

Federal Republic of Yugoslavia: Selected Issues and Statistical Appendix

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INTERNATIONAL MONETARY FUND

FEDERAL REPUBLIC OF YUGOSLAVIA

Selected Issues and Statistical Appendix

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I. FISCAL ADJUSTMENT, TAX REFORM, AND SOCIAL SPENDING¹

1. This chapter outlines the progress made in the fiscal area since late 2000, focusing on the overall fiscal adjustment (developments in revenue and expenditure) and reforms of the tax system and social spending.

A. Fiscal Adjustment

2. **Until 2000, cash fiscal deficits were kept at very low levels, albeit through unsustainable means.** The consolidated general government cash deficit (before grants) was around 0.9 percent of GDP in 2000 and was financed by foreign grants; Montenegro accounted for almost the entire deficit (equivalent to 10½ percent of its own GDP).² The overall fiscal deficit in FRY would have been considerably larger but for some unsustainable developments: (i) a drastic compression of real government spending over the previous two years, by a cumulative 40 percent; (ii) the non-servicing of a large external government debt (over 100 percent of GDP); (iii) the accumulation of nondebt arrears amounting to 2.1 percent of GDP in 2000, bringing the stock of such arrears to 10.8 percent of GDP as of end-2000; and (iv) the toleration of large quasi-fiscal deficits. In turn, the bank financing of quasi-fiscal deficits—especially in agriculture and the energy sector—fuelled monetary expansion and inflation until late 2000.

3. **Against this background, fiscal policy for 2001 centered firmly on reducing inflationary pressures, improving the revenue effort and expenditure efficiency, and achieving progress toward fiscal sustainability.** The original fiscal program for 2001 envisaged a general government deficit of 6.1 percent of GDP, which was to be financed largely by external assistance (4.1 percent of GDP), privatization proceeds (1.4 percent of GDP), and limited domestic borrowing from the central bank (0.6 percent of GDP) to help bring down inflation (see Statistical Appendix Table 25). The deficit reflected new burdens on the budget stemming from the scheduled repayment of foreign exchange liabilities to residents (which had been frozen since 1991), the costs of enterprise and bank restructuring, and the elimination of the monetary financing of quasi-fiscal deficits. On the other hand, strict wage policies were adopted at all three governments to contain the macroeconomic impact of public spending. The fiscal program was supported by measures to enhance the efficiency of the tax system (see section B) and the transparency of the budget, in part by incorporating a number of extrabudgetary accounts with revenue and spending amounting to almost 10 percent of GDP in 2000.

4. **Fiscal policy in 2001 was generally conducted prudently.** Against the backdrop of delays in foreign financing and privatization proceeds, the consolidated Serbian government

¹ Prepared by Janet Kong.

² Including the federal and republican governments, the republican social security funds, the Serbian local governments and the special extrabudgetary programs in Serbia; excluding the local governments in Montenegro. All fiscal data exclude Kosovo.

incurred a deficit much lower than expected owing to strong revenue performance and prudent expenditure execution. The consolidated Montenegrin government, however, ended 2001 with a higher than budgeted deficit (after grants) due to expenditure overruns before elections in April 2001. For the consolidated general government in FRY, the deficit target was revised downward during the year and the actual outturn was about 1.3 percent of GDP in 2001.

5. **Government revenue was buoyant in 2001**, exceeding the 2000 level and the program target by 2½ and 1¾ percentage points of GDP, respectively.

- In Serbia, tax revenue benefited from the tax reform, the tariff reform, and measures adopted against smuggling. Personal income tax collection was higher by 1 percent of GDP relative to 2000, which was offset partly by the lower social security contributions arising from the tax reform (½ percent of GDP). The profit tax benefited from the repeal of incentives and its share in GDP increased by 0.2 percent. The largest improvement came from the sales tax, as its share of GDP increased by almost 2 percentage points on account of the consolidation of the earmarked taxes, a higher rate and a unified base. Excises also gained in relation to GDP (0.6 percent of GDP) in response to measures to combat the smuggling of oil and tobacco products (Box I.1). The collection of custom duties improved after the tariff reform in June, which raised the average effective rate.
- In Montenegro, following disappointing revenue collections in the first half of 2001, performance improved in the remainder of the year owing to a strong tourist season, measures to combat the gray economy (e.g., cash registers at retail points), and unusually high customs receipts from transit duties as a regional conflict diverted merchandise trade to routes through Montenegro.

Box I.1: Measures to Combat Smuggling of Oil and Tobacco Products in Serbia

Initial efforts to improve excise revenue have yielded substantial results in Serbia: As shown in the table below, revenues from imports of cigarettes and oil derivatives increased substantially with an improvement in excise collection efficiency by 60 percent and 46 percent, respectively.

Revenue from Oil and Cigarette Excises in 2000 and 2001
(Percent of GDP, unless otherwise noted)

	2000			2001			2000/2001
	Actual	Potential	Act./Pot.	Actual	Potential	Act./Pot.	Improvement
Cigarettes	0.28	0.71	40.00	0.59	0.93	64.18	60.45
Oil derivatives	1.48	2.27	65.00	2.39	2.52	95.00	46.15

Sources: Data provided by the Serbian authorities and staff estimates.

6. **Most categories of spending were compressed in 2001.**

- In Serbia, to avoid accumulation of new arrears, discretionary spending across the board was restrained pending clarification of the prospects regarding privatization receipts and foreign financing. However, subsidies and net lending were higher than budgeted by about 0.6 percent of GDP owing to an under-allocation for subsidies to the commodity fund for grain purchase and unexpected repair work at the electricity company. On the whole, spending for the year was below the programmed level (by 2.9 percent of GDP) mostly on account of foreign financed capital spending (2.2 percent of GDP) while total spending on wages (0.4 percent of GDP), purchases of goods and services (0.6 percent of GDP), interest payments (0.2 percent of GDP) and transfers to households (0.1 percent of GDP) jointly accounted for the rest of the underspending relative to the program target.
- In Montenegro, despite the nominal wage freeze in effect from the beginning of the year, lax expenditure control led to a significant expenditure overrun that was not offset fully by strong tax collection. With the exception of the wage bill, which was below the program level by over 1 percent of Montenegrin GDP due to a delay in the payments of social security contributions by the government, all other expenditures were above their budgetary allocation (by almost 5 percent of Montenegrin GDP). Nevertheless, the relatively small size of Montenegro (less than 7 percent of total Yugoslav GDP) implied little impact on FRY's overall fiscal position.

7. **The overall fiscal deficit is projected to widen by 4.4 percentage points to 5.7 percent of GDP in 2002 in support of reconstruction and reform.** Nevertheless, this increase should not jeopardize the inflation target or fiscal sustainability, as the bulk of the deficit will be financed by foreign assistance and privatization proceeds, while a significant portion of the additional spending will not directly affect domestic resources (interest payments on foreign debt and project-related imports). Out of the 5.7 percent of GDP deficit, 1.0 percent would be financed by foreign grants, 3.0 percent by foreign concessional borrowing, 1.3 percent by privatization receipts, and 0.5 percent by domestic borrowing.

8. **Overall expenditure by the consolidated general government will rise by almost 6 percentage points of GDP.** This will reflect mainly increased spending by the consolidated government in Serbia, while spending by the consolidated government in Montenegro will remain constant in relation to GDP.³

- In Serbia, expenditure will increase by about 6 percent of GDP mainly on account of the resumption of external debt service (1 percent of GDP), higher capital spending to repair and upgrade the infrastructure after ten years of disinvestment (1.8 percent of GDP), funds for deposit payouts and severance payments to laid-off workers after the closure of four large banks (0.6 percent of GDP), subsidies to companies to make

³ Due to the decline of Montenegrin GDP as a share of FRY GDP, the ratio of consolidated Montenegrin government spending as a share of FRY GDP declines slightly in 2002.

minimum investment prior to privatization (0.4 percent of GDP), social assistance to workers displaced by enterprise restructuring (0.3 percent of GDP), and higher pensions (2 percent of GDP). The pension increases resulted from the old indexation formula based on monthly wage growth (as official statistics appear to have overestimated wage growth after a widening of the definition of gross wage for tax and statistical purposes) and a surge in pension beneficiaries in anticipation of an increase in the retirement age in January 2002.

- In Montenegro, to reduce inflation and restore fiscal sustainability, spending in relation to GDP will either remain largely constant (the wage bill) or decline (transfers to households, net lending, capital expenditure, and other expenditures), with the exception of external debt service (higher by 0.2 percent of FRY GDP) and subsidies (0.1 percent of FRY GDP). The latter increase is due to a counterpart fund for an EIB-financed project for the electricity company. On the whole, total expenditure remains broadly unchanged in relation to GDP as expenditure savings offset the higher spending from debt service and subsidies.

9. **Overall revenue collection by the consolidated government will rise by 1½ percent of GDP in 2002.** This will stem mainly from the full-year effect of the 2001 tax reform in Serbia.

- In Serbia, tax revenue is projected to rise in relation to GDP by about 1.8 percentage points, reflecting the carry-over effect of last year's tax reform (1.7 percent of GDP) and new measures to increase excises collection (1 percent of GDP), partly offset by a reduction in the distortionary financial transaction tax and the granting of some exemptions (0.8 percent of GDP). (See section B for details.)
- In Montenegro, tax collection is projected to remain broadly constant in relation to GDP as the envisaged positive revenue effects from the implementation of the new tax laws will take some time to materialize. The personal income tax and social security contribution are expected to benefit from the base-broadening, while excises and the sales tax/VAT are expected to decline slightly due to the initial cost of adjusting to the new system.

