

- Along with lowering the government's ceiling on domestic borrowing, we will closely follow the activities of public enterprises and reduce their domestic borrowing to between 4–8 billion birr (no more than 2½ percent of GDP) in 2008/09. A committee comprising officials from the Ministry of Finance and Economic Development and the NBE will be established to conduct monthly follow up. It will closely monitor the domestic financing of public enterprises and other public institutions and inform high-level policymakers who will seek corrective actions if necessary.
- Regarding the external sector, the government has continued to create a conducive environment for enhancing exports and private remittance transfers. The Government is committed to introduce greater flexibility in the foreign exchange market and will continue undertaking structural reforms to improve productivity and external competitiveness.

The government stands ready to implement other policy measures should the shocks turn out to be worse than expected.

Request for Fund Assistance under the ESF

Despite the foregoing efforts, the challenge remains huge in the short run. Cognizant of the difficulties, development partners such as the World Bank and AfDB have come up with mechanisms to help mitigate these problems. So far, agreements have been reached with the World Bank to redeploy US\$137 million through restructuring the existing portfolio and to allocate new financing of US\$130 million. The AfDB is to redeploy US\$64 million in response to the food crisis and with the aim of improving domestic agricultural productivity in a sustainable manner, taking advantage of prevailing price incentives to promote an immediate supply response.

The challenges outlined above require urgent additional support. We therefore request that the IMF allow the Ethiopian government the maximum access of 25 percent of quota through the rapid access component of the Exogenous Shocks Facility (ESF) to help mitigate the problems. We intend to engage strongly with the Fund with respect to policy advice and have no intention of introducing or intensifying exchange and trade restrictions. We also will request an update of the safeguards assessment for the NBE.

With best regards,

_____/s/_____
Sufian Ahmed
Minister

_____/s/_____
Teklewold Atnafu
Governor