*	*59.5*	*112.1*	*125.3*	*125.3*	*117.8*	*106.5*	*65.8*	*13.2*	*0.0*	*0.0*
RFI	*0.0*	*0.0*	*0.0*	*0.0*	*150.4*	*150.4*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Charges and interest	0.3	4.4	9.2	18.6	19.2	14.6	11.7	9.0	5.5	4.1	2.8	1.6	0.6	0.1	0.0	0.0
Total obligations based on existing and prospective credit 2/																
In millions of SDRs	23.7	8.4	9.2	18.6	177.1	183.8	138.0	261.5	364.6	356.6	361.2	281.9	166.6	33.3	0.0	0.0
In millions of U.S. dollars	32.7	11.5	12.8	25.9	247.2	257.2	193.9	367.4	512.3	501.0	507.4	396.0	234.1	46.7	0.0	0.0
In percent of general government revenue	0.3	0.1	0.1	0.2	1.4	1.3	0.9	1.5	2.0	1.7	1.6	1.1	0.6	0.1	0.0	0.0
In percent of exports of goods and services	0.5	0.1	0.1	0.2	2.0	1.8	1.3	2.3	2.9	2.7	2.5	1.9	1.0	0.2	0.0	0.0
In percent of total external debt service	1.6	0.6	0.7	1.3	10.0	6.8	7.1	13.3	16.5	15.0	15.2	16.7	10.3	2.5	0.0	0.0
In percent of GDP	0.0	0.0	0.0	0.0	0.2	0.2	0.1	0.2	0.3	0.3	0.2	0.2	0.1	0.0	0.0	0.0
In percent of quota	7.9	2.8	3.1	6.2	58.9	61.1	45.9	87.0	121.3	118.6	120.1	93.7	55.4	11.1	0.0	0.0
Outstanding Fund credit (end of period)	0.0	3.4	8.3	17.7	18.3	13.8	11.0	8.5	5.1	3.9	2.8	1.6	0.6	0.1	0.0	0.0
In millions of SDRs	677.2	1,180.2	1,896.9	2,255.3	2,097.4	1,928.2	1,801.9	1,549.4	1,190.3	837.8	479.5	199.2	33.2	0.0	0.0	0.0
In millions of U.S. dollars	935.8	1,630.1	2,632.0	3,140.0	2,928.1	2,699.1	2,531.6	2,176.9	1,672.3	1,177.0	673.6	279.9	46.6	0.0	0.0	0.0
In percent of general government revenue	9.0	14.1	20.5	20.9	17.0	14.2	12.1	9.4	6.5	4.2	2.2	0.8	0.1	0.0	0.0	0.0
In percent of exports of goods and services	15.1	20.2	26.5	28.1	23.4	19.3	16.8	13.4	9.6	6.3	3.4	1.3	0.2	0.0	0.0	0.0
In percent of total external debt	3.0	4.9	7.6	8.8	8.2	7.9	7.4	6.4	5.0	3.5	2.0	0.8	0.1	0.0	0.0	0.0
In percent of gross international reserves	30.4	34.9	41.3	39.2	32.0	27.1	21.8	16.6	11.8	7.9	4.2	1.6	0.3	0.0	0.0	0.0
In percent of GDP	0.9	1.5	2.5	2.9	2.4	2.0	1.7	1.3	0.9	0.6	0.3	0.1	0.0	0.0	0.0	0.0
In percent of quota	225.2	392.5	630.8	750.0	697.5	641.3	599.2	515.3	395.8	278.6	159.4	66.2	11.0	0.0	0.0	0.0
ECF	*90.2*	*200.0*	*333.3*	*400.0*	*400.0*	*400.0*	*377.8*	*331.1*	*253.3*	*177.8*	*97.8*	*40.0*	*6.7*	*0.0*	*0.0*	*0.0*
EFF	*35.0*	*92.5*	*197.5*	*250.0*	*247.5*	*241.3*	*221.5*	*184.2*	*142.5*	*100.8*	*61.7*	*26.3*	*4.4*	*0.0*	*0.0*	*0.0*
RFI	*100.0*	*100.0*	*100.0*	*100.0*	*50.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Net use of Fund credit (millions of SDR)	649.8	503.0	716.7	358.3	-157.9	-169.1	-126.3	-252.5	-359.2	-352.5	-358.3	-280.2	-166.0	-33.2	0.0	0.0
Disbursements	673.2	507.0	716.7	358.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases	23.4	4.0	0.0	0.0	157.9	169.1	126.3	252.5	359.2	352.5	358.3	280.2	166.0	33.2	0.0	0.0
Debt relief under the CCRT 3/	8.3	5.0	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:																
General government revenue (billions of birr)	360.1	503.6	659.9	808.3	974.4	1,131.6	1,308.8	1,520.9	1,767.9	2,040.5	2,350.6	2,709.0	3,111.1	3,571.3	4,081.3	4,658.7
Exports of goods and services (billions of U.S. dollars)	6.2	8.1	9.9	11.2	12.5	14.0	15.1	16.2	17.5	18.7	20.0	21.4	22.8	24.4	26.0	27.5
Gross international reserves (billions of U.S. dollars)	3.1	4.7	6.4	8.0	9.2	10.0	11.6	13.1	14.2	14.9	16.1	17.2	18.1	18.8	19.9	21.3
In months of prospective imports	1.9	2.6	3.3	3.9	4.2	4.2	4.6	4.8	4.9	4.8	4.8	4.8	4.7	4.6	4.6	4.7
Nominal GDP (billions of U.S. dollars)	107.1	105.7	103.7	109.5	122.1	135.3	148.8	163.9	180.5	197.3	215.3	234.9	255.3	277.3	300.9	325.9
SDR per U.S. dollar (period average)	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Quota (millions of SDR)	300.7	300.7	300.7	300.7	300.7	300.7	300.7	300.7	300.7	300.7	300.7	300.7	300.7	300.7	300.7	300.7

Source: IMF staff estimates.

1/ Year ending in June.

2/ Including the proposed disbursements under the new ECF/EFF.

3/ On March 26, 2020, the Executive Board approved changes to the Catastrophe Containtment and Relief Trust (CCRT) to enable Fund to provide relief on eligible debt service for its poorest and most vulnerable members for a period of up to two years from April 14, 2020 or the date of a country's request for relief under this trust, whichever is later. The relief will be provided in two tranches. The first tranche is applicable to eligible debt service up to October 13, 2020. The second tranche is contingent on availablility of funding for the trust. Staff's macroframework includes the amounts expected, but not yet guaranteed, under the second tranche.

Appendix I. Letter of Intent

April 24, 2020
Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
700 19th St, NW
Washington, DC 20431
USA

Dear Managing Director:

Before the COVID-19 pandemic hit Ethiopia, our economy was healthy, and we had made good progress under the ECF-EFF arrangements with the IMF. When the shock materialized, the impact was felt well before our country's first case was confirmed on March 13: export industries, including air travel, were under pressure, and demand for tourism and hospitality services plummeted. Our preliminary estimates suggest that projected growth rates could decline by around 3 percentage points during 2019/20. The impact for 2020/21 could be of a similar order of magnitude but would depend on how the pandemic evolves and corrective measures taken. While the impact on our largely rural and subsistence based agricultural sector should be limited, secondary and tertiary activities—especially tourism and hospitality services—are likely to be hit across the board. The risks to these projections are slanted heavily to the downside.

It is difficult at this stage to fully and accurately assess the impact of the pandemic on the budget. However, expenditures to directly fight COVID-19 in Ethiopia, as well as to support the economy and provide for affected households, are currently expected to entail additional spending of around 1.6 percent of GDP. These costs could rise if the crisis deepens. Specific measures include emergency food distribution ($635 million, 0.6 percent of GDP), health sector support ($430 million, 0.4 percent of GDP) and emergency shelter and non-food items ($282 million, 0.3 percent of GDP), with the remainder allocated to agricultural sector support, nutrition, the protection of vulnerable groups, additional education outlays, logistics, refugee support, and site management support.

The policies we are undertaking to address the crisis will make it necessary to delay our ambitious multi-year fiscal consolidation plan for the general government. We project that the fiscal deficit will rise by some 1.5 percent of GDP in 2019/20 and by 1.3 percent of GDP in 2020/21 relative to IMF staff projections at the time of ECF-EFF approval in December. We would like to highlight, however, that we see the spending increases as strictly temporary and remain committed to the multi-year fiscal adjustment plan under the ECF-EFF arrangements. In this context, and to partially offset the impact of the general government deficit increase on overall public sector debt, we have further constrained spending plans for SOEs that are not engaged in implementing emergency response measures to the pandemic for this year and next.

We commit to a transparent and accountable delivery of policy measures to respond to COVID-19 health and economic challenges and to effectively mitigate corruption concerns. Targeted measures will include (i) publishing all public contracts related to the COVID-19 response, using open and competitive bidding and strictly limiting the use of emergency non-competitive processes to the extent possible; (ii) publishing online eligibility criteria and budgeted limits for the various relief measures as soon as they are adopted; (iii) channeling donor funding through the budget with full transparency on its utilization; (iv) frequent monitoring of spending on crisis mitigation measures at the end of each month for the duration of the crisis; and (v) making information on how emergency relief funds are spent available to internal auditors and, as soon as practicable, to independent auditors to conduct ex-post audits over COVID-19 related spending and revenue collection.