B. Tax Reform

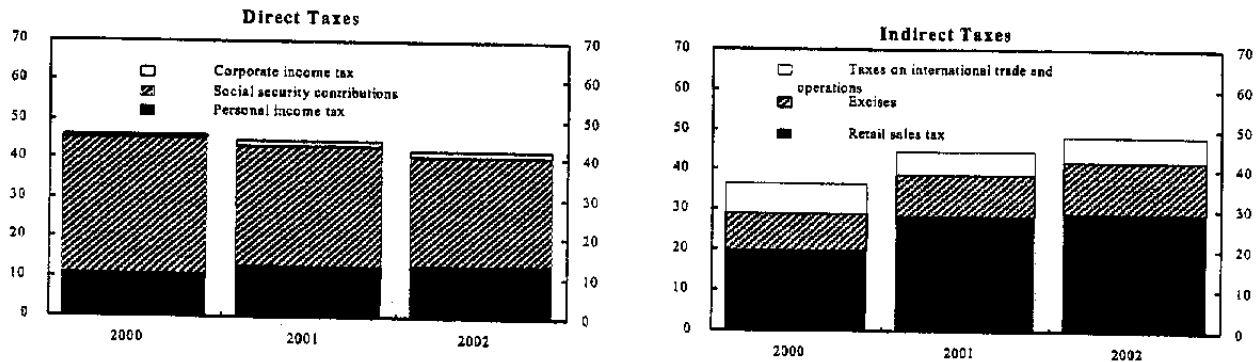
10. **The governments in both republics have embarked on a comprehensive tax reform.** In early 2001, the new Serbian government—with technical assistance from the IMF—moved quickly to streamline an overly complex and inefficient tax system, which was characterized by an excessive number of levies (over 200), numerous exemptions, and very high tax rates. In Montenegro, where the tax system was not as distorted as in Serbia, tax reform had been initiated in 2000 with the assistance of bilateral donors.

11. **In Serbia, the comprehensive tax reform in 2001 streamlined the numerous taxes, shifted the burden from wage-based taxes and contributions to indirect taxes and eliminated many exemptions, which had eroded the tax base.** The tax reform is estimated to have improved revenue performance by over 2½ percent of GDP in 2001 relative to 2000.

The full-year effect is estimated to be higher, as most of the tax reform measures were adopted in the second quarter of 2001 and collection efficiency improved throughout the year.

- As regards **indirect taxes**, the sales tax and the different surtaxes on sales were unified into a single-rate, final-stage consumption tax (17 percent) with a narrow set of exemptions. The federal government levied on the same tax base a 3 percent sales surcharge. Moreover, excises and surtaxes on excisable goods were unified into specific excises, which were subsequently adjusted quarterly based on RPI inflation. In both cases, effective tax rates were raised, resulting in a shift towards indirect taxation and creating some room for lowering wage-based taxes (Figure I.1). The government's effort to combat smuggling in excisable goods helped raise compliance rates for petroleum products and tobacco to an estimated 95 and 80 percent, respectively, by the last quarter of 2001 (compared with expected levels of about 60 percent).

Figure I.1. Direct and Indirect Taxes
(In percent of total revenue)



Sources: Data provided by the authorities; and IMF staff estimates.

- As regards the **wage tax and social security contributions**, their tax base was widened to include most of the previously exempted cash benefits (notably hot meal allowances and vacation bonuses), and the contribution rates were lowered by 10 percentage points from 26.6 percent for the employer and the employee respectively. The overall impact was estimated to have lowered revenue from contributions by about 10 percent with unchanged net wage. After the change, the wage tax (at a flat 14 percent) and the social security contributions (at 16.6 percent, respectively, for the employer and the employee) are assessed on the same tax base (gross wages).⁴

⁴ Interest and royalties are subject to a 20 percent withholding tax, and dividends to an 18 percent withholding tax. There is a complementary income tax on annual aggregated income exceeding YUD 280,200 in 2001. This "global tax" is insignificant in terms of revenue, raising only 0.03 percent of GDP in 2000.

- As regards the **corporate income tax (CIT)**, many overly generous incentives—differential treatment for foreign investors, loan loss provision for all taxpayers, incentives for reinvestment in fixed assets, and tax holidays—were either repealed or modified. As a result, the share of the profit tax in GDP went up by 0.2 percent in 2001. After the change, the CIT has a single rate at 20 percent, which is competitive in the region, with streamlined incentives.
- As regards **other taxes**, the taxes on financial transactions were unified into a 0.6 percent ad valorem tax, and property taxes were simplified and devolved to the local governments.

12. **In 2002, the tax system in Serbia was fine-tuned, mainly to reduce distortions.** Importantly, the authorities will lower the financial transaction tax by one-third to assist financial market development and intermediation, albeit with a revenue loss of about 0.5 percent of GDP.⁵ Excises on petroleum, tobacco and alcohol products were raised to levels that are comparable or slightly higher than in neighboring countries, generating about 1 percent of GDP of additional revenue. The sales tax rate was unified at 20 percent, eliminating the 3 percent federal surcharge. Owing to social considerations but also limited tax administration capacity, new sales tax exemptions were allowed for drugs on the “positive” drug list and some fresh agricultural produce.⁶ The revenue loss for the new exemptions is roughly estimated to be around 1/3 percent of GDP.

13. **In Montenegro, a set of modern tax laws, prepared with technical assistance from USAID, was approved by parliament in late 2001 and will be gradually implemented.** These laws cover personal income tax (PIT), corporate profit tax (CIT), value-added tax (VAT), excises, property tax, and tax administration. The VAT will replace the sales tax and the tax burden will be shifted from direct taxes to indirect taxes and from the personal income tax to the corporate tax. Since tax revenue as a share in GDP has been declining in Montenegro in recent years, reflecting both tax evasion and lax tax administration, this reform should help to improve public finances and facilitate tax administration. It is estimated that the overall package in a mature system would increase tax revenue by 10 percent, or the equivalent of about 2 percent of Montenegro’s GDP on a full-year basis.

- In contrast with Serbia, which continues to have a schedular flat-rate wage tax, the **PIT** in Montenegro, which will become effective on July 1, 2002, would introduce personal exemptions and three brackets with marginal rates from 17 to 25 percent. The top rate is lower than the regional average. As in Serbia, the tax base will also be the gross wage including most benefits.

⁵ Since the implementation of this measure is delayed to May, the actual revenue loss will be around 0.3 percent of GDP.

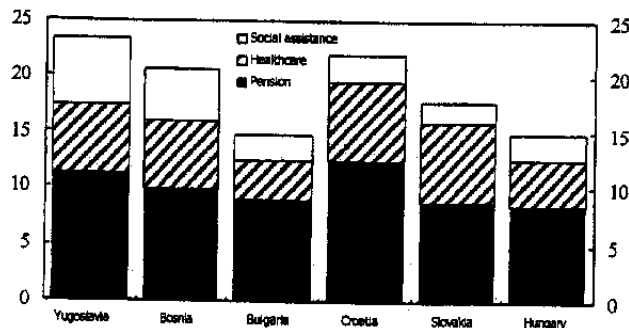
⁶ The positive drug list contains drugs that are paid for by the public health insurance free of charge to the beneficiaries.

- The CIT, already effective as of January 1, 2002, has two rates, 15 percent for taxable profits up to €100,000 and 20 percent for higher profits. It also offers various tax holidays. While a two-rate CIT is rare and the threshold is high for the level of development, these rates are competitive in the region.
- The VAT, effective on January 1, 2003, will have a single rate at 17 percent with limited exemptions and zero-rates. The current law zero-rates exports to Serbia and is formulated according to the principle that Montenegro is an independent country.
- **Excises** will become effective on April 1, 2002, with a relatively short list of excisable goods (alcohol, tobacco and oil products) and specific rates, which are set to make the changes revenue neutral. The rates are not coordinated with those in Serbia; for example, the rate on motor fuels is higher in Montenegro while that on diesel is lower than in Serbia.
- The **property tax** law, to be effective on January 1, 2003, has few exemptions with appropriately two rates for urban and rural property, and is based on market value. The tax is designed as a local tax and rates are to be set by the municipalities, within certain bands.

C. Streamlining Social Spending

14. **Social spending is relatively high but inefficiently administered.** Total spending for social purposes—including on pensions, healthcare and various social entitlements—is projected to reach 22 percent of GDP in 2002, which is among the highest in the region (Figure I.2).⁷ Along with the FRY's large needs for reconstruction investment and reform-related spending, social spending maintains FRY's relatively high overall expenditure/GDP ratio (projected to reach 48½ percent of GDP in 2002). Nevertheless, according to preliminary World Bank estimates, about 12 percent of FRY residents (almost double the number in 1990) and one quarter of 650,000 refugees and internally displaced persons live in absolute

Figure I.2. Social Spending in Selected Eastern European Countries
2000-2001 1/2/
(In Percent)



Source: IMF staff estimates.

1/ Data are for 2001 for Yugoslavia, Bulgaria and Hungary, for the rest of the countries they are for 2000.

2/ Data are from respective country staff estimates.

⁷ Social spending in FRY consists of: pensions and war veteran's benefits, healthcare, some education benefits, unemployment insurance, child allowances, and various social assistances to the needy including refugees and internally displaced persons.

poverty; the majority of the poor live close to the poverty line. This does not appear to have been reflected fully in available social indicators (e.g., life expectancy and infant mortality), which are still favorable compared to averages for neighboring Balkan countries but generally worse than for the transition countries in central Europe (Statistical Appendix Table 2). However, the poor quality of healthcare, inadequate targeting of social benefits, and high budgetary cost point to the urgent need to reform the system of social services and transfers.

Pension reform

15. Pension spending in FRY—currently about 12 percent of GDP—is among the highest in the region and continues to rise owing to a high replacement rate and a declining dependency ratio under the PAYG system in effect.^{8 9} The high replacement rate resulted from a benefit formula depending on the best of 10 years of earnings, a high valorization factor, and a generous minimum pension.¹⁰ Relatively lax eligibility requirements and early retirement, high unemployment, low contribution compliance, and adverse demographic trends have lowered the dependency ratio from 2.6 in 1990 to around 1.3 in 2000. In addition, many have qualified for a disability pension, which was used as an alternative to early retirement until the late 1980's. The number of old-age pensioners rose sharply in 2001 owing to the January 2002 increase in the retirement age.

16. Important pension reforms were adopted recently in Serbia. In December 2001, the federal parliament approved changes to the pension law whereby: (a) the retirement age was raised by 3 years for both men and women (to 63 and 58 years, respectively); (b) the pension indexation formula was shifted from wages to the arithmetic average of prices and wages (the so-called "Swiss model"), while the indexation frequency was reduced from monthly to quarterly; and (c) the minimum pension was set at the equivalent of 20 percent of the gross average wage (compared to 20–40 percent previously). These measures are tentatively estimated to generate net savings of about 1.1 percent of GDP in 2002, rising to 2.8 percent of GDP in 2005 (relative to the baseline not incremental to the previous year's

⁸ The Serbian pension system comprises of three separate funds: the Employee Fund, the Self-Employed Fund, and the Farmers Fund. Only the Employee Fund is financed by a mandatory contribution on salaries and wages. The other two funds are financed by contributions from its registered contributors. The Republican budget has been subsidizing the Employees Fund, but recently the Farmers Fund has also run into a cash flow deficit and required budgetary transfers. Since the Employee Fund dominates the pension system, the following discussion focuses on that fund.

