

Table 1. Quantitative Performance Criteria and Indicative Targets

(In billions of Nepalese rupees unless otherwise stated)

	July 16, 2003 Actual	Oct 17, 2003 Proj.	Jan 14, 2004 (PC)	Apr 12, 2004 (IT)	July 15, 2004 (PC)
Performance criteria (PC) and indicative targets (IT) 1/					
I. Floor on net foreign assets of the NRB (in millions of US dollars) 2/ 3/	1,168.1	1,178.1	1,208.1	1,218.1	1,228.1
II. Ceiling on net domestic assets of the NRB 2/ 4/	-6.6	-5.3	-4.0	-4.8	-2.6
III. Ceiling on change in net domestic financing of central government budget 4/ 5/ Cumulative from July 16, 2003	...	3.1	6.4	7.4	8.4
IV. Ceiling on contracting or guaranteeing of new nonconcessional medium- and long-term external debt by the central government and NRB Cumulative from July 16, 2003 (in millions of US dollars) 6/	...	...	0.0	0.0	0.0
V. Ceiling on short-term external debt contracted or guaranteed by the central government and NRB (in millions of US dollars) 6/	...	...	0.0	0.0	0.0
VI. Accumulation of external payments arrears Continuous performance criterion during the program period (in millions of US dollars)	...	...	0.0	0.0	0.0
Indicative targets (IT)					
I. Ceiling on reserve money	81.0	83.0	86.6	86.5	89.5
II. Floor on central government revenue 5/ Cumulative from July 16, 2003	...	9.5	22.0	38.0	60.2

Notes:

1/ Mid-January 2004 and mid-July 2004 are performance criteria test dates. Figures for mid-April 2004 are indicative targets.

2/ Valued at the program exchange rates.

3/ To be adjusted upward/downward by excess/shortfall of rupee equivalent of foreign financing. Details specified in the Technical Memorandum of Understanding.

4/ To be adjusted upward/downward by shortfall/excess of rupee equivalent of foreign financing. Details specified in the Technical Memorandum of Understanding.

5/ To be adjusted upward/downward by excess/shortfall of privatization receipts. Details specified in the Technical Memorandum of Understanding.

6/ External debt as defined in the Technical Memorandum of Understanding.

Table 2. Prior Actions, Structural Performance Criteria and Benchmarks Under the First Year of the PRGF Arrangement

Measures	Status/Timing
Prior Actions	
1. Establish Debt Recovery Tribunal	Completed
2. Cabinet approval of Bank and Financial Institutions Ordinance	Completed
3. Issue NRB directive to implement strengthened blacklisting mechanism	Completed
4. NRB Executive Board to approve remuneration decompression scheme	Completed
Structural Performance Criteria	
A. Fiscal and Monetary Sector Reforms	
1. Establish a full-service large tax payer unit in the Inland Revenue Department	January 15, 2004
2. Eliminate restrictions on commercial banks' lending rates and foreign exchange buy/sell spreads	January 15, 2004
3. Formulate and implement time-bound action plan to improve customs administration ¹	July 15, 2004
B. Financial Sector Reforms	
1. Finalize audit of NRB 2002/03 accounts by international auditor	February 15, 2004
2. Implement voluntary retirement schemes at NBL and RBB (Phase I)	January 15, 2004
3. Implement voluntary retirement scheme at NRB and RBB (Phase II)	March 15, 2004
C. Public Enterprise Reform	
1. Finalize IAS-compliant NOC 2002/03 accounts by international auditor	July 15, 2004
Structural Benchmarks	
1. Strengthen the Nepal Rastra Bank (reorganize NRB; revise human resource policies)	January/July 15, 2004
2. NRB to approve amended off-site supervision manual	January 15, 2004
3. Prepare IAS-compliant 2002/03 audited accounts for RBB and NBL	January 15, 2004
4. Approve external audits and restructuring plans for ADBN and NIDC	January 15, 2004
5. Complete liquidation/privatization of five SOEs and prepare four additional SOEs	January/July 15, 2004
6. Prioritize regular expenditure and include in Medium-Term Expenditure Framework	July 15, 2004
7. Implement plans to eliminate vacant civil service positions	July 15, 2004
8. Issue Fiscal Transparency Ordinance	July 15, 2004

¹ The plan, actions to be implemented, and the timeframe for implementation will be specified at the time of the first review of the first-year arrangement.