We also remain committed to strengthening debt sustainability. The first phase of reprofiling we committed to under the ECF-EFF arrangements is expected to be finalized in April. The total cashflow relief under this phase is projected to amount to US$1.65 billion until FY 2022/23. Under the current global context, progress on the second phase is uncertain, but we continue to work toward getting specific and credible financing assurances ahead of the first review.

The National Bank of Ethiopia (NBE) has already undertaken important steps to maintain financial stability during the crisis. This includes redeeming NBE bills held by private banks and providing access to its standing liquidity facility to ensure that adequate liquidity buffers are being maintained. The NBE will also provide additional liquidity to the Commercial Bank of Ethiopia as the bank's already tight structural liquidity conditions are being exacerbated by the COVID-19 economic shocks. While it is difficult to predict how the COVID-19 shock will affect the inflation trajectory, we will stand ready to adjust our policy stance as needed to ensure that the single-digit inflation objective can be achieved as anticipated at ECF-EFF approval.

We also remain committed to the policies under the ECF-EFF arrangements with the IMF and plan to continue implementing the reforms as conditions permit. This will include gradually ending financial repression through increased T-bill issuances, ceasing new DBE financing from the NBE and gradually reducing direct NBE advances to the government. It also implies continuing to work toward a market clearing exchange rate by steadily reducing overvaluation, strengthening reserve accumulation and implementing the FX roadmap to be finalized in April. In addition, we will continue working toward a solution for SOE debts, where these companies are not able to service their debts themselves, and to strengthen bank balance sheets. Finally, we remain committed to reforms to strengthen governance under the ECF-EFF arrangements, including through publishing the consolidated financial performance report covering all state-owned enterprises supervised by the Public Enterprise Holding and Administration Agency (PEHAA), and by carrying out a Public Investment Management Assessment in cooperation with the IMF. In the context of the ongoing safeguards assessment, we remain committed to following up on IMF staff's recommendations. We will also provide IMF staff with access to the central bank's most recently completed external audit reports and authorize its external auditors to hold discussions with Fund staff.

We also commit not to introduce or intensify exchange and trade restrictions and other measures or policies that would compound these difficulties. We have engaged in discussions with some foreign investors regarding potential FX convertibility guarantees that could catalyze foreign investment and reduce FX shortages in the short-term. We underscore that this decision does not undermine in any way our commitment to moving decisively to achieving a market-clearing exchange rate. We also commit to introducing the necessary safeguards in these contracts, in consultation with IMF staff, to avoid contingent claims on foreign exchange during the ECF-EFF arrangements as well as any risk that such contracts could constitute exchange restrictions or intensifications thereof.

Our external accounts are expected to weaken as a result of COVID-19. The projected drop in import demand, and the strengthening in our terms of trade, are expected to more than offset weaker export demand and remittances in our current account this fiscal year. However, paired with the expected large decline in foreign direct investment, the overall balance of payments is set to weaken relative to projections at the time of ECF-EFF approval, thus opening up a sizable financing gap. We intend to fill this gap by reducing reserve accumulation and seeking assistance from our development partners.

Against this backdrop and given the urgent balance of payments financing need facing our country due to the pandemic, we request emergency financing from the IMF under the Rapid Financing Instrument (RFI) of SDR300.7 million, equivalent to 100 percent of our quota. We request that the funds be disbursed entirely as budget support. In view of this, a memorandum of understanding will be established between the government and the NBE on their respective responsibilities for servicing financial obligations to the IMF. The purchase will help fill our expected fiscal financing gap and strengthen international reserves. IMF involvement in Ethiopia's response to this emergency will also likely act as a catalyst for additional financing from other development partners. We also request a rephasing of access under our ECF-EFF arrangements and a reduction of access under the EFF arrangement (by SDR 150.35 million, or 50 percent of quota) to accommodate delays in the completion of the forthcoming review and to comply with the applicable annual access limit policies.

In addition, we request grant assistance under the Catastrophe Containment (CC) window of the Catastrophe Containment and Relief Trust (CCRT) to cover our debt service to the IMF falling due from the date of approval of the grant assistance to April 13, 2022. This debt relief will free up budgetary resources to address public health needs and support economic activity in key sectors and will also help contain the exceptional balance of payments need resulting from the pandemic. To further free up resources for our COVID-19 response, we intend to request debt service relief from official bilateral creditors under the recently announced G20 debt service relief initiative.

We authorize the IMF to publish this Letter and the staff report for the request for the purchase under the RFI and grant assistance under the Catastrophe Containment (CC) window of the Catastrophe Containment and Relief Trust (CCRT).

Sincerely yours,

/s/	/s/
H. E. Mr. Ahmed Shide	H. E. Dr. Yinager Dessie
Minister of Finance	Governor, National Bank of Ethiopia
The Federal Democratic Republic of Ethiopia	The Federal Democratic Republic of Ethiopia

THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

April 24, 2020

REQUESTS FOR PURCHASE UNDER THE RAPID FINANCING INSTRUMENT, DEBT RELIEF UNDER THE CATASTROPHE CONTAINMENT AND RELIEF TRUST, REPHASING OF ACCESS UNDER THE THREE-YEAR ARRANGEMENTS UNDER THE EXTENDED CREDIT FACILITY AND THE EXTENDED FUND FACILITY, AND REDUCTION OF ACCESS UNDER THE EXTENDED FUND FACILITY ARRANGEMENT—DEBT SUSTAINABILITY ANALYSIS

Approved By
Zeine Zeidane (AFR), Seán Nolan (SPR), and Marcello Estevão (IDA)

Prepared by the staffs of the International Monetary Fund (IMF) and the International Development Association (IDA)

Ethiopia: Joint Bank—Fund Debt Sustainability Analysis[1]	
Risk of external debt distress	*High*
Risk of overall debt distress	*High*
Granularity in the risk rating	*Sustainable*
Application of judgement	*None*
Macroeconomic projection	*Near-term growth projections were revised downward on account of the domestic and external impact of COVID-19. Exports, in particular services exports, will contract significantly in 2019/20.*
Financing strategy	*Urgent balance of payments needs will be covered by Fund financing, donor support, debt relief, and reserves draw down. The World Bank recently approved US$82.6 million for a COVID-19 project and is exploring modalities for additional support.*
Realism tools flagged	*Growth, exports, fiscal adjustments, and financing needs have downside risks.*
Mechanical risk rating under the external DSA	*High*
Mechanical risk rating under the public DSA	*High*

[1] This Debt Sustainability Analysis (DSA) was conducted using the Joint Bank-Fund Debt Sustainability Framework for Low-Income Countries (LIC-DSF) that was approved in 2017.

Ethiopia's public and publicly guaranteed debt is deemed sustainable, but downside risks and liquidity pressures have increased due to high uncertainty surrounding the intensity and duration of the COVID-19 outbreak and its implications for the economic outlook.[1, 1] *Ethiopia's debt vulnerabilities stem from rising debt servicing needs, an overvalued exchange rate, and a small export base. The authorities have taken steps to reduce vulnerability by controlling external borrowing, debt service reprofiling, and committing to move toward market-based exchange rate and FX market liberalization, both of which should improve FX availability and boost private sector activity and exports. Under the baseline, two external debt indicators breach their thresholds. As a result, Ethiopia continues to be assessed at "high" risk of debt distress. The authorities have committed to undertaking additional reprofiling by the first review under the ECF-EFF arrangements to reduce external debt servicing needs relative to exports, with an aim of achieving a "moderate" risk of external debt distress rating. However, against the backdrop of the pandemic, the capacity to absorb shocks has declined indicating liquidity pressures. As such, a larger or more persistent impact of the COVID-19 shock than presently assumed could threaten debt sustainability. Steadfast implementation of FX reforms would reduce these pressures over the medium term and safeguard Ethiopia's capacity to repay the Fund. Monitoring of contingent liabilities, the main vulnerability of overall public debt, and continued improvement in debt management and reporting are recommended.*

Macroeconomic Outlook. In the context of a rapidly changing global situation due to COVID-19, the near-term macroeconomic outlook has been revised since the 2019 Article IV DSA. Growth is revised down to 3.2 percent and to 3.7 percent in 2019/20 and 2020/21, respectively, because of the expectation that the COVID-19 outbreak, including the related global slowdown, will have a significant impact on economic activity. The authorities have already put in place social distancing and other containments measures. Real GDP growth will converge to 8 percent over the medium term. Against this challenging global backdrop, exports and remittances are projected to contract significantly, but weak domestic demand and a decline in foreign direct investment will also lead to a contraction in imports. Improved terms of trade (e.g., higher coffee and lower oil prices) will also help the trade balance. Exports of services, the main source of Ethiopia's export earnings, are expected to be severely impacted by travel restrictions, but a concomitant reduction in services imports will cushion the impact on the services balance. Thus, the current account deficit is projected to modestly improve relative to a year ago. In 2020/21, exports are expected to recover on the back of a global recovery. Over the DSA projection horizon, staff has revised down export growth given changes in global assumptions, but significant downside risks remain. Inflation is expected to remain elevated in

[1] Public debt data includes Ethiopian Airlines, but this information is excluded from the DSA. Ethio-Telecom is included, in line with the December 2019 DSA, although the authorities view it as meeting the criteria for exclusion.

