

Federal Republic of Yugoslavia: Quantitative Performance Criteria and Indicative Limits Under  
the 2001-2002 Stand-By Arrangement 1/  
(In millions of dinars, unless otherwise noted)

	2000	2001						
	End-Dec. Actual	End-Mar.	End-June		End-Sep. Target		End-Dec. Target	
			Target	Actual	Original	Revised	Original	Revised
<b>A. Quantitative performance criteria</b>								
Floor on the net foreign assets of the NBY 2/	-308	-231	-283	-170	-303	-255	-283	-244
Ceiling on net domestic assets of the NBY 3/	39,315	34,526	39,064	35,770	41,766	43,185	42,909	44,328
Ceiling on net credit of the banking system to the consolidated general government 4/ 5/	3,373	294	5,373	531	7,373	8,792	7,373	8,792
Ceiling on contracting or guaranteeing of new nonconcessional external debt with original maturity of more than one year by the public sector 2/ 6/	...	0.0	0.0	7.3	0.0	57.3	0.0	57.3
Ceiling on new external debt owed by the consolidated general government or guaranteed by the public sector with an original maturity of up to and including one year 2/ 7/	...	0	0	0	0	0	0	0
Ceiling on new guarantees and the assumption of enterprise debt to banks by the public sector 8/	...	0	0	0	0	0	0	0
Ceiling on outstanding external debt service arrears 2/ 9/	...	0	0	0	0	0	0	0
<b>B. Indicative targets</b>								
Ceiling on net domestic assets of the banking system 10/	19,433	15,720	24,604	18,513	28,226	29,198	31,226	32,831
Ceiling on change in the arrears of								
the federal government	...	0	0	1,200	0	0	0	0
the consolidated general government in Serbia	...	0	0	700	0	0	0	0
the consolidated general government in Montenegro	...	0	0	...	0	0	0	0
Ceiling on the wage bill of the 8 largest public enterprises, cumulative from beginning of year 11/	9,992	4,318	8,756	8,609 2/	13,207	13,355	17,658	18,251

1/ Quantitative performance criteria and indicative targets are defined in Annex C.

2/ In millions of U.S. dollars.

3/ The revised targets for September and December will be monitored based on monthly averages as defined in Annex C.

4/ For program purposes, the ceilings on net credit of the banking system to the consolidated general government will be adjusted downward by the cumulative increase in the stock of government debt held by the nonbank public, starting from January 1, 2001, and upward for any decrease.

5/ The consolidated general government comprises the federal, the Serbian republican and local governments, the Montenegrin republican government, the Serbian and Montenegrin social security funds, and the Serbian special extrabudgetary programs.

6/ Excluding loans from the EBRD, EIB, IBRD, or IFC. The public sector comprises the consolidated general government and the National Bank of Yugoslavia. The increase of \$50 million for end-Sept. and end Dec. ceilings represents anticipated borrowing by the Serbian governments under relatively favorable terms to rehabilitate the ailing energy sector.

7/ Excluding normal import-related credits.

8/ Excluded is indebtedness arising from the fulfillment of existing guarantees.

9/ Excludes debts subject to rescheduling/negotiations. The nonaccumulation of new external arrears is also a continuous performance criterion.

10/ Foreign currency denominated loans and deposits at program exchange rates.

11/ JP Elektroprivreda Srbije, JP Nafna Industrija Srbije, JP PTT Srbije, JP Jugoslovenski Aerotransport, JP Zelenicko Transportno Preduzece Srbije, JP Radio Televizija Srbije, JP Srbija Sume, and JP Srbija Vode. Wage bill ceilings are consistent with nominal wages being maintained throughout the year at their January 2001 level, in accordance with the *Decree on the Level of Wages and Other Earnings in Public Enterprises, Official Gazette, 110/01*.

12/ Includes wage payments for YAT of YUD 81.3 million that were deferred from June to July.

Federal Republic of Yugoslavia: Stand-By Arrangement, May 2001-March 2002  
Prior Actions, Structural Performance Criteria, and Structural Benchmarks