⁹ This does not include military pensions, which were largely financed by budgetary transfers of about 0.7 percent GDP in 2001.

¹⁰ FRY's replacement rate of 70 to 90 percent compares to a regional average of 50–60 percent.

pension spending).¹¹ (Table I.1) This implies that for the Employee Fund alone, by 2005 these changes would reduce the pension expenditure/GDP ratio close to its 2001 level, about 10 percent. Nevertheless, the share of contributions in GDP would probably remain at around 7 percent of GDP, pointing to the need for continued budgetary transfers. Further reform measures are envisaged over the next three years to put the pension fund finances on a sustainable path, including a modification of the benefit formula and valorization rule to reduce the redistribution element and increase the linkage between benefits and contributions, a tightening of the eligibility requirements for disability pensions, and a further reduction or elimination of non-pension social benefit paid by pension funds.

Table I.1. Impact on Future Employee Fund Expenditures of the 2001 Reform
(In percent of GDP)

	2001	2002	2003	2004	2005
Baseline Scenario	9.4	12.4	12.5	12.6	12.7
Overall reform		11.3	10.6	10	9.9
Savings		1.1	1.9	2.6	2.8
Retirement age increase		0.4	0.8	1.1	1.1
Swiss formula		0.1	0.4	0.7	0.8
Quarterly indexation		0.6	0.7	0.8	0.9

Sources: World Bank pension study; and IMF staff estimates.

Health care

17. **Spending on health in FRY—around the average in the region at about 6 percent of GDP—offers a poor quality and minimum level of services.** With a view to improving incentives and using the limited resources more efficiently, a revised list of eligible drug was adopted and notional co-payments were instituted in 2001. More comprehensive reforms—envisaged over the medium term, with the assistance of the World Bank—would include increased emphasis on preventive and primary services and a plan for the overhaul of the healthcare delivery system, to eliminate overcapacity in the tertiary care and upgrade core public health services.

Other social benefits

18. In addition to pension and health care spending, there is a wide range of cash benefits and social welfare services. These benefits are delivered through a comprehensive national network by different levels of governments and include unemployment benefits (0.7 percent of GDP in 2001), military pensions and veterans' benefits (1.5 percent of GDP), child allowances (1.3 percent of GDP), local schemes of social assistance (1.6 percent of GDP) and other social programs (0.8 percent of GDP). Given the large number of benefits, the

¹¹ Based on a World Bank study on pension reform in Serbia and IMF staff estimates.

complexity of finances and delivery, and the multiplicity of eligibility criteria, the overall social welfare in FRY is generally inadequately targeted and hence inequitable and unduly costly. With a view to addressing these problems, the authorities—with World Bank assistance—intend to begin an overhaul of the system, building on a household survey and related poverty analysis work now underway. Designing a nation-wide comprehensive welfare provision framework with unified eligibility criteria, and providing incentives in the welfare system for re-employment and retraining will be key measures.

II. MONETARY POLICY AND DEVELOPMENTS¹

A. Objectives of Monetary Policy

1. **Since late 2000, the main policy objective of the National Bank of Yugoslavia (NBY) has been to lower inflation while safeguarding external competitiveness.** During the preceding ten years, multiple and often inconsistent policy objectives, in the context of regional conflicts and international sanctions, had resulted in persistently high inflation and inadequate foreign exchange reserves. Since adopting the new policy objective, the National Bank of Yugoslavia (NBY), with the support of fiscal and wage policies, has succeeded in sharply lowering 12-month inflation from 113 percent at end-2000—in the wake of a price liberalization—to 33 percent in March 2002, despite continued administrative price adjustments and increases in indirect taxes during 2001. The rapid decline of inflation was accompanied by a significant accumulation of foreign exchange reserves, exchange rate stability, improved confidence and remonetization, and a large decrease in interest rates, signifying a stabilization of inflation and exchange rate expectations. While the real exchange rate has appreciated sharply since late 2000, it remains within the range of recent years.

B. Monetary Policy Framework and Policy Stance

2. **The monetary policy framework was radically reformed in late 2000.** The NBY abandoned the quasi-fiscal functions of policy lending and unified the multiple exchange rate system in the last quarter of 2000, paving the way for adoption of a managed float exchange rate regime on January 1, 2001.² Prior to the reform, the banking system (including the NBY) had been used to extend directed credits to state-owned companies and the agricultural sector, leading to an accumulation of bad assets and high inflation. Since the reform, the NBY has been guided by a ceiling on NDA geared to lowering inflation and subject to a floor on NFA. The NBY has also been monitoring developments in reserve money (for which there is an indicative target).

3. **Strict adherence to the NDA ceiling has fostered a sharp fall in inflation, exchange rate stability, rising NFA, and rapid remonetization.** Growth in the NDA of the NBY during 2001 was contained to 2 percent of end-2000 reserve money, significantly below the original program target of 15 percent. Nevertheless, reserve money grew by almost 90 percent,³ compared with the original target of 26 percent, reflecting rapidly rising NFA.

¹ Prepared by Xiangming Li.

² The then multiple exchange rate regime (consisting of official, commercial and gray market exchange rates) was unified in late 2000 at the level of the prevailing gray market exchange rate of 30 dinars per DM; this compared with official and commercial exchange rates of YUD 6 and YUD 20 per DM, respectively. The government first depreciated the commercial exchange rate to the level of the gray market on October 13, 2000, and then abolished the official exchange rate of YUD 6 per DM for the remaining customs and balance sheet valuation purposes on December 5, 2000.

³ Based on the average December 2001 data compared to end- 2000.

The large NFA inflows were only partially sterilized—through fiscal over-performance and sales of NBY bills—since they appeared to reflect a strengthening of money demand (Table II.1). These inflows stemmed from net NBY purchases from the interbank exchange market—rather than foreign assistance and privatization proceeds—suggesting a portfolio shift from foreign currencies into dinars in an environment of declining inflation and market interest rates (Figure II.1).⁴

Table II.1. Federal Republic of Yugoslavia: Monetary Indicators, 2000-02

	2000	2001					2002
	Dec.	June	Sep.	December			Mar.
		Actual	Actual	Orig. Prog.	Second Review	Actual	Prel.
	(Cumulative change as percent of reserve money at year-beginning)						
NFA 1/	147.7	44.1	67.1	8.2	65.5	86.8	36.2
NDA 1/	-56.6	-18.0	-10.2	18.0	10.1	2.3	-23.7
Reserve money 1/	91.1	26.1	56.9	26.1	75.6	89.1	12.5
	(Cumulative percentage change from year-beginning)						
Currency in circulation 1/	64.1	31.0	60.6	36.0	90.0	95.4	16.9
	(Cumulative change in millions of U.S. dollars from year-beginning; end-Dec.-previous year exchange rates)						
NFA 2/	...	138.5	210.7	25.2	205.8	306.6	273.1
Gross official reserves 3/	...	386.4	514.6	216.3	509.7	684.5	308.7
	(End period cumulative percentage change from year-beginning)						
Memorandum item							
Retail prices	113.5	23.1	31.2	35.0	40.0	39.0	2.5

Sources: National Bank of Yugoslavia; and IMF staff estimates and calculations.

1/ Actual changes are based on monthly average from Dec. 2001 onwards but with end-period data of the previous year as the base. Changes in 2002 are against adjusted reserve money and NDA figures at end-2001 for the bank closure and the new reserve requirement.

2/ Excludes US\$161.5 million of BIS gold and foreign exchange deposits allocated to FRY in June 2001.

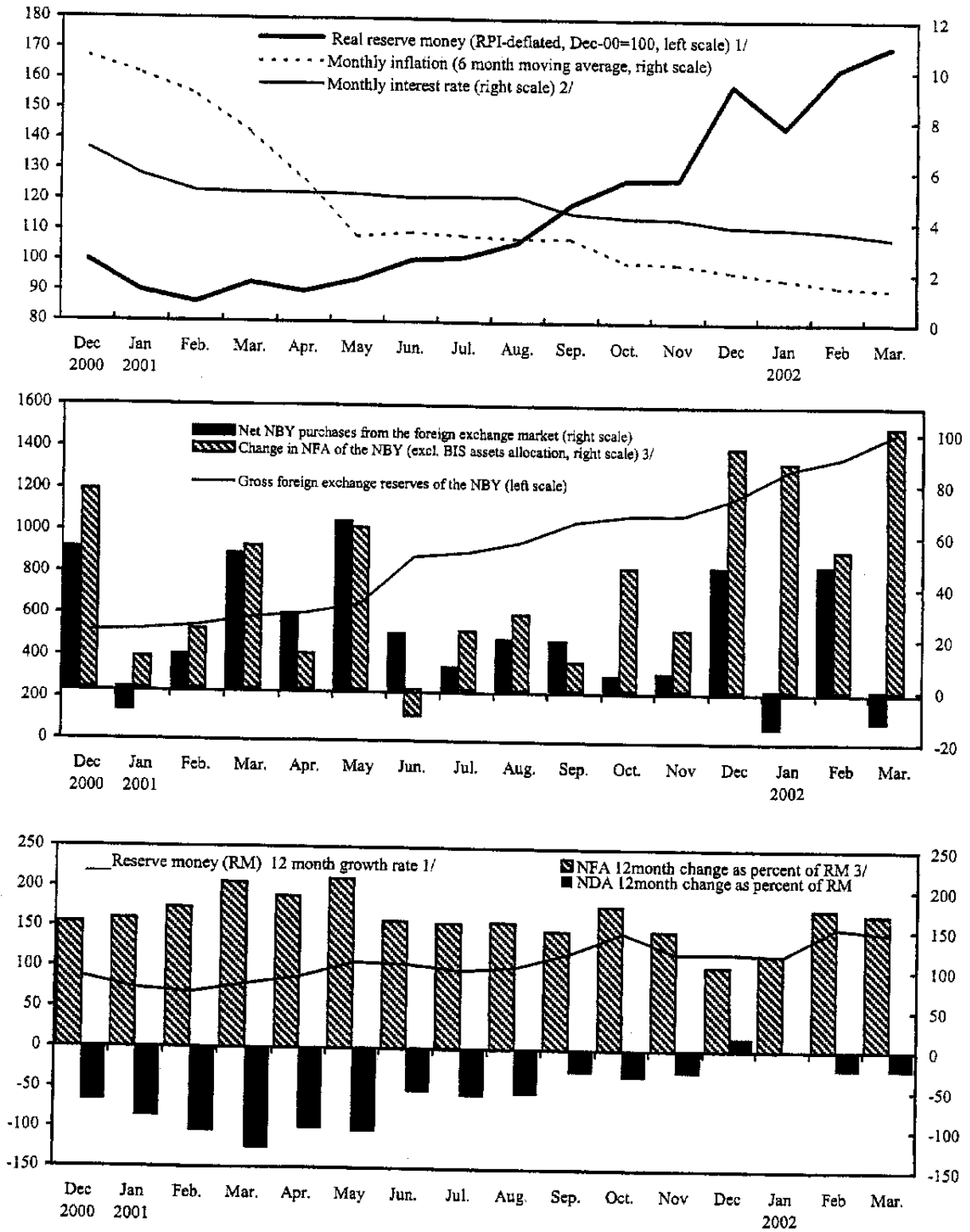
3/ Includes US\$161.5 million of BIS gold and foreign exchange deposits allocated to FRY in June 2001.