[1] As reported earlier, Ethiopia owes arrears to Libya, Bulgaria, Russia, and former Yugoslavia, totaling about US$538 million, which are deemed away under the policy on arrears to official bilateral creditors, as the underlying Paris Club agreement is adequately representative, and the authorities are making best efforts to resolve the arrears. Furthermore, there are about US$8.2 million worth of external arrears (principal and interest payments combined) to commercial creditors, all pre-dating the1990s, from former Czechoslovakia, India, Italy, and former Yugoslavia. The authorities are continuing to make a good faith effort to reach a collaborative agreement with these creditors.

2020/21 and will moderate to the central bank's single-digit objective by late 2021. The fiscal deficit is now projected to temporarily widen in 2019/20 and 2020/21 as the economic slowdown impacts revenues, while spending needs increase to respond to the COVID-19 shock.

Financing Strategy. Urgent balance of payments needs have arisen due to the COVID-19 shock, which are expected to be covered by Fund financing—which includes requests for assistance under the Rapid Financing Instrument (100 percent of quota or SDR 300.7 million) and for debt relief under the Catastrophe Containment and Relief Trust (included under exceptional financing in Table 1 and under debt relief in Table 2)—concessional financing from donors, and lower reserves. Given delays in the first review discussions under the ECF-EFF arrangements resulting from COVID-19 and to comply with applicable normal access limits, the authorities have also requested the Fund to rephase access under the ECF-EFF arrangements and to reduce the second and third EFF purchases, resulting in a reduction of overall access by 50 percent of quota under the EFF arrangement. Under the ECF-EFF arrangements, Ethiopia is subject to continuous performance criteria applicable to contracting or guaranteeing of concessional (a non-zero limit) and non-concessional (a zero limit) external debt. Financing needs will be revisited during the first review under the ECF-EFF arrangements. The World Bank recently approved a COVID-19 project for US$82.6 million and is exploring modalities for additional support.

Realism Tool. The realism tool indicates that the assumed fiscal adjustments could have downside risks. One of the objectives of the ECF/EFF-supported program is to address vulnerabilities arising from nonfinancial public sector balance sheets and there are implementation risks. However, the authorities have demonstrated in recent years that they are aware of external debt vulnerabilities and have reined in borrowing by public enterprises. On the growth projections, the realism tool implies upside risks to staff projections in the near term, but these results reflect past high debt-financed rates of growth that have now become unsustainable, and do not account for the COVID-19 shock. Given the considerable uncertainty around the impact of COVID-19, staff believes there are downside risks to growth in the near term.

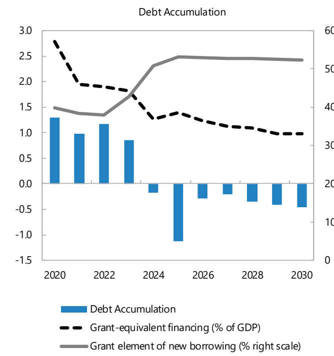
DSA Baseline and Alternative Scenarios. The DSA baseline includes the first phase of debt reprofiling under the ECF-EFF arrangements for which firm assurances were received at the time of the approval of the arrangements in December 2019. This phase of reprofiling is expected to generate savings of about US$1.65 billion over 2019/20–2022/23. The authorities intend to request debt service relief under the G20 initiative, but these are not yet included in the DSA baseline, pending a formal request and clarification on the underlying technical details. Similarly, the second phase of debt reprofiling under the ECF-EFF arrangements will be included once specific and credible assurances are received, expected by the first review of the ECF-EFF arrangements.

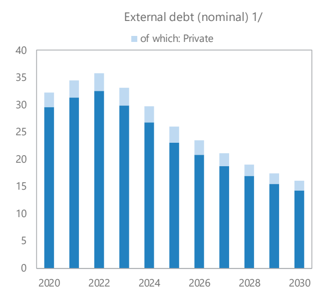
Table 1. Ethiopia: External Debt Sustainability Framework, Baseline Scenario, 2017–39

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2039	Historical	Projections
External debt (nominal) 1/	**30.6**	**34.3**	**31.1**	**32.2**	**34.4**	**35.8**	**33.1**	**29.7**	**26.0**	**16.1**	**10.9**	**27.3**	**26.2**
of which: public and publicly guaranteed (PPG)	**28.2**	**31.6**	**28.3**	**29.5**	**31.3**	**32.6**	**29.9**	**26.7**	**23.1**	**14.3**	**10.1**	**24.7**	**23.6**
Change in external debt	-0.8	3.7	-3.2	1.1	2.2	1.4	-2.7	-3.4	-3.8	-1.3	-0.3		
Identified net debt-creating flows	**-0.5**	**0.9**	**-2.2**	**1.6**	**-0.9**	**-2.8**	**-3.0**	**-3.4**	**-3.6**	**-1.2**	**-0.4**	**0.1**	**-2.0**
Non-interest current account deficit	**7.3**	**5.6**	**4.4**	**3.7**	**4.0**	**4.1**	**3.9**	**3.1**	**2.7**	**2.8**	**3.3**	**5.9**	**3.3**
Deficit in balance of goods and services	-31.1	-31.2	-28.7	-21.8	-25.8	-30.3	-31.3	-30.5	-29.8	-26.7	-22.2	**-38.7**	**-28.1**
Exports	7.6	8.4	7.9	5.8	7.6	9.6	10.2	10.3	10.3	9.3	7.6		
Imports	-23.5	-22.8	-20.8	-16.0	-18.1	-20.7	-21.1	-20.2	-19.5	-17.4	-14.5		
Net current transfers (negative = inflow)	-8.5	-8.7	-8.4	-6.6	-6.8	-7.3	-7.4	-6.9	-6.5	-5.0	-3.6	**-10.9**	**-6.3**
of which: official	-1.7	-1.5	-2.2	-2.0	-1.3	-1.4	-1.4	-1.2	-1.2	-0.9	-0.8		
Other current account flows (negative = net inflow)	46.9	45.5	41.6	32.0	36.6	41.7	42.6	40.5	39.1	34.5	29.0	**55.5**	**37.6**
Net FDI (negative = inflow)	**-5.1**	**-4.4**	**-3.1**	**-1.7**	**-4.0**	**-4.1**	**-4.3**	**-4.6**	**-4.5**	**-3.6**	**-3.3**	**-3.5**	**-3.9**
Endogenous debt dynamics 2/	**-2.7**	**-0.4**	**-3.5**	**-0.3**	**-0.9**	**-2.8**	**-2.6**	**-1.9**	**-1.8**	**-0.4**	**-0.4**		
Contribution from nominal interest rate	0.7	0.6	0.7	0.6	0.3	0.2	0.1	0.5	0.4	0.6	0.1		
Contribution from real GDP growth	-2.9	-2.3	-2.7	-0.9	-1.2	-3.0	-2.7	-2.4	-2.1	-1.0	-0.5		
Contribution from price and exchange rate changes	-0.5	1.4	-1.5	...	...	...	...	...	...	...	...		
Residual 3/	**-0.3**	**2.8**	**-0.9**	**-0.5**	**3.1**	**4.2**	**0.2**	**0.0**	**-0.2**	**-0.1**	**0.1**	**1.6**	**0.6**
of which: exceptional financing	-0.1	-0.1	-0.1	1.4	1.6	1.9	1.5	0.1	0.0	-0.2	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	**...**	**...**	**19.4**	**18.6**	**19.8**	**21.4**	**21.1**	**18.8**	**15.9**	**8.6**	**5.9**		
PV of PPG external debt-to-exports ratio	**...**	**...**	**244.9**	**320.7**	**259.8**	**223.3**	**206.4**	**182.7**	**153.7**	**93.1**	**77.9**		
PPG debt service-to-exports ratio	**20.3**	**18.5**	**24.5**	**26.3**	**20.3**	**15.7**	**14.0**	**15.9**	**23.0**	**14.0**	**4.9**		
PPG debt service-to-revenue ratio	**11.0**	**12.6**	**16.8**	**14.2**	**12.7**	**11.2**	**10.2**	**11.3**	**16.5**	**8.9**	**2.5**		
Gross external financing need (Million of U.S. dollars)	3366.7	2638.9	3442.3	4107.3	2015.7	1961.4	1587.6	651.2	1311.3	1574.3	2247.2		
Key macroeconomic assumptions													
Real GDP growth (in percent)	10.2	7.7	9.0	3.2	3.7	8.7	8.0	8.0	8.0	6.0	5.0	**9.6**	**6.6**
GDP deflator in US dollar terms (change in percent)	1.7	-4.3	4.7	7.9	-4.8	-9.7	-2.2	3.2	2.7	2.9	2.9	**2.1**	**1.0**
Effective interest rate (percent) 4/	2.4	1.9	2.3	2.0	0.8	0.6	0.4	1.6	1.4	3.8	1.0	**1.7**	**1.6**
Growth of exports of G&S (US dollar terms, in percent)	2.9	13.1	7.9	-18.5	30.0	23.2	12.5	12.1	11.7	6.9	5.4	**8.9**	**9.8**
Growth of imports of G&S (US dollar terms, in percent)	-4.8	0.2	4.1	-14.3	11.7	11.9	7.6	7.1	6.8	7.0	6.0	**8.6**	**6.1**
Grant element of new public sector borrowing (in percent)	...	...	...	39.8	38.4	37.9	42.9	50.8	53.0	52.3	50.2	**...**	**47.8**
Government revenues (excluding grants, in percent of GDP)	14.1	12.3	11.5	10.7	12.2	13.4	14.0	14.4	14.4	14.7	15.3	**13.7**	**13.8**
Aid flows (in Million of US dollars) 5/	556.8	686.4	1198.8	3528.8	2398.2	2224.2	2457.3	2045.0	2552.4	2898.8	4812.2		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	2.8	1.9	1.9	1.8	1.3	1.4	1.0	0.8	**...**	**1.5**
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	60.6	54.8	53.1	59.8	70.4	72.9	69.7	67.3	**...**	**66.0**
Nominal GDP (Million of US dollars)	81,788	84,298	96,140	107,120	105,716	103,685	109,513	122,089	135,345	215,299	446,414		
Nominal dollar GDP growth	12.1	3.1	14.0	11.4	-1.3	-1.9	5.6	11.5	10.9	9.1	8.1	**11.9**	**7.7**
Memorandum items:													
PV of external debt 7/	...	...	22.2	21.3	22.9	24.7	24.3	21.8	18.8	10.4	6.8		
In percent of exports	...	...	280.4	367.6	300.1	257.5	237.6	212.4	181.7	112.1	89.0		
Total external debt service-to-exports ratio	24.9	22.7	28.7	32.0	24.8	19.4	17.7	19.8	26.8	16.7	6.7		
PV of PPG external debt (in Million of US dollars)			18651.7	19901.9	20956.1	22193.6	23083.0	22896.0	21523.4	18615.3	26541.1		
(PVt-PVt-1)/GDPt-1 (in percent)				1.3	1.0	1.2	0.9	-0.2	-1.1	-0.5	0.3		
Non-interest current account deficit that stabilizes debt ratio	8.1	2.0	7.6	2.6	1.8	2.7	6.7	6.5	6.5	4.0	3.6		

