

Table 1. Prior Actions

The following actions will be taken by the Government of Latvia prior to Fund Executive Board consideration of the first review:

1. Agree with Fund staff on a series of contingency measures which could be implemented to generate savings of up to 0.5 percent of GDP in 2000.
2. Pass a cabinet resolution that all privatization receipts, beyond those covering the administrative costs and reserve fund of the LPA, be transferred to the Treasury.
3. Submit amendments to parliament clarifying the tax benefits offered in free ports and tax-free zones, and eliminating those benefits not consistent with EU regulations.

Table 2. Latvia: Quantitative Performance Criteria and Structural Benchmarks
Under the Stand-By Arrangement, 1999-2000 1/

Variable and Periods	Adjusted	Outcome (Prel.)	
		(In millions of lats)	
I. Limits on the general government fiscal deficit 2/			
January 1, 1999-September 30, 1999: Indicative	114		88
January 1, 1999-December 31, 1999: Performance criterion	159		153
January 1, 2000-March 31, 2000: Performance criterion	26		11
January 1, 2000-June 30, 2000: Performance criterion	54		
January 1, 2000-September 30, 2000: Performance criterion	63		
January 1, 2000-December 31, 2000: Performance criterion	81		
II. Limits on net domestic assets of the Bank of Latvia 3/			
September 30, 1999: Indicative	-28		-28
December 31, 1999: Performance criterion	-24		3
March 31, 2000: Performance criterion	-7		-42
June 30, 2000: Performance criterion	-10		
September 30, 2000: Performance criterion	22		
December 31, 2000: Performance criterion	37		
		(In millions of US\$)	
III. Floor on convertible net international reserves of the Bank of Latvia 4/			
September 30, 1999: Indicative	724		824
December 31, 1999: Performance criterion	804		898
March 31, 2000: Performance criterion	815		881
June 30, 2000: Performance criterion	848		
September 30, 2000: Performance criterion 5/	671		
December 31, 2000: Performance criterion	687		
IV. Cumulative limits on contracting and guaranteeing of medium- and Long-term nonconcessional external debt 6/		Of which:	Of which:
	<u>Total</u>	1-5 year <u>maturity</u>	<u>Total</u> 1-5 year <u>maturity</u>
From June 30, 1999 to:			
September 30, 1999: Indicative	150	100	30
December 31, 1999: Performance criterion	285	200	109
March 31, 2000: Performance criterion	435	200	150
June 30, 2000: Performance criterion	565	200	
September 30, 2000: Performance criterion	565	200	
December 31, 2000: Performance criterion	565	200	
V. Limits on external government debt of up to one year 7/			
September 30, 1999: Indicative	0		
December 31, 1999: Performance criterion	0		
March 31, 2000: Performance criterion	0		
June 30, 2000: Performance criterion	0		
September 30, 2000: Performance criterion	0		
December 31, 2000: Performance criterion	0		

Table 2. Latvia: Quantitative Performance Criteria and Structural Benchmarks
Under the Stand-By Arrangement, 1999-2000 1/

Variable and Periods	Adjusted	Outcome (Prel.)
		(In millions of lats)
VI. Indicative limits on reserve money		
September 30, 1999:	450	450
December 31, 1999:	499	526
March 31, 2000:	523	483
June 30, 2000:	539	
September 30, 2000:	555	
December 31, 2000:	579	
VII. Indicative limits on net domestic assets of the banking system 3/		
September 30, 1999:	531	531
December 31, 1999:	564	633
March 31, 2000:	594	653
June 30, 2000:	612	
September 30, 2000: 8/	660	
December 31, 2000:	696	
VIII. Indicative floors on central government revenue 9/		
January 1, 1999-September 30, 1999:	894	887
January 1, 1999-December 31, 1999:	1235	1209
January 1, 2000-March 31, 2000:	290	291
January 1, 2000-June 30, 2000:	605	
January 1, 2000-September 30, 2000:	943	
January 1, 2000-December 31, 2000:	1290	
IX. Structural benchmarks under the program		
By end-December 1999:		
1. Cabinet of Ministers to approve the method of privatization and timetable for Latvenergo.		Met on February 15, 2000
2. Enact the Law on Concerns, as described in paragraph 23 of the MEP dated November 10, 1999.		Met on March 24, 2000
3. Complete functional reviews for two ministries, as described in paragraph 11 of the MEP dated November 10, 1999.		Met
By end-January 2000:		
1. Implement the prudential regulations on loan classification and loan-loss provisioning.		Met
2. Complete the sale of 44 percent of government-owned shares in the Latvian Shipping Company to a strategic investor.		Not met
By end-March 2000:		
1. Enact legislation providing the basis for the implementation of the second pillar of the pension system.		Met
2. Approve prudential regulations to cover the market risk, in line with the Basle Core Principles of Effective Banking Supervision and the relevant EU Directive.		Met
3. Sell additional government-owned shares in the Latvian Shipping		Not met