C. Key Instruments of Monetary Policy and Their Evolution

4. **The NBY has had very limited tools to manage monetary policy in a difficult environment.** Structural conditions have encouraged liquid banks to hold excess liquidity, primarily due to the high costs of financial transactions (notably a 0.6 percent tax and fee on

⁴ During 2001, NFA rose by US\$207 million, against the floor of US\$25 million, 50 percent of which was from net purchases in the exchange market.

Figure II.1. Federal Republic of Yugoslavia: Real Reserve Money, Foreign Reserves, and Reserve Money Growth, December 2000-March 2002



Sources: National Bank of Yugoslavia; and IMF staff estimates and calculations.

1/ Reserve money is adjusted to be comparable with the newly announced 20 reserve ratio and widening of reserve base.

2/ Weighted average of monthly interest rates of Commercial Paper, Bank Bills, and Certificates of Deposit.

3/ NFA is at Dec. 01 exchange rates and excludes BIS assets allocation.

the value of all payments transactions), the scarcity of profitable lending opportunities, and institutional impediments to the banks' efforts to manage their liquidity. The latter include the absence of (a) an averaging provision for the reserve requirement, (b) adequate information to project daily liquidity needs because all payments are conducted by the payments bureau (ZOP), (c) deposit and reasonably priced lending facilities at the NBY, and (d) an operational interbank market. The NBY has some lending facilities for banks but most have been inoperative due to stringent conditions, and (especially illiquid) banks have tended to borrow against their required reserves under relatively unfavorable terms.⁵ In recent years, the NBY has relied on changes in reserve requirements and sales of NBY bills to influence liquidity on the interbank market. Nevertheless, excess liquidity of banks has remained relatively high, with the ratio of excess liquidity to total dinar deposits amounting to 19 percent at end-March 2002 as compared with 5 to 6 percent in 1998 and 1999 (Table II.2).

Table II.2 Federal Republic of Yugoslavia: Summary of Monetary Survey of Serbia, 1990-2002
(In millions of dinars; end of period)

	1990	1994	1995	1996	1997	1998	1999	2000	2001	2002	
										March Est.	Year Proj.
Monetary aggregates											
12-month growth rates (in percent)											
Broad money (M2)	...	...	60.8	35.9	102.5	62.0	67.6	61.4	79.0	122.8	45.3
In real term	...	...	-27.0	-14.4	84.9	12.1	11.8	-24.4	28.8	67.7	21.1
Dinar-denominated M2	...	...	63.3	32.8	63.4	31.2	35.1	78.8	106.3	104.4	53.9
In real term	...	...	-25.9	-16.3	49.3	-9.3	-9.9	-16.3	48.4	53.8	28.3
Foreign currency deposits	...	...	45.5	56.6	328.4	129.9	108.5	47.3	70.1	142.0	30.5
in Euro	...	...	-35.8	36.5	234.2	41.1	-58.6	101.7	67.1	139.0	...
FX deposits/M2 (in percent)	39.2	...	12.8	14.7	31.2	44.3	55.1	50.3	45.5	52.1	42.5
Average M2/GDP (in percent) 1/	34.8	...	10.5	8.6	10.5	13.4	15.1	14.3	11.5	...	15.8
Average dinar M2/GDP (in percent)	20.2	...	9.1	7.4	7.8	8.1	8.0	6.5	6.4	...	8.5
Average Cash in circ./GDP 1/	4.7	...	3.0	1.9	2.1	4.4	2.9	2.2	2.2	...	3.2
Average credits to non-government sector/GDP	...	...	...	...	...	...	47.0	24.9	30.1	...	...
Excess liquidity/dinar deposits (in percent)	...	...	...	...	...	5.1	6.0	18.9	19.4	18.7	...
Interest rates											
Commercial papers	...	...	...	...	...	124.5	58.1	120.2	56.6	49.2	...
Short-term credit	...	...	...	...	...	62.3	47.1	80.4	35.3	28.8	...
Short-term deposits (households)	...	...	...	...	...	17.9	44.2	55.7	39.6	26.8	...
All deposits	...	...	...	...	...	16.5	3.4	6.4	4.2	4.4	...
Memorandum items:											
Foreign currency deposits (in million euros)	...	163	105	143	477	673	278	561	938	1,361	...
GDP (in billion dinars)	319.1	...	41.8	74.8	106	146	193	358	724	...	979
Inflation (annual average) (end period)	...	...	63.9	94.3	21.3	29.5	42.1	69.9	91.1	...	24.9
	...	...	120.4	58.6	9.5	44.5	49.9	113.5	39	32.9	20

Source: National Bank of Yugoslavia; and IMF staff estimates and calculations.

1/ Based on average of end-period figures of previous year-end and four quarters during the year for 2000 and 2001. For other years, based on average end-period figures.

⁵ At the end of December 2001, the four closed large banks and Astra banka accounted for 94 percent of banks' borrowing against required reserves.

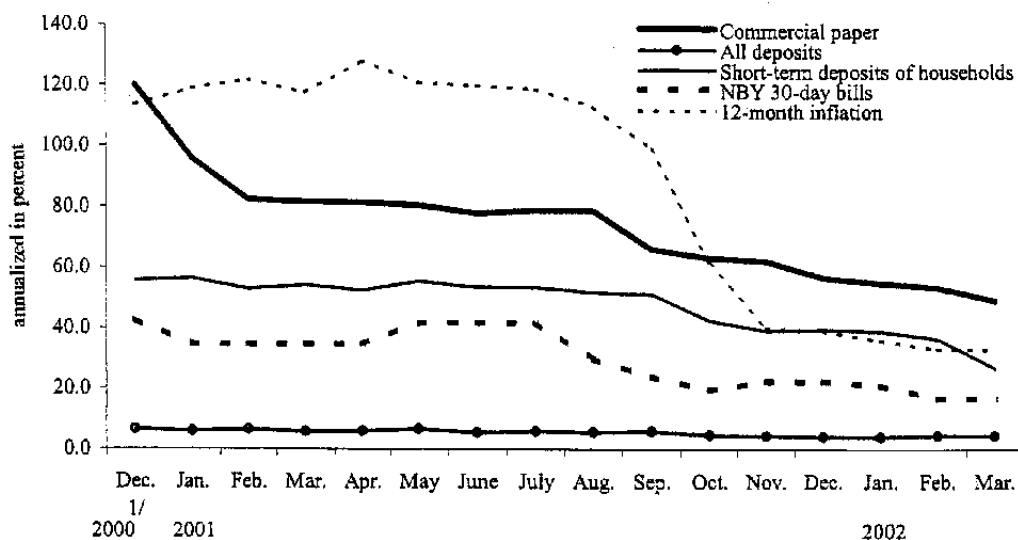
- The reserve requirement ratio was increased from 17 percent (of dinar deposits) to 19.5 percent in February 2000 and then to 24.5 in September 2000, mainly to sterilize the liquidity effects of quasi-fiscal lending operations. However, the efficiency of the reserve requirement system was hampered by the exemption of all foreign exchange and selected dinar deposits and, until October 2000, by special exemptions granted to some large and insolvent banks. Meanwhile, the requirement that reserves be maintained daily (with the amount assessed every ten days) restricted banks' flexibility in managing their liquidity.
- As an effort to rely upon market-based instruments, the NBY renewed its issuance of bills in late 2000 to absorb excess liquidity of banks. However, both the volume and the interest rates of the NBY bills have been relatively low. Outstanding NBY bills amounted to 22 percent of dinar deposits at end-March 2002, compared with the excess liquidity of 19 percent of dinar deposits (Table II.3). The interest rate of 30-day NBY bills was 42.6 percent in early January 2001 and 16.8 percent at end-March 2002, significantly below the 12-month rate of inflation, albeit higher than the annualized rate of inflation in recent months (Figure II.2).

Table II.3. Federal Republic of Yugoslavia: Indicators of NBY Bills
(End Period)

	NBY Bill Stocks (in million YUD)	NBY bills as percent of			Monthly interest rate for 30-day bills	Commercial paper
		Res. Money		Dinar Deposits		
		Res.	Excess Res.			
Jan.1 beg. 1/	74.3	...	...		42.6	120.2
Jan-01	416.5	2.3	12.5	1.9	34.5	95.8
Feb-01	433.6	2.4	16.8	2.0	34.5	82.3
Mar-01	343.2	1.7	11.8	1.5	34.5	81.4
Apr-01	375.1	1.8	14.3	1.7	34.5	81.2
May-01	998.0	4.5	27.0	4.5	41.7	80.4
Jun-01	1372.4	5.6	39.0	6.2	41.7	77.7
Jul-01	1609.3	6.3	56.2	7.3	41.7	78.8
Aug-01	2674.5	9.7	81.8	12.1	29.8	78.8
Sep-01	2699.5	8.7	58.0	12.2	23.9	66.1
Oct-01	2673.3	7.9	52.8	12.1	19.6	63.3
Nov-01	2265.7	6.5	60.6	10.2	22.4	62.1
Dec-01	715.0	1.6	8.9	3.2	22.4	56.6
Jan-02	2886.6	7.2	54.9	13.0	21.0	55.7
Feb-02	4009.8	8.8	74.9	18.1	16.8	53.4
Mar-02	4880.6	10.1	62.3	22.0	16.8	49.2

Sources: National Bank of Yugoslavia; and Fund staff estimates and calculations.

Figure II.2. Federal Republic of Yugoslavia: Interest Rates for Serbia, 2000-2002



Sources: National Bank of Yugoslavia; and IMF staff estimates.