Definition of external/domestic debt	**Residency-based**
Is there a material difference between the two criteria?	**No**





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt. Presented on fiscal year basis (e.g., 2020 referes to fiscal year ending in June 2020).

2/ Derived as [r - g - ρ(1+g) + Ɛα (1+r)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, ρ = growth rate of GDP deflator in U.S. dollar terms, Ɛ=nominal appreciation of the local currency, and α= share of local currency-denominated external debt in total external debt.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

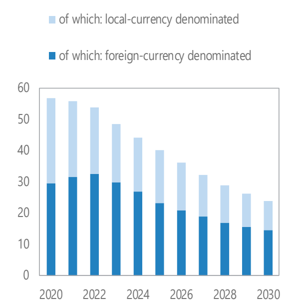
Table 2. Ethiopia: Public Sector Debt Sustainability Framework, Baseline Scenario, 2017–39

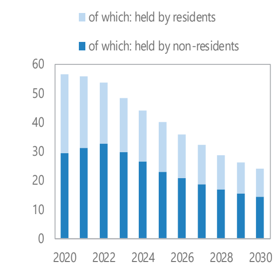
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2039	Historical	Projections
Public sector debt 1/	**56.5**	**60.8**	**56.9**	**56.6**	**55.7**	**53.7**	**48.5**	**44.2**	**40.0**	**23.9**	**9.7**	**49.3**	**40.5**
of which: external debt	**28.2**	**31.6**	**28.3**	**29.5**	**31.3**	**32.6**	**29.9**	**26.7**	**23.1**	**14.3**	**10.1**	**24.7**	**23.6**
Change in public sector debt	2.1	4.3	-3.9	-0.4	-0.8	-2.1	-5.2	-4.3	-4.2	-2.1	-1.5		
Identified debt-creating flows	**-1.5**	**0.2**	**-4.5**	**-3.7**	**-4.1**	**-4.3**	**-4.5**	**-3.6**	**-3.5**	**-1.6**	**-1.2**	**-3.7**	**-3.3**
Primary deficit	**4.5**	**4.0**	**3.3**	**4.1**	**2.9**	**0.3**	**-0.2**	**-0.4**	**-0.8**	**-1.0**	**-0.8**	**2.4**	**0.0**
Revenue and grants	14.7	13.1	12.8	12.3	13.1	14.3	14.9	15.2	15.2	15.2	15.7	**15.2**	**14.6**
of which: grants	0.7	0.8	1.2	1.6	0.9	0.9	0.9	0.7	0.8	0.5	0.4		
Primary (noninterest) expenditure	19.2	17.0	16.1	16.4	16.0	14.6	14.7	14.8	14.4	14.2	14.9	**17.5**	**14.6**
Automatic debt dynamics	**-5.4**	**-3.4**	**-7.8**	**-7.8**	**-5.9**	**-4.3**	**-4.3**	**-3.2**	**-2.7**	**-0.6**	**-0.4**		
Contribution from interest rate/growth differential	-16.9	-11.0	4.6	-7.8	-5.9	-4.3	-4.3	-3.2	-2.7	-0.6	-0.4		
of which: contribution from average real interest rate	-11.9	-6.9	9.6	-6.0	-3.9	0.2	-0.3	0.4	0.6	0.9	0.1		
of which: contribution from real GDP growth	-5.0	-4.0	-5.0	-1.8	-2.0	-4.4	-4.0	-3.6	-3.3	-1.5	-0.5		
Contribution from real exchange rate depreciation	11.5	7.6	-12.5	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	**-0.6**	**-0.4**	**0.0**	**0.0**	**-1.1**	**-0.4**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-0.2**	**-0.1**
Privatization receipts (negative)	-0.6	-0.4	0.0	0.0	-1.1	-0.4	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (liquid financial asset)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	**3.7**	**4.2**	**0.6**	**3.3**	**3.2**	**2.3**	**-0.6**	**-0.7**	**-0.7**	**-0.6**	**-0.3**	**6.4**	**0.3**
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	**...**	**...**	**48.6**	**47.6**	**46.4**	**44.3**	**40.2**	**36.7**	**33.3**	**18.5**	**5.7**		
PV of public debt-to-revenue and grants ratio	**...**	**...**	**380.0**	**386.4**	**353.5**	**309.4**	**269.0**	**242.3**	**218.7**	**121.4**	**36.4**		
Debt service-to-revenue and grants ratio 3/	**78.0**	**93.8**	**102.1**	**29.9**	**39.6**	**39.3**	**56.9**	**55.6**	**64.1**	**49.3**	**1.8**		
Gross financing need 4/	15.4	15.8	16.4	7.8	7.0	5.5	8.3	8.0	8.9	6.5	-0.5		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	10.2	7.7	9.0	3.2	3.7	8.7	8.0	8.0	8.0	6.0	5.0	**9.6**	**6.6**
Average nominal interest rate on external debt (in percent)	2.5	1.8	2.3	1.9	0.6	0.4	0.1	1.5	1.2	4.0	0.8	**1.6**	**1.5**
Average real interest rate on domestic debt (in percent)	-2.4	-5.2	-6.7	-12.9	-11.0	-2.6	-1.3	0.9	2.0	3.3	4.6	**-7.6**	**-1.0**
Real exchange rate depreciation (in percent, + indicates depreciation)	78.7	36.9	-30.8	...	...	...	...	...	...	...	...	**16.1**	**...**
Inflation rate (GDP deflator, in percent)	7.9	11.5	12.5	20.4	18.8	9.5	8.5	8.4	7.9	8.1	8.1	**12.6**	**10.4**
Growth of real primary spending (deflated by GDP deflator, in percent)	9.8	-4.6	3.1	5.3	1.0	-0.7	8.6	8.6	5.2	7.9	5.2	**9.5**	**5.5**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	2.3	-0.4	7.2	4.4	3.7	2.4	4.9	3.9	3.3	1.2	0.7	**3.1**	**3.0**
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	**Residency-based**
Is there a material difference between the two criteria?	**No**

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: general government, SOEs (excl. Ethiopian airlines), and the central bank . Definition of external debt is Residency-based. Presented on fiscal year basis (e.g., 2020 referes to fiscal year ending in June 2020).