	Implementation Date Reported in EBS/01/982	Status/Revised Implementation Date
<b>I. Prior Action for Board Consideration</b>		
1. (Federation) Transfer of the Operational and Financial Unit, which is in charge of the accounting and payment orders for defense budget, from the General staff Headquarters to the Ministry of Defense	...	implemented at end-August
<b>II. Structural Performance Criteria</b>		
1. (Serbia) Increase in average electricity tariff (weighted by consumption) by at least 40 percent.	October 1, 2001	no longer in effect (see immediately below; in addition, electricity pricing policy has become a subject for the second review under the arrangement)
2. (Serbia) Increase in average electricity tariff (weighted by consumption) by 15 percent.	...	October 1, 2001
<b>III. Structural Benchmarks</b>		
<b>A. Fiscal Sector</b>		
1. (Serbia) Redesign of the co-payment system in the health care sector, with a view to generating additional revenue of YUD 0.8-1.0 billion on an annual basis.	end-May 2001	implemented
2. (Montenegro) Adoption of an organic budget system law to standardize budget classification and implementation of a centralized treasury system.	end-June 2001	implemented on August 8, 2001
3. (Serbia) Issuance of decree revising the list of drugs offered to the general public population in state pharmacies, to bring expenditure on drugs in line with financial resources available to the health care system.	end-June 2001	end-September 2001
4. (Serbia) Improvement of cash management and fiscal reporting by eliminating primary budget managers' expenditure accounts and own accounts of direct spending units (637 accounts and their 850 subaccounts) and by creating ledger accounts within account 630.	end-September 2001	end-September 2001
5. (Montenegro) De-linking of the statutory minimum wage from public sector pay and social benefits levels through legislation.	end-September 2001	end-December 2001
6. (Serbia) Establishment of a Central Accounting Division in the Treasury Department of the Ministry of Finance and Economy.	end-December 2001	end-December 2001
7. (Serbia) Establishment of a new system of commitment control based in the Treasury's Central Accounting Division.	end-December 2001	end-December 2001
8. (Serbia) Set up of a Large Taxpayer Office in Belgrade.	end-December 2001	end-December 2001
<b>B. Financial Sector</b>		
1. (Federation and NBY) Adoption of a strategy for bank restructuring, in consultation with the Fund and the World Bank.	May 15, 2001	implemented
2. (Federation and NBY) Intervention of the largest, insolvent, banks in Serbia.	end-June 2001	implemented
3. (Federation and NBY) The NBY will (a) refine, in close coordination with the BRA and in consultation with Fund and World Bank staff, its pricing matrix to be used to estimate the total costs and fiscal needs for bank restructuring, and (b) recommend either liquidation or possible rehabilitation (through the BRA) of the remaining 7 (of the 11) banks that were found to be category C banks.	...	September 15, 2001

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	Implementation Date Reported in EBS/01/982	Status/Revised Implementation Date
4. (Federation) Approval by Parliament of the amendments to Law on the Financial Rehabilitation, Bankruptcy and Liquidation of Banks, allowing BRA to act as a bankruptcy liquidator.	...	end-September, 2001
5. (Montenegro) The CBM will decide on the resolution (liquidation, rehabilitation, mergers, no action) of all banks.	...	end-September, 2001
6. (Federation) The BRA will develop rehabilitation/resolution plans for the 4 large banks under its control. The plans will include (a) monthly cash flows and operational losses during the rehabilitation period with a view to assessing progress toward achieving core profitability; (b) future business strategies; (c) the fiscal costs of restructuring, which will critically depend on progress in securing creditor haircuts, and (d) a recommendation on whether the bank should be rehabilitated or closed.	...	October 15, 2001
7. (Federation) The Board of Directors of the BRA, will decide, under Articles 7 and 22(a) of the Act governing its operations, whether the banks should be subjected to a rehabilitation plan or liquidated. Bank rehabilitation will be undertaken only if it is expected to produce a viable bank with good prospects for privatization; and can be implemented with identifiable fiscal resources. If this does not appear to be achievable based on performance during the first six months of a rehabilitation program, the banks will be closed and liquidated.	...	end-October, 2001
<b>C. Private Sector Development</b>		
1. (Serbia) Parliamentary approval of privatization legislation in Serbia, designed in cooperation with the World Bank, to:	end-June 2001	implemented
(a) attract investment capital by offering at least 70 percent of enterprise shares to investors and no privilege to company management, management, workers, or any other agents regarding purchase of these shares;		
(b) create, through dominant ownership, a clear ownership structure conducive to efficient resource allocation and good enterprise management;		
(c) facilitate failed enterprise liquidation/work-outs prior to privatization, among other things by authorizing the Privatization Agency to require an enterprise to enter workout/liquidation;		
(d) establish transparent and efficient privatization procedures.		
Legislation to include Law on Privatization, Law on Shares, Law on Agency for Privatization, Ordinance on Privatization Program, Ordinance on Public Tender, Ordinance on Auctions, Ordinance on Business Valuation, and Ordinance on Appraisers.		
2. (Serbia) Conclusion of at least four contracts for the privatization of pools of companies (of 3-5 enterprises each) with investment banks hired through competitive international tenders (out of a total of seven pools for which international advisors will be solicited this year).	end-October 2001	end-October 2001
3. (Serbia) Offer of at least one pool of companies consisting of 3-5 enterprises for sale observing well defined, internationally accepted tender rules.	end-December 2001	end-December 2001