5. **The closure of most insolvent banks by early 2002 has paved the way for the NBY to improve the effectiveness of monetary policy by reducing distortions in the reserve requirement system and further developing market-based monetary instruments.** A set of reforms that became effective in April 2002 modernized NBY's monetary instruments. The deposit base of the reserve requirement was widened to include all broad money deposits (with the exception of individuals' "new"—i.e., since July 1, 2001—foreign currency deposits, which are subject to a 50 percent liquidity requirement); the reserve requirement ratio was lowered to 20 percent; and the maintenance period was lengthened to a month with monthly averaging. To complement this reform, the NBY introduced four new lending facilities—intraday credit, overnight credit, Lombard credit of varying duration, and overnight deposits—and lengthened the maturity of NBY bills as well as the frequency of auctions to encourage the development of an interbank market.

D. Recent Developments in Broad Money, Credit, and Interest Rates

Broad money developments

6. **Broad money (M2)—and especially dinar M2—have risen rapidly since late 2000.** NBY's monetary programming is based on dinar M2, but both dinar M2 and M2 including foreign currency deposits are monitored. Dinar M2 rose by 106 percent during 2001 (48 percent in real terms) and by 104 percent in the twelve months to end-March, reflecting improving confidence in the dinar and the banking system. These growth rates implied a decline in the dinar money multiplier, owing mainly to an increase in the currency/dinar

deposit ratio.⁶ Foreign currency deposits rose by 70 percent during 2001 (67 percent in euro terms) and by 142 percent (139 percent in euro terms) in the twelve months to March 2002. Households accounted for the bulk (83 percent) of the €756 million increase in foreign currency deposits between end-July 2001 and end-March 2002, while the remainder is explained by a build-up of non-surrendered foreign exchange earnings in exporters' accounts. The euro conversion process played an important role in the rapid rise in foreign exchange deposits as households took advantage of the waived conversion fee of 0.9 percent for deposits of more than 31 days.⁷ As a result, the 12-month growth rate in M2 including foreign currency deposits rose from 79 percent at end-2001 to 123 percent at end-March 2002, while foreign currency deposits rose as a share of M2 from 43 percent at end-December 2001 to 52 percent at end-March 2002.

7. **Despite the rapid rise in M2, the economy remains seriously undermonetized.** The public's confidence in the banking system was eroded by the freezing of foreign currency accounts and hyperinflation in the early 1990s, as well as the insolvency of many domestic banks. Since late 2000, the closure and strict control of troubled banks, the entry of reputable foreign banks, and progress in lowering inflation have raised the public's confidence in the currency and the banking system.⁸ However, the rapid remonetization has been from an extremely low base and foreign exchange deposits still account for a large share of broad money. The average level of M2 was 11.5 percent of GDP in 2001, compared with 35 percent of GDP in 1990. By way of comparison, the levels in other countries in the region were: Bulgaria at 36 percent, Bosnia at 35 percent and Croatia at 53 percent of GDP in 2001.⁹

8. **Financial intermediation and interbank market flows are limited.** While average credit to the non-government sector was about 30.2 percent of GDP in 2001, most of these assets represented old, foreign-currency denominated claims on insolvent enterprises; moreover, over one half of these assets were owned by the 4 large banks that were closed in

⁶ The introduction of the higher-denomination dinar notes of YUD 200 in late May and YUD 1,000 in late September 2001 (equivalent to about US\$3 and US\$15, respectively) facilitated the growth in demand for dinars. By end-October 2001, 200 and 1,000 dinar notes accounted for about 45 percent of currency in circulation. In April 2002, the NBY plans to issue YUD 5,000 notes.

⁷ The impact of euro conversion has begun to taper off. Of the €623 million net inflow of individual household deposits in foreign exchange between July 2001 and March 2002, about 80 percent occurred between December 2001 to February 2002. The net deposits in March 2002 were negative.

⁸ Four foreign banks established in 2000 attracted 35 of foreign currency deposits between July 2001 and March 2002.

⁹ The average currency in circulation in FRY was 2.2 percent of GDP in 2001, compared with 4.7 percent of GDP in 1990 and 9.6, 11.5, and 4.5 percent of 2001 GDP in Bulgaria, Bosnia, and Croatia, respectively.

early 2002. Little new credit has recently been extended. During 2001, credits to the economy increased by 5 percent in nominal terms, representing a 33 percent contraction in real terms. The absence of attractive lending opportunities owing to widespread insolvency among enterprises, a legal framework that fails to adequately protect creditors' rights, and the ongoing bank restructuring have limited financial intermediation by banks, and encouraged the accumulation of excess dinar liquidity or foreign assets in the form of deposits placed abroad.

Developments in interest rates

9. **Interest rates have trended downwards but the cost of credit and the spread between lending and deposit rates remain high.** Since late 2000, with declining inflation and a stable exchange rate, the weighted average interest rate on commercial paper declined from an annual rate of 120 percent at the end of 2000 to 49 percent by end-March 2002, about 12 percent in real terms on the basis of the 12-month rate of inflation. Meanwhile, the average short-term bank lending rate fell from 80.4 percent to 28.8 percent. While the interest rate on NBY bills does not reflect market demand fully and has a limited direct impact on the market rate, the steady reduction in the interest rates of NBY bills might have influenced the market's expectations. At end-March 2002, the average deposit interest rate was only 4.4 percent, 24.4 percentage points lower than the short-term lending rate; the average interest rate on short-term (up to a year) household deposits was considerably higher (27.7 percent) and negative in real terms on the basis of the 12-month rate inflation—albeit positive in real terms on the basis of the annualized 6-month rate of inflation (about 18 percent).

III. PROGRESS IN RESTRUCTURING THE BANKING SECTOR SINCE LATE-2000¹

1. Since late-2000, the authorities initiated a comprehensive banking reform aimed at restoring the public's confidence in the banking sector through transparent and cost efficient resolution of troubled banks, establishment and strict enforcement of prudential regulations in line with the international standards, and privatization of state-owned banks. This chapter presents an overview of financial sector reforms in Serbia and Montenegro, elaborates on the closure of the four largest state-owned banks in Serbia, and outlines progress in strengthening prudential supervision in both republics.

A. Banking Sector Restructuring in Serbia

2. In early 2001, the NBY carried out a comprehensive assessment of the banking sector and by May 2001 prepared a bank restructuring strategy, with technical assistance from the Fund, World Bank and bilateral donors. The diagnostic reviews of banks assessed institutions regarding capital adequacy, operational viability, liquidity, quality of bank management, privatization prospects, and systemic importance. Based on the first review, the NBY separated the banks into four groups: A – healthy banks; B – solvent, but undercapitalized banks; C – insolvent, but potentially viable and/or systemically important banks; and D – insolvent banks without potential viability or systemic importance. By end-June a number of banks were put under liquidation or rehabilitation. The Federal Agency for Deposit Insurance and Bank Rehabilitation (BRA) was reorganized and assigned the duties of bank rehabilitator and liquidator with technical assistance from the World Bank and bilateral donors.²

3. Substantial progress has been made toward resolving unsound banks and assisting potentially viable banks to improve their performance. A total of 19 small, undercapitalized, and inefficient banks, accounting for approximately 10 percent of the total book value of assets were closed; in addition 4 large banks, accounting for almost 60 percent of the total book value of assets, were closed as described below (group D). Five banks remain under rehabilitation with the BRA (group C) and their recapitalization (possibly through privatization) or liquidation is expected by end-June 2002 (group C). Finally, a number of banks (from group B) were placed under intensive supervision of the NBY and were required to prepare business plans and submit monthly reports on operations. It is expected that these banks will also improve their operational profitability and eventually complete recapitalization in line with prudential regulations by end-June 2002. In addition, six new licenses have been issued since late 2000, including for 5 new foreign banks (Micro

¹ Prepared by Joshua Charap and Elina Ribakova. A more detailed assessment will be made available in the forthcoming Working Paper "Yugoslav Banking Sector Restructuring: Bold Steps that Pay-Off" by J. Charap, J. Lukovic, and E. Ribakova.

² Liquidation administrator functions were assigned to this agency through amendments to the Law on Bank Rehabilitation, Bankruptcy and Liquidation and the Law on the Federal Agency for Deposit Insurance and Bank Rehabilitation that were passed in October 2001.

Finance Bank, Raiffeisen Bank, National Bank of Greece, Alfa Bank and HVB Bank), while another foreign-owned bank (Societe Generale) had been licensed to operate in Yugoslavia since the early 1990s.

4. As shown in Table III.1, as of end-March 2002 there were 48 banks—in contrast to 71 in June 2001. Further consolidation of the banking sector is expected as smaller banks merge to meet the minimum capital requirement.

Table III.1. Republic of Serbia: Status of Commercial Banks

	End-December 2001					
	Number of Banks	No. of Employees	Book Value of Total Assets 2/		Total Deposits (incl. Bank dep.)	
			DM mil.	Percent	DM mil.	Percent
A (healthy)	33	5,202	4,631	48%	2,150	69%
<i>Of which</i> : With foreign capital	5	430	617	6%	493	16%
B (solvent but undercapitalized; under enhanced NBY supervision)	10	7,623	4,271	44%	906	29%
C (insolvent; under BRA control)	5	1,465	813	8%	68	2%
D (insolvent; liquidated in 2001)	23	-	-	-	-	-
Total	48	14,290	9,715	100%	3,124	100%
	End-June 2001					
	Number of Banks	No. of Employees	Book Value of Total Assets 2/		Total Deposits (incl. Bank dep.)	
			DM mil.	Percent	DM mil.	Percent
A (healthy)	29	4,617	3,062	13%	1,096	30%
<i>Of which</i> : Foreign	5	210	128	1%	63	2%
B (solvent but undercapitalized; under enhanced NBY supervision)	16	8,803	4,415	19%	784	21%
C (insolvent; under BRA control)	7	10,460	14,277	60%	1,632	44%
D (insolvent; in liquidation)	19	2,490	2,073	9%	174	5%
Total	71	26,370	23,827	100%	3,687	100%

Source: NBY, IMF staff estimates.

Closure of the four large state-owned banks

5. Based on a comprehensive assessment of the four largest banks completed towards the end of 2001, the federal and Serbian authorities decided to close these banks and initiate bankruptcy proceedings. The assessment concluded that (a) the fiscal resources necessary for rehabilitation were not available (estimated at approximately at

US\$3.8 billion, over and above state-guaranteed obligations to London and Paris Club creditors and resident foreign currency deposits that had been frozen in early 1990s); (b) the closure of the banks would not disrupt significantly the payments system or the provision of credit; and (d) the impact on the public's confidence in the banking sector was unlikely to be affected adversely. On January 3, 2002 these banks were put into bankruptcy and—in light of some delays owing to worker protests—were gradually placed under the effective control of the Bank Restructuring Agency (BRA) within the following two weeks.³ Despite these delays, the BRA has not identified cases of data tampering during the intervening period.