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

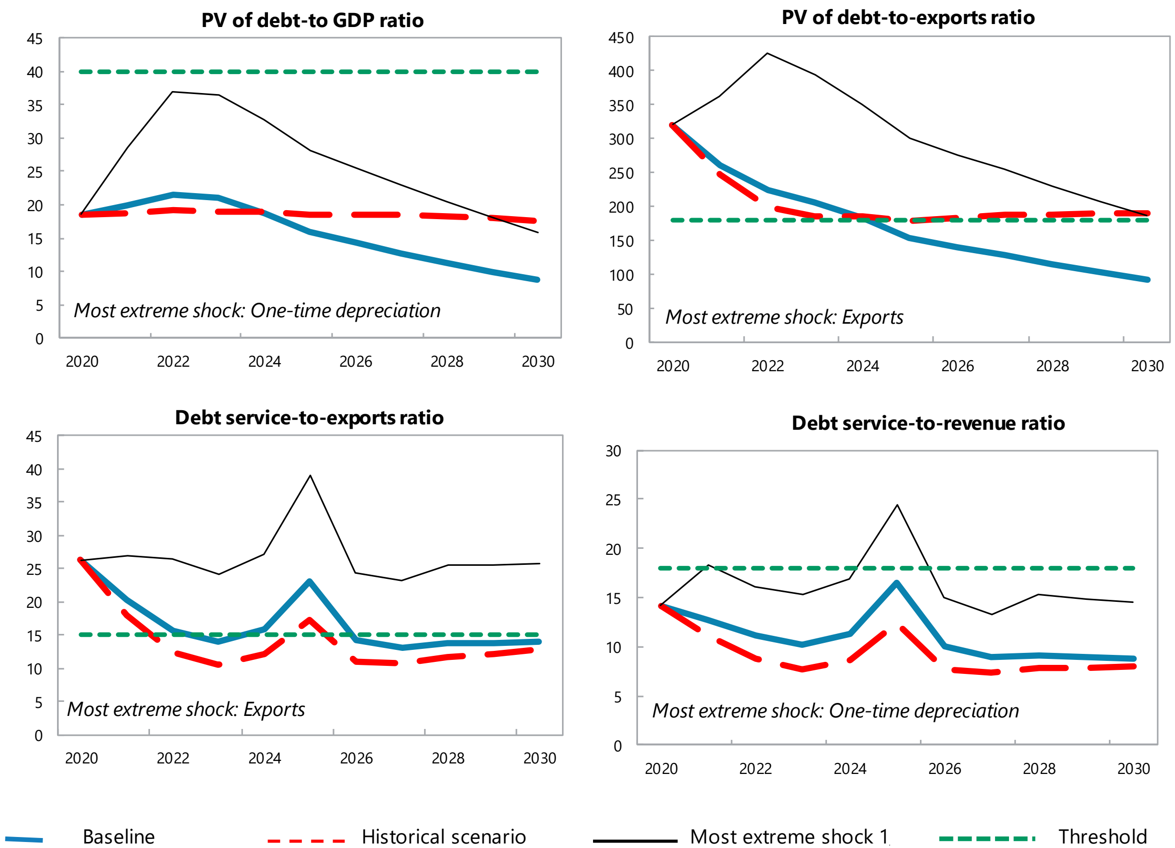
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Figure 1. Ethiopia: Indicators of Public and Publicly Guaranteed External Debt, Baseline Scenario, 2020–30



Customization of Default Settings	Size	Interactions
Tailored Stress		
Combined CL	Yes	
Natural disaster	n.a.	n.a.
Commodity price	n.a.	n.a.
Market financing	No	No

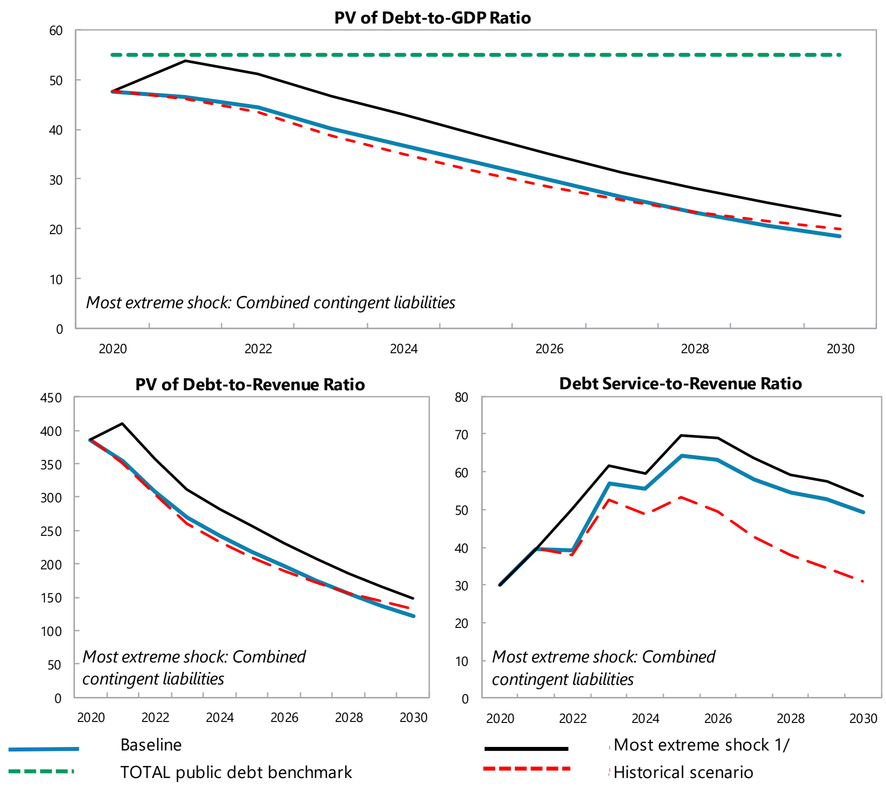
Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	0.9%	0.9%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	33	33
Avg. grace period	5	5

* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Figure 2. Ethiopia: Indicators of Public Debt, Baseline Scenario, 2020–30

(In percent)



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	21%	34%
Domestic medium and long-term	14%	54%
Domestic short-term	65%	12%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	0.9%	0.9%
Avg. maturity (incl. grace period)	33	33
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	3.5%	3.5%
Avg. maturity (incl. grace period)	10	10
Avg. grace period	3	3
Domestic short-term debt		
Avg. real interest rate	1.0%	1.0%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2030. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Table 3. Ethiopia: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, Baseline Scenario, 2020–30

(In percent)

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of debt-to GDP ratio											
Baseline	19	20	21	21	19	16	14	13	11	10	9
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	19	19	19	19	19	18	19	18	18	18	18
B. Bound Tests											
B1. Real GDP growth	19	20	22	22	19	17	15	13	12	10	9
B2. Primary balance	19	20	22	22	20	17	15	14	12	11	9
B3. Exports	19	21	25	24	22	19	17	15	13	12	10
B4. Other flows 3/	19	22	25	25	23	19	18	16	14	12	11
B5. Depreciation	19	29	37	36	33	28	25	23	20	18	16
B6. Combination of B1-B5	19	22	26	25	23	19	18	16	14	12	11
C. Tailored Tests											
C1. Combined contingent liabilities	19	21	23	23	21	18	16	15	13	12	11
C2. Natural disaster	...	...	...	...	...	...	...	...	...	...	...
C3. Commodity price	...	...	...	...	...	...	...	...	...	...	...
C4. Market Financing	19	22	24	24	21	18	16	14	12	11	10
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of debt-to-exports ratio											
Baseline	**321**	**260**	**223**	**206**	**183**	154	140	128	116	104	93
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	**321**	**247**	**199**	**186**	**185**	178	**183**	**187**	**189**	**189**	**189**
B. Bound Tests											
B1. Real GDP growth	**321**	**260**	**223**	**206**	**183**	154	140	128	116	104	93
B2. Primary balance	**321**	**263**	**234**	**216**	**192**	162	149	137	124	113	101
B3. Exports	**321**	**362**	**426**	**394**	**351**	**299**	**276**	**254**	**230**	**208**	**186**
B4. Other flows 3/	**321**	**285**	**266**	**246**	**219**	**188**	174	160	145	131	117
B5. Depreciation	**321**	**260**	**267**	**247**	**220**	**189**	174	161	146	132	119
B6. Combination of B1-B5	**321**	**359**	**261**	**361**	**322**	**276**	**254**	**234**	**212**	**191**	172
C. Tailored Tests											
C1. Combined contingent liabilities	**321**	**281**	**244**	**226**	**202**	173	161	149	138	127	116
C2. Natural disaster	...	...	...	...	...	...	...	...	...	...	...
C3. Commodity price	...	...	...	...	...	...	...	...	...	...	...
C4. Market Financing	**321**	**260**	**224**	**207**	**183**	154	140	127	115	103	92
Threshold	180	180	180	180	180	180	180	180	180	180	180

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private transfers and FDI.