Table 2. Latvia: Quantitative Performance Criteria and Structural Benchmarks
Under the Stand-By Arrangement, 1999-2000 1/

Company to make the government a minority shareholder.	
4. Enact the new Commercial Code, as described in paragraph 24 of the MEP dated November 10, 1999.	Met on April 13, 2000
5. Amend legislation to eliminate tax benefits to special economic zones and free ports that are inconsistent with EU regulations.	Not met

By end-June 2000:

1. Enact the Civil Service Law and adopt a new public sector wage scale, as described in paragraph 11 of the MEP dated November 10, 1999.	
2. Submit to Parliament the Law on Public Sector Agencies, as described in paragraph 11 of the MEP dated November 10, 1999.	Met
3. Make effective the law reducing agricultural tariffs as described in paragraph 21 of the MEP dated November 10, 1999.	Met
4. Implement the prudential regulations to cover the market risk.	
5. Enact a telecommunications law, as described in paragraph 23 of the MEP dated November 10, 1999.	

By end-September 2000:

1. The Bank of Latvia to divest its investment in Rīgas Komerc Banka (RKB).	Met
2. Reduce all tariff rates above EU levels to EU levels or below, to become effective January 1, 2001.	
3. Hire international advisors for the divestiture of the Latvian Shipping Company (LASCO) and Latvenergo, as agreed with the World Bank.	
4. The Securities Market Commission to adopt the directives on capital adequacy and investor protection, for implementation by January 1, 2001.	

By end-December 2000:

1. Complete the restructuring of Latvenergo, as described in paragraph 17.	
2. Submit to parliament amendments to the pension law, as described in paragraph 12.	

Table 2. Latvia: Quantitative Performance Criteria and Structural Benchmarks
Under the Stand-By Arrangement, 1999-2000 1/

1/ Definitions of the performance criteria and indicative targets are included in the Annexes to the Supplementary Memorandum of Economic Policies. In addition to the performance criteria specified in the table, a continuous performance criterion on the non-accumulation of external arrears by the government applies. The performance criteria for end-September and end-December 2000 are to be established at the time of the first review.

2/ The limits on the general government fiscal deficit will be adjusted upward (downward) for any excess (shortfall) of disbursements of foreign project financing from programmed levels, and downward by the amount by which the central government revenue exceeds the indicative targets mentioned under VIII (see Annex I).

3/ The limits will be adjusted upward (downward) for any shortfall (excess) of disbursements of foreign balance of payments assistance from programmed levels (see Annex II).

4/ The floors will be adjusted downward (upward) for any shortfall (excess) in disbursements of foreign balance of payments assistance from programmed levels (see Annex III).

5/ As of September 30, 2000, the program definition excludes gross international reserves generated from foreign exchange swaps (see Annex III).

6/ Applies to the government, the Bank of Latvia, or any other agencies acting on behalf of the government.

7/ Excluding normal import-related trade credits.

8/ As of September 30, 2000, the program definition includes foreign equity of commercial banks, which is recorded in "other net assets" (see Annex III).

9/ Includes all central government revenues from the basic and social budgets, excluding fee and service revenue that can be spent by ministries without assignation (see Annex I).