6. **The liquidity positions of the banks deteriorated sharply in the run-up to their closure, requiring liquidity injections by the government.** During December 2001, the four large banks exhausted their remaining liquid assets of about US\$30 million, forcing the Government to provide approximately US\$19 million in liquidity support through end-2001 (Table III.2).

Table III.2. Republic Serbia: Compensation to Depositors of Four Large Banks

	Paid in 2001		Paid in 2002		Total	
	In millions US\$	In percent of GDP	In millions US\$	In percent of GDP 1/	In millions US\$	In percent of GDP 1/
Liquidity support to banks (prior to liquidation)	7.8	0.07%	0	0%	7.8	0.06%
Individuals	0	0%	6.5	0.05%	6.5	0.05%
Budget institutions	4.8	0.04%	11.9	0.09%	16.7	0.13%
Public and social enterprises	5.9	0.05%	4.7	0.04%	10.6	0.08%
Private enterprises	0.8	0.01%	21.0	0.16%	21.8	0.17%
Social program for employees	0	0%	18.9	0.15%	18.9	0.15%
TOTAL	19.3	0.18%	63.1	0.49%	82.4	0.67%

Sources: Ministry of Finance and National Bank of Yugoslavia.

1/ In percent of projected 2002 GDP.

7. **After the initiation of bankruptcy, a process of depositor compensation was launched.** This process provided for full compensation of individual depositors and budget-supported institutions and partial compensation of enterprises. Accounts of individuals were transferred to the Postal Savings Bank and, as of end-April, approximately US\$6.5 million had been paid to individuals, while budget-supported institutions received compensation of approximately US\$16.7 million. As regards public and non-public enterprises, the original

³ Beogradska Banka on January 3, Jugobanka on January 8, Beobanka on January 14, and Investbanka on January 17.

deposit compensation scheme envisaged an immediate payment of 20 percent and subsequent full compensation to net creditors, while the Ministry of Finance was given some discretion regarding enterprise compensation.⁴ As of end-April, US\$32.4 million had been paid to enterprises, including full compensation for those with deposits less than YUD 200,000 (about US\$3,000). It was estimated that the depositor compensation process was nearly completed at a cost of US\$44 million (US\$63 million including payments to depositors during December 2001).

8. **A social (severance payment) program for approximately 8,000 employees was initiated upon bank closure.** The employees were offered three options: (1) a once-off severance payment of YUD 6,000 (approximately US\$90) for each year of service or 24 times the average net salary in Serbia; (2) unemployment compensation from the Labor Fund for two years; or, (3) retraining and special financial support during studies in addition to unemployment compensation from the Labor Fund. About 95 percent of bank employees chose option 1. As of April, the compensation payout was complete at a cost of US\$19 million.

9. **The BRA appointed reputable international auditing companies as external liquidation consultants, financed by a World Bank grant of US\$6 million.** The consultants prepared liquidation balance sheets by early March, 2002 as the starting point for asset resolution. Although limited loan recovery is expected, substantial revenue should be generated by the sale or lease of real estate. Resolution income will cover the costs of bankruptcy administration, and any remaining amounts will be distributed among creditors. According to a Memorandum of Understanding between the BRA and the Privatization Agency, the BRA will defer bankruptcy proceedings against selected enterprises for 18 months.

Strengthening prudential supervision

10. **Following the closure of the four largest state-owned banks, the NBY staff has devoted more resources to the development of a coherent scheme of prudential supervision.** Since late 2001, NBY staff had been preparing a new Law on the National Bank, amendments to the Law on Banks and Other Financial Institutions, and a supplementary package of regulations, to lay the foundation for strengthened banking supervision in Serbia. In addition to the legislative changes, the NBY is focusing on institution-building through issuance of policy guidance documents, implementation manuals, and extensive training for its staff with technical assistance from donors. Since early 2001, the NBY and the BRA have made substantial progress to improve the capacity of their staff to carry out prudential supervision. There are currently 69 employees at the NBY supervision department, out of which 15 have been hired recently; and there are 33 employees at the BRA, including 5 new hires and 8 foreign technical consultants.

⁴ The net creditor position was determined vis-à-vis the four banks as a group and tax arrears were included as a liability in the calculation.

11. A package of new (or updated) prudential regulations, in line with the international standards, is expected to come into force by end-June 2002, following the adoption of the Law on the National Bank and amendments to the Law on Banks. As outlined in Table III.3, the regulations will cover crucial issues, including capital adequacy, liquidity, asset classification and loss provisioning, internal audit and internal controls.

Table III.3. Republic of Serbia: Prudential Regulations

	Current	Proposed
I. INDICATORS		
1. Capital adequacy ratio	Minimum 8 percent	Minimum 8 percent
2. Pecuniary part of capital	US\$5 million	€5 million, to be increased to €10 million by end-2003
3. Structure of capital	-	Tier 1 + Tier 2
4. Liquidity risk	Static indicator, short term assets must be higher than, or equal to short term sources of funds	Dynamic indicator which must be higher than or equal to 0.9 percent on daily basis and to 1.0 percent as daily average on monthly basis
5. Foreign currency risk	Static indicator, FX assets must be equal to FX liabilities (with +/-5 percent)	Total open FX position must be less than or equal to 30 percent of bank capital
6. Large exposure to an individual borrower	20 percent of bank capital	10 percent of bank capital
7. The largest possible exposure to an individual borrower	Maximum 30 percent of bank capital	Maximum 25 percent of bank capital
8. The total amount of the largest possible exposure	80 percent of bank capital	400 percent of bank capital
9. Investments in companies shares	Maximum 15 percent of bank capital	Maximum 60 percent of bank capital (for both investments together)
10. Investments in its own fixed assets	Maximum 20 percent of bank capital	
11. Investments in other banks shares	Maximum 51 percent of bank capital	-
II. ASSETS AND LOAN LOSS PROVISIONING		
1. Provision for potential loan losses	A (0 percent), B (0 percent), C (50 percent), D (75 percent), E (100 percent)	A (2 percent), B (5 percent), C (50 percent), D (75 percent), E (100 percent)
2. Non-performing loans	-	Over 90 days
3. Suspension of interest	-	Over 90 days
4. Classification of assets		Financial standing of debtor is the main criterion and number of past due days as one of the criterion is decreased
III. INTERNAL PROCEDURES		
	-	1. Credit policies and procedures
	-	2. Internal audit
	-	3. Internal control
Source: NBY supervision department.		

12. **The authorities plan to eliminate government participation in the financial sector.** As of March 2002, no new capital will be contributed by a state organization to a bank or a financial institution. All existing banks with government ownership are required to prepare privatization plans by late-2002 and are expected to complete their privatization by late-2003.

B. Banking Sector Restructuring in Montenegro

13. **Following the establishment of an independent Central Bank of Montenegro (CBM), the authorities embarked on the reform of the banking sector, with technical assistance from bilateral donors.** As in Serbia, official efforts have focused on cleaning up the banking system and bringing prudential regulations and supervision in line with the international standards.

14. **Since early 2001, all banks on the territory of Montenegro were required to undergo an on-site assessment and apply for a new license.** As of end-March 2002, seven banks had been relicensed (one bank remains to be relicensed) and two new licenses were issued (including one bank with foreign ownership, formerly a micro-credit NGO). Two banks (including the subsidiary of the Serbian bank Jugobanka that was closed in early 2002) were put into liquidation and one bank (Montenegro Banka) was put under administration of the CBM.

15. **Montenegro Banka—formerly Montenegro's largest bank—has remained under CBM administration since early 2001.** No government funds were used explicitly for recapitalization and the bank's deposit taking and credit activities have been strictly limited. In early 2002, over 2/3 of bank employees were laid-off and balance sheet restructuring was proposed to address the insolvency of the bank, which arises to a large extent from foreign currency denominated obligations to residents that have been frozen since 1991, credits from the Paris and London Clubs of creditors, and debts to multilaterals. Within the next few months the CBM is expected to identify measures to improve the operational profitability of the bank.

16. **Since early 2001, the Montenegrin authorities passed a number of legislative acts to strengthen prudential supervision, including the Law on Banks and implementing regulations, and the Law on Bank Bankruptcy and Liquidation.** The new regulations seek to bring local legislation in line with international standards covering capital adequacy, asset classification and loss provisioning, liquidity management, internal controls, and internal audit. The CBM also established the framework for on-site and off-site control, commenced implementation of the CAMELS system, and trained 11 new employees for the supervision department. Finally, since mid-2001 the authorities have been trying to subject a large number of off-shore banks (over 500, licensed by the Ministry of Finance before the CBM became operational) to the banking regulations that apply to on-shore banks. The off-shore banks are not required to provide any information on their operations to the Montenegrin authorities and therefore no official statistics are available regarding their activities.

IV. EXTERNAL DEBT RESTRUCTURING AND PROSPECTS FOR EXTERNAL SUSTAINABILITY¹

1. While the Federal Republic of Yugoslavia (FRY) was faced with an exceptionally high external debt burden at the end of 2000, the results of several debt restructuring agreements concluded during the past year have laid a good foundation for securing external debt sustainability. Whether this is realized over the medium term will depend crucially on finalizing pending agreements and adhering to a policy framework geared towards promoting exports and growth.

A. Debt Restructuring

2. **At end-2000, FRY was a heavily indebted country that owed substantial arrears to virtually all its external creditors.** Total external debt stood at US\$11.5 billion, equivalent to 143 percent of GDP and 453 percent of exports of goods and services. As a result of many years of failing to make debt service payments (on account of international sanctions as well as severe foreign exchange shortages), around 85 percent of the debt stock represented obligations that were in arrears. The debt stock was held by a wide range of creditors, with roughly 40 percent owed to the Paris Club, 20 percent to multilateral creditors, 20 percent to the London Club, and around 10 percent each to other commercial creditors and short-term creditors.