Table 3. Ethiopia: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, Baseline Scenario, 2020–30 (concluded)

(In percent)

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Debt service-to-exports ratio											
Baseline	**26.3**	**20.3**	**15.7**	14.0	**15.9**	**23.0**	14.2	13.0	13.7	13.9	14.0
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	**26**	**18**	12	11	12	**17**	11	11	12	12	13
B. Bound Tests											
B1. Real GDP growth	**26**	**20**	**16**	14	**16**	**23**	14	13	14	14	14
B2. Primary balance	**26**	**20**	**16**	14	**16**	**23**	15	13	14	14	15
B3. Exports	**26**	**27**	**26**	**24**	**27**	**39**	**24**	**23**	**26**	**26**	**26**
B4. Other flows 3/	**26**	**20**	**16**	15	**16**	**24**	15	14	**16**	**16**	**16**
B5. Depreciation	**26**	**20**	**16**	15	**16**	**24**	15	14	**16**	**16**	**16**
B6. Combination of B1-B5	**26**	**25**	**24**	**22**	**25**	**35**	**22**	**21**	**23**	**23**	**23**
C. Tailored Tests											
C1. Combined contingent liabilities	**26**	**20**	**16**	14	**16**	**23**	15	13	14	14	14
C2. Natural disaster	...	...	...	...	...	...	...	...	...	...	...
C3. Commodity price	...	...	...	...	...	...	...	...	...	...	...
C4. Market Financing	**26**	**20**	**16**	14	**16**	**24**	**16**	14	14	13	14
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt service-to-revenue ratio											
Baseline	14	13	11	10	11	17	10	9	9	9	9
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	14	11	9	8	9	12	8	7	8	8	8
B. Bound Tests											
B1. Real GDP growth	14	13	12	11	12	17	10	9	9	9	9
B2. Primary balance	14	13	11	10	12	17	10	9	9	9	9
B3. Exports	14	13	11	11	12	17	10	9	10	10	10
B4. Other flows 3/	14	13	11	11	12	17	10	10	11	10	10
B5. Depreciation	14	**18**	16	15	17	**24**	15	13	15	15	15
B6. Combination of B1-B5	14	13	12	11	12	17	11	10	11	10	10
C. Tailored Tests											
C1. Combined contingent liabilities	14	13	11	10	11	17	10	9	9	9	9
C2. Natural disaster	...	...	...	...	...	...	...	...	...	...	...
C3. Commodity price	...	...	...	...	...	...	...	...	...	...	...
C4. Market Financing	14	13	11	10	11	17	11	10	9	9	9
Threshold	18	18	18	18	18	18	18	18	18	18	18

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private transfers and FDI.

Table 4. Ethiopia: Sensitivity Analysis for Key Indicators of Public Debt, Baseline Scenario, 2020–30

(In percent)

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of Debt-to-GDP Ratio											
Baseline	48	46	44	40	37	33	30	26	23	21	18
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	48	46	43	39	35	32	28	26	23	21	20
B. Bound Tests											
B1. Real GDP growth	48	47	46	43	39	36	33	30	27	24	22
B2. Primary balance	48	48	47	43	39	35	32	28	25	22	20
B3. Exports	48	48	48	43	40	36	32	29	26	23	20
B4. Other flows 3/	48	49	49	44	41	37	33	30	26	23	21
B5. Depreciation	48	49	46	41	36	32	28	24	21	17	15
B6. Combination of B1-B5	48	45	43	39	36	32	29	25	22	19	17
C. Tailored Tests											
C1. Combined contingent liabilities	48	54	51	47	43	39	35	31	28	25	23
C2. Natural disaster	...	...	...	...	...	...	...	...	...	...	...
C3. Commodity price	...	...	...	...	...	...	...	...	...	...	...
C4. Market Financing	48	46	44	40	37	33	30	26	23	21	18
TOTAL public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
PV of Debt-to-Revenue Ratio											
Baseline	386	354	309	269	242	219	197	175	154	137	121
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	386	351	304	261	232	210	190	172	156	144	132
B. Bound Tests											
B1. Real GDP growth	386	361	324	285	259	237	217	196	177	161	147
B2. Primary balance	386	362	328	285	257	233	210	187	166	148	132
B3. Exports	386	362	333	290	261	236	214	191	168	150	133
B4. Other flows 3/	386	370	340	297	268	243	219	196	173	154	137
B5. Depreciation	386	372	322	275	242	212	186	160	136	115	96
B6. Combination of B1-B5	386	342	304	263	236	212	189	167	146	128	112
C. Tailored Tests											
C1. Combined contingent liabilities	386	410	358	312	282	256	232	208	185	166	149
C2. Natural disaster	...	...	...	...	...	...	...	...	...	...	...
C3. Commodity price	...	...	...	...	...	...	...	...	...	...	...
C4. Market Financing	386	354	310	269	243	219	196	174	153	136	121
Debt Service-to-Revenue Ratio											
Baseline	30	40	39	57	56	64	63	58	54	53	49
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	30	40	38	52	49	53	49	43	38	35	31
B. Bound Tests											
B1. Real GDP growth	30	40	41	60	58	67	67	62	58	57	54
B2. Primary balance	30	40	41	59	57	66	65	60	56	54	51
B3. Exports	30	40	39	57	56	64	63	59	55	54	50
B4. Other flows 3/	30	40	40	57	56	64	64	59	56	54	50
B5. Depreciation	30	38	39	55	54	63	60	55	52	50	47
B6. Combination of B1-B5	30	38	39	57	55	63	62	57	53	51	48
C. Tailored Tests											
C1. Combined contingent liabilities	30	40	50	62	59	70	69	64	59	57	54
C2. Natural disaster	...	...	...	...	...	...	...	...	...	...	...
C3. Commodity price	...	...	...	...	...	...	...	...	...	...	...
C4. Market Financing	30	40	39	57	56	65	64	59	54	52	49

Sources: Country authorities; and staff estimates and projections.

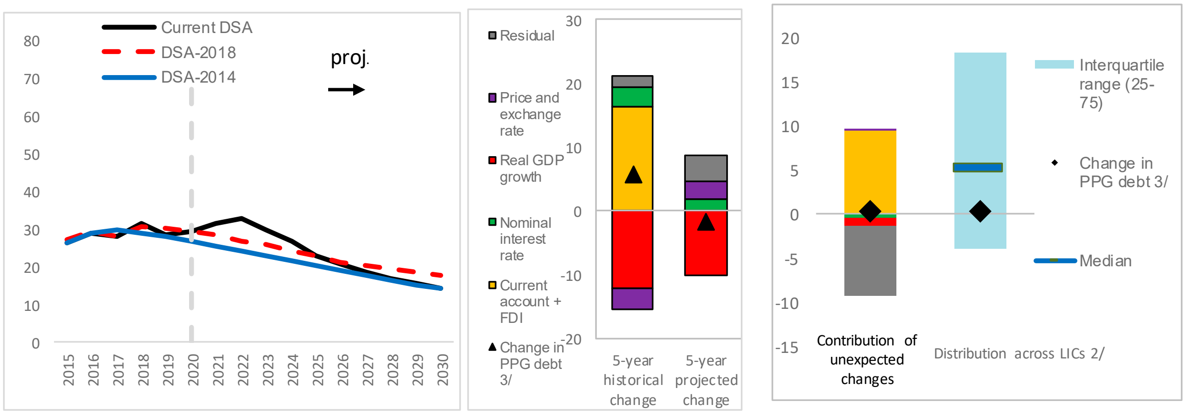
1/ A bold value indicates a breach of the benchmark.

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.

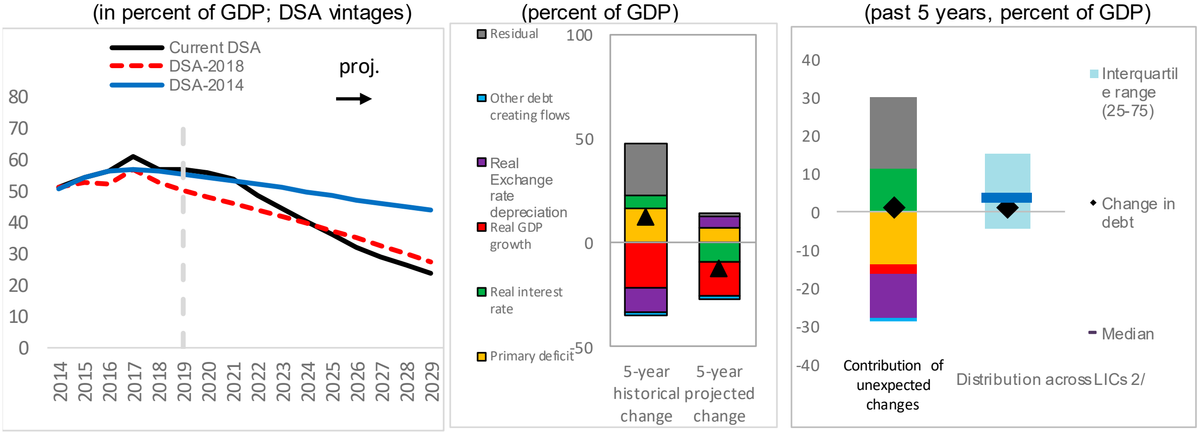
Figure 3. Ethiopia: Drivers of Debt Dynamics - Baseline Scenario, External Debt

Gross Nominal PPG External Debt (in percent of GDP; DSA vintages) | Debt-creating flows (percent of GDP) | Unexpected Changes in Debt 1/ (past 5 years, percent of GDP)



Public debt

Gross Nominal Public Debt (in percent of GDP; DSA vintages) | Debt-creating flows (percent of GDP) | Unexpected Changes in Debt 1/ (past 5 years, percent of GDP)



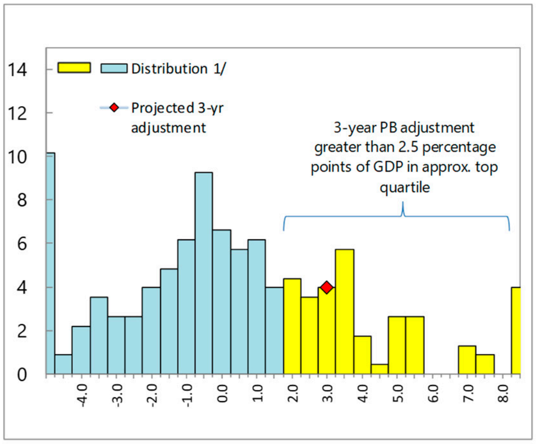
1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

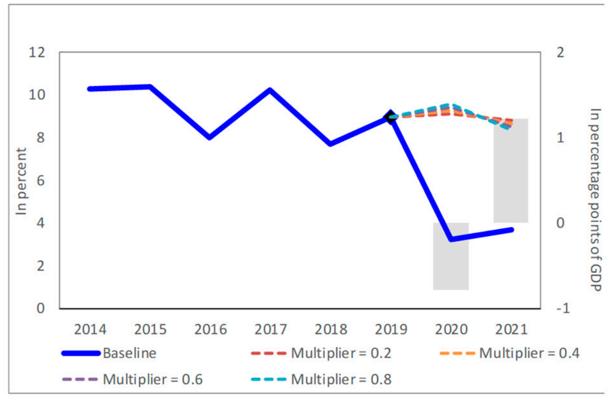
Figure 4. Ethiopia: Realism Tools, Baseline Scenario

3-Year Adjustment in Primary Balance
(Percentage points of GDP)



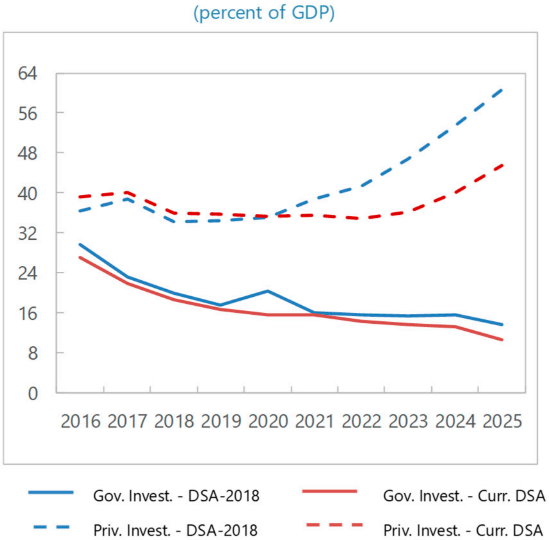
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(percent of GDP)



Contribution to Real GDP growth
(percent, 5-year average)

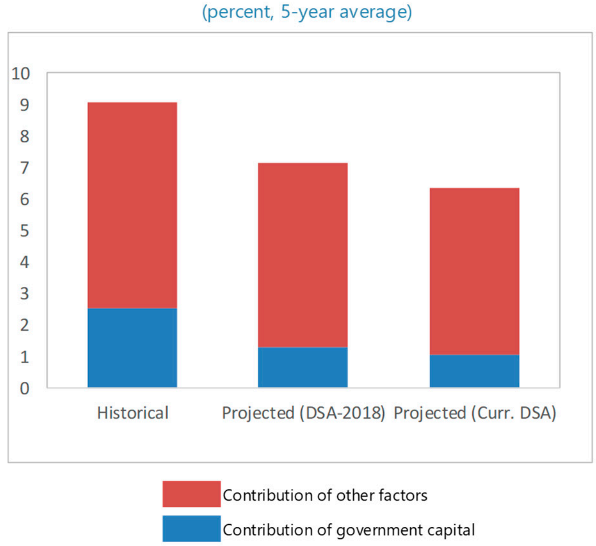
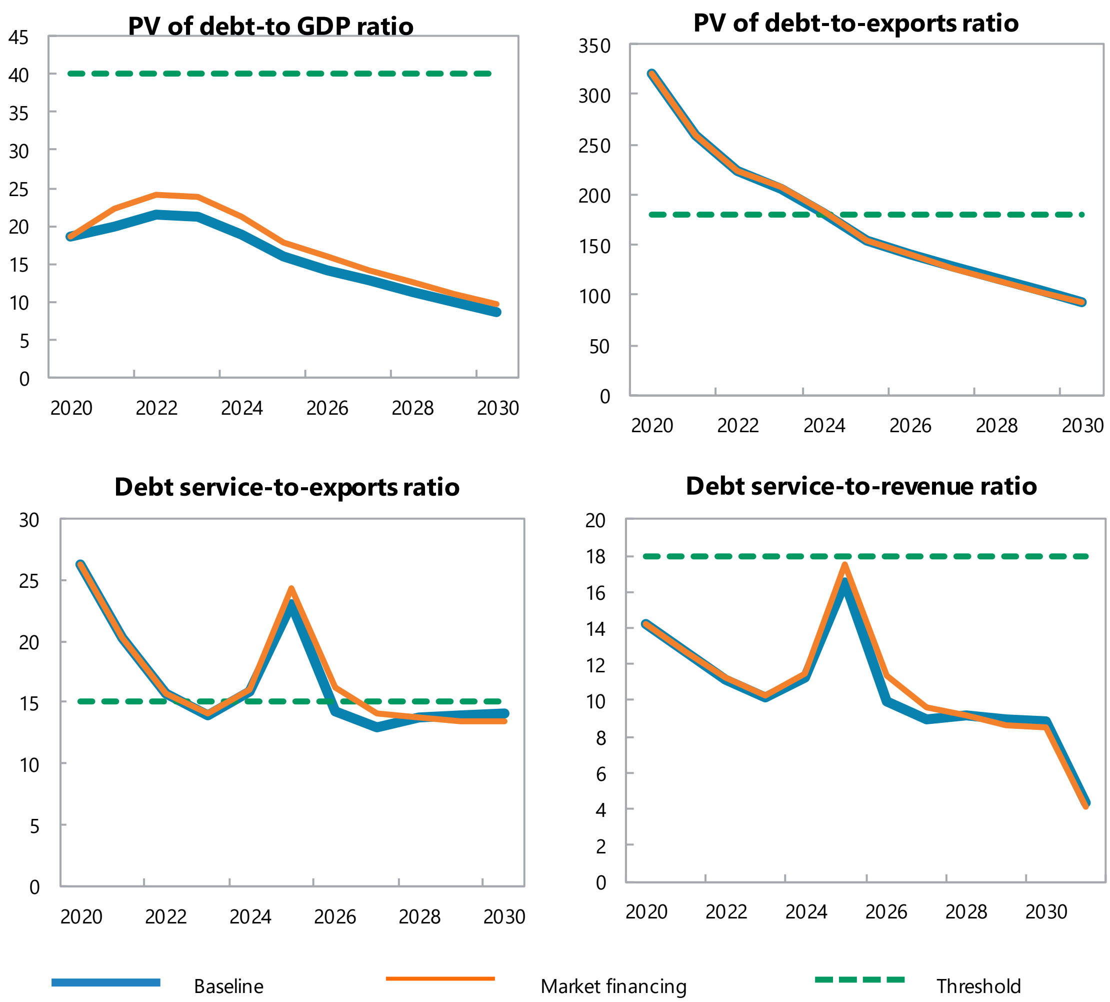