3. **Beginning in late 2000, FRY initiated considerable efforts towards regularizing relations with external creditors.**

- The government concluded arrears clearance agreements with four out of the seven multilateral creditors that were owed arrears as of end-2000. Arrears to the IMF and Eurofima were cleared in December 2000, while arrears to the EIB and the World Bank were cleared in October and December 2001 respectively. Two multilateral creditors, the International Finance Corporation (IFC) and the Moscow Bank for International Cooperation (MIB), hold debt that is neither owed nor guaranteed by the government.² The sole remaining multilateral creditor to which the government owes arrears is Eurofond, with claims of around US\$28 million as of end-2001. Negotiations with this creditor are on-going, as a follow up on discussions that have taken place in late 2001 and early 2002; the government is seeking to obtain new financing from Eurofond that will facilitate the repayment of outstanding obligations over a period of several years.

¹ Prepared by Helaway Tadesse.

² Debt-for-equity swaps are being considered for the settlement of the IFC's US\$175 million debt; the MIB has recently sold the small amount of its claims (US\$10 million) to a commercial creditor.

- A major agreement was reached with Paris Club creditors in November 2001 on a debt restructuring involving a phased 66 percent NPV reduction on commercial debt. The agreement provides for a 51 percent cancellation of commercial debt in 2002, upon approval of a three-year arrangement with the IMF, and a rescheduling of the remaining amounts over 22 years, with 6 years grace. In addition, 60 percent of the interest charged on the remaining debt stock during the next three years will be capitalized and thus not need to be paid. Upon successful completion of the three year IMF program and a satisfactory record of payment to Paris Club creditors, FRY will obtain an additional 15 percent commercial debt reduction, bringing the total reduction on commercial debt to 66 percent. The very small amount of concessional (ODA) debt owed to Paris Club creditors will be repaid over 39 years, with a 16-year grace period.³
- **Consistent with commitments under the Paris Club agreement, FRY is in the process of seeking comparable treatment from its other official bilateral creditors and commercial creditors.** There are only two non-Paris Club official bilateral creditors, China and Libya, that are owed around US\$196 million and FRY has initiated contacts in an effort to seek a debt restructuring on terms similar to the Paris Club agreement. As for the London Club, owed around US\$2.3 billion, a Bank Advisory Committee has been established and several rounds of discussions have taken place in late 2001 and early 2002. While initial discussions have not resulted in agreement on the scope of debt reduction, progress is being made in debt reconciliation and negotiations are still continuing. The position of the FRY authorities has been to seek terms comparable to those of the Paris Club deal.

4. **Although the task of regularizing relations with creditors is not complete, the debt restructuring agreements concluded during the past year have laid a good foundation for securing external debt sustainability.** One major achievement has been the substantial *debt reduction* by the Paris Club creditors, which contributes substantially to reducing the debt overhang. A second important achievement has been the substantial *debt service relief* that has been obtained for the next few years. This has been secured not only from the Paris Club (which has offered a six year grace period on principal repayments as well as a capitalization of most of the interest due in the 2002–05 period), but also from the debt restructuring agreements with the multilateral agencies, notably the World Bank. The grace periods allow the country some breathing space in the next few years when the costs of reform and transition are at their highest levels.

³ Other key elements of the Paris Club agreement included: (i) a March 20, 2002 deadline for the signing of bilateral agreements; (ii) a de minimus clause excluding debts of less than SDR 100,000; and (iii) an option for voluntary swap agreements between Yugoslavia and its bilateral creditors.

B. Debt Sustainability Analysis

5. **To comprehensively assess the implications of the recent and prospective agreements, a debt sustainability analysis has been prepared on the basis of two sets of projections.** The first set consists of debt and debt service projections that result from recently signed restructuring agreements as well as from forecast levels of new borrowing. Multilateral debt service projections are derived from actual agreements signed to date. The Paris Club agreement is utilized to project debt service due to Paris Club creditors; on the assumption of comparable treatment, debt service to other official bilateral and commercial creditors are projected by applying the same parameters as used for the Paris Club.⁴ For short-term debt, consistent with the Paris Club Agreed Minute, a rescheduling is assumed (without any debt reduction), involving a repayment over 8 years, with four years grace. Debt service on new debt is based on the levels of new borrowing projected in the balance of payments and also on the terms for the new loans, which are differentiated according to five categories of creditors.⁵ On the basis of these assumptions, external debt service more than doubles from an estimated US\$343 million in 2002 to US\$852 million in 2005, and rises further to US\$1,308 million by 2010.

6. **Given debt service projections, a second set of projections involve the specification of a baseline macroeconomic framework that can be used to assess long-term sustainability.** For Yugoslavia, such a framework assumes a continued strong record of policy implementation and a recovery of export activity from its unusually depressed levels. More specifically, export growth is projected to average 14 percent per year in U.S. dollar terms in the period to 2005 (largely reflecting a return of exports to historical levels), while moderating thereafter to around 10 percent per year (similar to the average growth witnessed in transition countries during the late 1990s). Nominal GDP in U.S. dollar terms is projected to rise by an average annual rate of 8 percent after 2002, reflecting projections of real GDP growth as well as some modest real appreciation. The balance of payments framework is further guided by the following key assumptions: strong import growth in the early part of the decade on account of reconstruction related needs; a leveling off in private remittances

⁴ Of course, while being expected to offer a 66 percent NPV reduction, the agreement with commercial creditors is likely to be structured in a very different way from that of the Paris Club deal. However, in the absence of an actual agreement to date, and given the expectations of comparable treatment, an identical restructuring of debt is assumed for the purpose of the projections.

⁵ New borrowing falls into one of five categories, each with different terms: IDA borrowing (20 years maturity, 10 years grace, interest rate of 0.75 percent); IBRD borrowing, only beginning in 2005, (20 years maturity, 5 years grace, interest rate of 5.7 percent); other official borrowing from multilateral creditors (15 years maturity, 4 years grace, interest rate of 6 percent); commercial borrowing (3 years maturity, without a grace period, interest rate of 9 percent) and IMF borrowing (for the Extended Arrangement this involves a repayment for each purchase over 7 years, with 4½ years grace, and an interest rate of 2.85 percent).

after 2002; a rising level of foreign direct investment in line with improving economic conditions and the privatization program; and official financing inflows consistent with indications provided at the June 2001 Donors conference of around US\$4.5 billion in external assistance for 2001–05.

7. **A review of the debt and debt service projections in the context of the baseline macroeconomic scenario shows that while trends in the stock of debt do not present a threat to debt sustainability, liquidity problems in meeting debt service obligations could arise in the latter half of the decade.** Even after assumed new borrowing, solvency indicators show a steady improvement over time, with ratios of debt-to-GDP, debt-to-exports, and debt-to-revenue all declining over the course of the decade (see Table IV.1). More specifically, the debt to GDP ratio declines from 109 percent in 2001 to 59 percent in 2005, while the debt to exports ratio falls from 429 to 207 percent over the same period. The net debt position, which accounts for rising official reserves over the same period, would show an even stronger improvement over the medium term, declining from 98 percent of GDP in 2001 to 41 percent of GDP in 2005. This outcome largely reflects the fact that a two-thirds debt reduction is being applied to roughly two-thirds of total external debt, after assuming comparable treatment from bilateral and commercial creditors.⁶ Indicators of potential liquidity pressures show a less sanguine trend. Reflecting grace periods on restructured debt and on new borrowing, the debt service to exports ratio is contained at around 15 percent in the 2002–05 period, but rises to an average of 22 percent during 2006–10. Also, government debt service as a share of revenues rises from an average of 10 percent in the 2002–05 period to 16 percent in the latter half of the decade, placing considerable strain on budgetary resources.

8. **The outlook for debt service indicators could nonetheless turn out to be even worse if external inflows are lower than currently projected.** In this regard, two adverse scenarios are considered: (i) export growth that is around 40 percent lower than assumed in the baseline (i.e., an average growth of 7 percent per year instead of 12 percent per year over the 2002–10 period), and (ii) foreign direct investment inflows amounting to only half of the baseline projections (with additional gap-filling borrowing assumed to cover emerging financing gap).⁷ For the early part of the decade (2002–05), the sensitivity analysis indicates

⁶ Among debt indicators, ratios in relation to GDP are much more favorable compared to ratios relative to exports (i.e. the capacity to service debt in terms of cash flow available). Relative to exports of goods and services, Yugoslavia's debt remains above the "HIPC sustainability threshold" of 150 percent until 2007. However, the ratio of debt to GDP falls below 60 percent, the "Maastricht criteria" used for the EU, as early as 2005. Part of this difference may be explained by foreign exchange inflows that are not recorded as exports, but appear in large amounts as errors and omissions.

⁷ Other possible downside scenarios are considered to have low probabilities. For example, on projected official financing, it is expected that substantially lower disbursements are unlikely given indications of donor support of \$4.5 billion over the 2001–05 period and in light of the long-term commitments of major donors towards Yugoslavia as part of broader

(continued)

that debt service ratios, although higher by 4 percentage points, could still be manageable given their levels of around 18 percent of exports of goods and services. For the latter half of the decade, however, either one of the two downside scenarios – if unmatched by over performance in other external inflows – will result in debt service ratios near 30 percent.

C. Conclusion

9. **The above review suggests that while all debt sustainability indicators are relatively favorable for the period to 2005 and debt solvency indicators continue to improve thereafter, liquidity pressures could arise in the latter half of the decade under a less favorable external environment than projected in the baseline.** This reinforces the case for building a sufficiently comfortable international reserves position in the next few years so as to allow for a temporary draw down of funds in cases of unexpected and temporary shocks. Moreover, a period of sustained adverse developments in the latter half of the decade would also require corrective policies in order to safeguard the external position.

regional initiatives aimed at securing peace, stability, and economic development. Moreover, as has occurred in 2001, even with shortfalls in foreign financing, these are expected to be associated with lower import/spending requirements, thus minimizing immediate financing gaps (although at a possible cost for future growth). On the level of appreciation projected over the medium term, which affects the GDP denominator used in expressing debt ratios, this is also relatively modest except for a “carryover effect” in 2001–02 on account of the recent stability of the nominal exchange rate. After 2002, annual real appreciations averaging less than one percent per year are assumed, considerably less than the levels witnessed in transition countries during their initial years of reform.