Figure 5. Ethiopia: Market-Financing Risk Indicators, Baseline Scenario

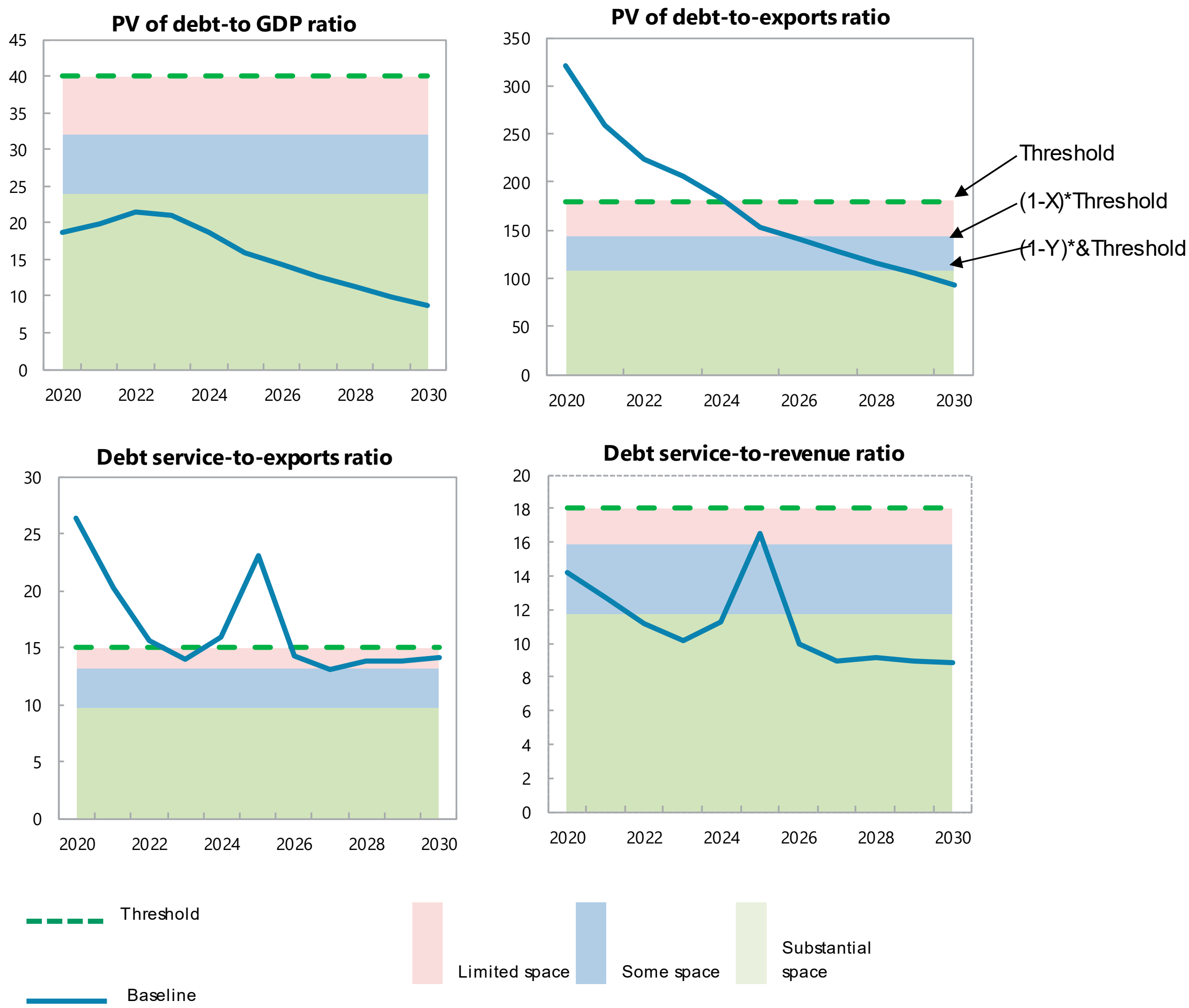
	GFN 1/	EMBI 2/
Benchmarks	14	570
Values	8	869
Breach of benchmark	No	Yes
Potential heightened liquidity needs	Moderate	

1/ Maximum gross financing needs (GFN) over 3-year baseline projection horizon.
2/ EMBI spreads are as of April 20, 2020.



Sources: Country authorities; and staff estimates and projections.

Figure 6. Ethiopia: Qualification of Moderate Category, Baseline Scenario, 2020–30[1/]



Sources: Country authorities; and staff estimates and projections.

1/ For the PV debt/GDP and PV debt/exports thresholds, x is 20 percent and y is 40 percent. For debt service/Exports and debt service/revenue thresholds, x is 12 percent and y is 35 percent.

Statement by the Executive Director, Dumisani Hebert Mahlinza, and the Advisor of the Executive Director, Mr. Abdulqafar Abdullahi Requests for Purchasing Under the Rapid Financing Instrument, Debt Relief Under the Catastrophe Containment and Relief Trust, Rephasing of Access Under the Three-Year Arrangements Under the Extended Credit Facility and the Extended Fund Facility, and Reduction of Access Under the Extended Fund Facility Arrangement on The Federal Democratic Republic of Ethiopia
April 30, 2020

I. Introduction

1. On behalf of our Ethiopian authorities we thank management and staff for their timely response to the request for purchases under the Rapid Financing Instrument (RFI).

2. The Ethiopian economy has been severely affected by the COVID-19 pandemic, creating urgent balance of payments needs. Against this background, the authorities request emergency financing under the RFI in the amount of SDR300.7 million (100 percent of quota) to be disbursed as budget support to help cope with the immediate impact of the pandemic. They also request a rephasing of disbursements under the Extended Credit Facility (ECF) and Extended Fund Facility (EFF) and a reduction in the overall access under the EFF arrangement by SDR 150.35 million (50 percent of quota). In addition, they request grant assistance under the Catastrophe Containment and Relief Trust (CCRT) to cover debt service falling due to the IMF until April 13, 2022.

3. While recognizing the need to remain within the normal access limits under the GRA, the authorities are concerned that a permanent reduction of the approved purchases under the EFF arrangement will reduce the funds available to implement their planned reforms, once the crisis is over. In this regard, they would have preferred a temporary reduction in access for the current year and an overall increase reflecting additionality of the RFI resources.

4. To ensure the responsible and transparent use of COVID related resources, the authorities will make available information on how emergency relief funds are used and undertake an ex-post audit of crisis-mitigation expenditures.

II. Program Performance

5. Despite the challenges posed by the global pandemic, the ECF-EFF program remains on track, with all performance criteria for the first review, met, except one on non-accumulation of new external arrears. Appropriate remedial measures have since been implemented to avoid recurrence of the breach. The authorities also met all end-March structural benchmarks except the benchmark on publishing a consolidated financial performance report for the Public Enterprise Holding and Administration Agency (PEHAA) supervised SOEs and will be completed by the time of the first review.

III. The Impact of COVID-19 Pandemic

6. The global pandemic together with the domestic containment measures have severely affected Ethiopia economic growth projections for 2019/20 and 2020/21.

Preliminary estimates suggest that economic growth will be 3 percentage points lower in 2019/20 than initially projected. Depending on the intensity and duration of the pandemic in 2020/21, growth will be lower than projected by 2.4 percentage points. The main vulnerability channels include trade, remittances, and FDI inflows. Specifically, secondary and tertiary sectors, including tourism and hospitality services, are expected to be severely affected. Consequently, the overall balance of payments is expected to weaken in 2019/20, resulting in an additional financing gap equivalent to $1.7 billion. Further, slower economic activity is expected to dampen revenue collection, and increased COVID-19 related healthcare spending is projected to widen the fiscal deficit by 1.5 percent of GDP in 2019/20 and 1.25 percent in 2020/21, respectively.

IV. Response to the COVID-19 Pandemic

7. To contain the spread of the virus and support the economy, the authorities responded quickly to implement restrictive measures including closing schools, universities, and religious institutions, and banning sporting events and large gatherings. They have also intensified screening and strengthened the capacity of the health sector to respond to the crisis. In addition, an inter-ministerial task force chaired by the Prime Minister was formed to coordinate the response to the pandemic including mounting a public awareness campaign to educate the public on preventive measures.

8. On the fiscal front, the authorities have re-allocated resources to support healthcare spending. In this respect, a $154 million (0.15 percent of GDP) package to strengthen capacity of the health care system and purchase equipment to deal with the looming health crisis was initially announced. In addition, a further $1.64 billion package was established to support vulnerable households and to further strengthen the health care system. This includes, an allocation for emergency food assistance under the rural urban Productive Safety Net Program (PSNP).

9. The National Bank of Ethiopia (NBE) has taken swift action to provide liquidity support to the banking sector by injecting 15 billion birr (0.45 percent of GDP) into private commercial banks. In addition, the NBE plans to inject an additional 16 billion birr ($487.4 million) into the state-owned Commercial Bank of Ethiopia (CBE). At the same time, the NBE is closely monitoring the inflation dynamics and stands ready to make appropriate monetary policy adjustments to achieve single digit inflation once the crisis is over.

10. The authorities have already made significant progress in narrowing the spread between the official and parallel market rates, through a gradual depreciation of the birr. Further, they approved a foreign exchange roadmap, on April 28, 2020, to guide plans for moving towards a market clearing exchange rate.

V. Post-Pandemic Policy Measures

11. The Ethiopian authorities remain committed to diligently implement their homegrown economic reform plan once the crisis abates. In this context, they are committed to resume their fiscal consolidation path through the introduction of new tax measures and improved tax administration to increase revenues. Furthermore, the authorities will take all the necessary steps to strengthen the debt position to help improve

the external debt distress rating to moderate over the course of the program. To this end, they have made progress on the first phase of the restructuring and will continue to engage key creditors to secure credible assurances ahead of t first review. Further, the authorities plan to request debt service relief from official bilateral creditors under the G20 debt service relief initiative.

12. The authorities will continue to prioritize reforms to state-owned enterprises (SOEs). To this end, key elements of the authorities' reform agenda include improving efficiency and governance as well as privatization of large SOEs in the telecommunications and sugar sector. The authorities will continue to build on the progress already made in improving transparency and financial reporting of SOEs activities by publishing consolidated financial performance report and carrying out Public Investment Management Assessment (PIMA) in consultation with staff. Despite the challenges presented by the pandemic, privatization efforts will continue and pick up speed once the crisis is over.

13. Similarly, the authorities are committed to completing the on-going Safeguards assessment and implementing its recommendations to address concerns raised by the initial findings. To advance this work they will cooperate with the IMF by sharing the NBE's most recent external audit reports and provide access to external auditors.

VI. Conclusion

14. The Ethiopian authorities remain committed to resume implementing prudent macroeconomic policies under the IMF supported homegrown economic reform plan once the pandemic is under control. They would appreciate the Board approval of their financing request for emergency financing under the RFI and debt relief under the CCRT window. The emergency facility and debt relief would not only assist close the identified financing gap but also catalyze support from development partners.