Table IV.1. Federal Republic of Yugoslavia: Medium-Term External Sustainability, 2000-2010

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Average 2002-05	Average 2006-10
(In millions of U.S. dollars, unless indicated otherwise)													
Export growth (US\$ terms, in percent) 1/	15.1	10.4	12.3	16.4	16.4	15.0	13.0	11.0	10.3	10.3	9.5	15.0	10.8
Import growth (US\$ terms, in percent)	12.6	30.4	15.1	9.9	8.3	8.1	7.0	6.4	6.3	6.3	6.3	10.3	6.4
Current account balance, before grants	-610	-1,187	-1,646	-1,722	-1,623	-1,449	-1,363	-1,282	-1,176	-1,039	-914	...	...
<i>percent of GDP</i>	-7.6	-10.9	-12.8	-12.4	-10.7	-8.8	-7.6	-6.7	-5.7	-4.7	-3.9	-11.2	-5.7
Current account balance, after grants	-339	-596	-1,050	-1,322	-1,323	-1,149	-1,113	-1,082	-976	-839	-714	...	...
<i>percent of GDP</i>	-4.2	-5.5	-8.2	-9.5	-8.7	-7.0	-6.2	-5.6	-4.7	-3.8	-3.0	-8.3	-4.7
Gross official reserves	516	1,169	1,645	2,061	2,462	2,892	3,042	3,167	3,311	3,474	3,769	...	...
<i>in months of imports of goods and services</i>	1.2	2.4	3.0	3.5	3.9	4.2	4.2	4.1	4.0	4.0	4.0	3.7	4.1
External debt 2/	11,403	11,948	8,598	9,397	10,130	9,706	9,840	9,780	9,472	9,036	8,908	...	...
As percent of exports of goods and services	453	429	273	260	245	207	188	169	149	130	118	246	151
As percent of GDP	143	109	67	67	67	59	55	51	46	41	38	65	46
As percent of government revenue	368	263	156	159	159	142	134	123	112	100	92	154	112
External debt service 3/	56	107	343	467	719	852	1,107	1,315	1,512	1,630	1,308	...	...
As percent of exports of goods and services	2.2	3.9	10.9	12.9	17.4	18.1	21.1	22.7	23.9	23.5	17.3	14.8	21.7
As percent of GDP	0.7	1.0	2.7	3.3	4.7	5.2	6.2	6.8	7.3	7.4	5.5	4.0	6.7
As percent of government revenue	1.8	2.4	6.2	7.9	11.3	12.5	15.0	16.6	17.8	18.0	13.5	9.5	16.2
Sensitivity Analysis													
Lower export growth scenario 4/													
Debt service to exports of g&s	...	...	11.4	14.3	20.3	22.2	27.0	30.2	32.9	33.5	25.5	17.1	29.8
Debt to exports of g&s	...	...	287	288	286	253	240	225	206	186	174	279	206
Debt to GDP	...	...	67	67	67	59	55	51	46	41	38	65	46
Lower foreign direct investment scenario 5/													
Debt service to exports of g&s	...	...	11.4	15.8	22.2	24.4	27.4	28.8	29.9	29.3	22.9	18.5	27.6
Debt to exports of g&s	...	...	279	270	256	218	199	180	160	140	127	256	161
Debt to GDP	...	...	70	72	74	67	64	60	56	51	48	71	56

Sources: National Bank of Yugoslavia; and IMF staff projections.

1/ Recorded exports only.

2/ Incorporates the phased 66 percent debt reduction offered by the Paris Club, with comparable action provided by other official bilateral and commercial creditors.

3/ Besides the phased 66 percent debt reduction offered by the Paris Club, assumes a 60 percent capitalization of moratorium interest for the 2002-2005 period (as per the Paris Club agreement). Debt service projections for other official bilateral and commercial creditors are based on the assumption of comparable treatment.

4/ Growth in exports of goods and services is assumed to be only 60 percent of that under the baseline scenario. GDP growth unchanged from the baseline.

5/ Foreign direct investment is assumed to be only half of that under the baseline scenario (on account of a worsened global environment), and gap-filling borrowing is utilized to cover the emerging financing gaps.

V. PRIVATE SECTOR DEVELOPMENT IN SERBIA¹

1. **A revitalization of the private sector through privatization and a better business climate is crucial to the development of Serbia.**² The legacy of Yugoslavia's economic system of self-management and "social" ownership of enterprises provides a poor starting point for economic development because of the dearth of private companies with owners that have the incentive and mandate to restructure companies. As of end-2001, 53 percent of dependent employment in Serbia (i.e., number of employees, estimated at 2.1 million) was in socially owned enterprises, while the private sector and the government each accounted for 20 percent of such employment, with the remaining 7 percent in state-owned enterprises (mainly utilities, railways, and the airline). An overhaul of the business environment will be essential to improve corporate governance, reduce opportunities for rent-seeking, and provide incentives for the expansion private economic activity. The process of enterprise restructuring and privatization, which has just begun, will require sustained political commitment, especially since most socially owned enterprises are not viable without major operational and financial restructuring and there are limited fiscal resources to mitigate the social impact of these measures.

A. Privatization and Economic Restructuring

2. **In mid-2001 a new legal framework for the privatization of socially owned companies was adopted.**³ In February 2001, shortly after coming to power, the Serbian government halted privatization under the 1997 law, which had provided for management/employee buyouts to privatize socially owned enterprises. Nevertheless, the privatization of 786 companies (accounting for about 10 percent of dependent employment) under the 1997 law were not reversed. New privatization legislation that came into effect in

¹ Prepared by Johannes Herderschee.

² Private sector development is also crucial to the development of Montenegro, which initiated its reforms in 1999 and has taken a somewhat different approach to private sector development.

³ By contrast Montenegro has privatized about 220 medium-sized companies through a combination of (a) a Mass Voucher Privatization (MPV) process (completed in late 2001) typically for stakes of 30–40 percent and (b) employee buyouts typically for stakes of 20–40 percent; minority shares owned by the Pension Fund and the Unemployment Fund in about 135 of these companies as well as minority shares in an additional 45 companies remain to be privatized through auctions at the stock exchange. A majority of the MPV shares is held by six private investment funds, which have reportedly taken an active role in managing the privatized enterprises. International tenders are to be organized to sell majority shares in 19 large companies. A batch sale method, in which a minority share is sold but investors may subscribe to newly issued shares, will be used for the privatization of some 30 companies. The contribution of privatization revenues to the budget during 2002 is projected at €24 million.

July 2001, with technical assistance from the World Bank, seeks to establish clearly defined ownership with a dominant owner who would be able to restructure the companies. The law also provides for tender and auction procedures in line with internationally accepted best practices. As discussed below, proceeds from privatization will accrue to the budget and the employees of companies undergoing privatization, while state claims on insolvent enterprises will be written off in the process of privatization. According to tentative estimates by the Ministry of Privatization and Economy, the contribution of privatization proceeds to the budget will amount to €200 million annually in 2002–04, €250 million in 2005, and €300 million in 2006.⁴

3. The Ministry of Privatization is taking the lead in privatization through tenders of about 100 large and economically attractive companies, accounting for about 5 percent of total dependent employment. The privatization process commenced with the completion of tenders for three cement factories that employed about 5,000 people. The three companies were sold for about €160 million (1.1 percent of GDP in 2002), as well as investment commitments of about €170 million. During 2002, some 28 companies will be tendered in 6 pools, with technical assistance from the World Bank, 37 additional companies will be prepared for tender (although some privatization transactions may not take place until 2003). These 65 companies employed approximately 60,000 people (about 3.5 percent of total dependent employment) and had total sales in 2000 equivalent to about 7 percent of GDP. In the case of companies privatized through tender, about 70 percent of their equity is to be sold, while the remainder is to be distributed among the employees (15 percent, up to the limit of €200 per year of service) and the remainder will be transferred to the Privatization Registry, to be distributed to all citizens upon completion of the privatization program.

4. Auctions will be the prevalent instrument for privatization of about 4,000 small and medium-sized enterprises, accounting for approximately 40 percent of total dependent employment. The auctions—which take place at the Belgrade stock exchange—may be initiated by the government, employees of the companies, or interested investors. The first pilot auctions took place on April 3, 2002, when 3 out of 9 companies offered for sale were sold. The limited success of the first round is probably attributable to the weak financial position of the companies offered for sale and investor concerns about constraints on worker layoffs, sales of non-core assets, and spin-offs of non-viable product lines. For privatizations through auctions, employees will receive a share of the equity tied to the speed with which the enterprises have been privatized.⁵

⁴ These amounts are after claims by banks under administration by the Bank Restructuring Agency (BRA) have been addressed as specified in the Memorandum of Understanding between the Privatization Agency and the Bank Rehabilitation Agency.

⁵ To provide incentives for employees to press for early privatization, the authorities devised a sliding scale for providing enterprise equity to employees. For privatizations that take place within 18 months from July 2001, 30 percent of the equity (up to a maximum of €200 per year of service); for privatizations carried out within 30 months, 20 percent of the equity (up

5. **Restructuring of 40 large economic systems (“conglomerates”), accounting for about 10 percent of dependent employment, is another important element of the privatization strategy.** The list of companies to be restructured prior to privatization will be finalized by August 2002 and is expected to include companies that are not suitable for privatization as a single entity, have a large number of employees that need to be retrenched, are highly indebted, and are regionally important. These companies will be subject to an intensive pre-privatization restructuring, including comprehensive diagnostics of the enterprises, identification of viable business units, debt/asset allocation, and settlement of legal claims. Subsequently, viable business units will be privatized through tender or auction. Restructuring of the first 3 companies will start in 2002, and the process is expected to be completed by 2005.⁶

6. **The government will contribute significantly to paying retrenchment costs in companies undergoing restructuring.** Following the adoption of the new Labor Law in December 2001, which reduced the costs to restructure companies (see below), the government adopted a Social Plan to assist workers laid off in the process of restructuring, privatization and liquidation. Retrenched workers may choose between (a) a lump-sum payment equivalent to €1,000 or €100 per year of service (whichever is higher) and (b) payment for up to 2 years, depending on length of service, at 40–80 percent of the average wage in Serbia. In addition, retrenched workers may seek support for training, financial support to start a new business, or programs designed to stimulate self employment. The budget for 2002 allocated the equivalent of €115 million (1 percent of GDP) for these activities, of which almost two-thirds will be administered through the Transition Fund and the remainder through transfers to the republican Employment Fund.

7. **State claims on insolvent enterprises may be written off before their privatization.** Tax arrears will be forgiven in the context of privatization while the Ministry of Finance will receive a share of privatization revenue. Furthermore, to make companies more attractive to private investors the claims of banks that are being liquidated by the Bank Restructuring Agency (BRA) will be taken off the companies’ balance sheets in the context of the privatization. On behalf of the creditors of banks under liquidation, the BRA will receive a share of privatization revenue as specified in a Memorandum of Understanding

to a maximum of €150 per year of service); and for privatizations carried out within 48 months, 10 percent of the equity (up to a maximum of €75 per year of service).

⁶ Financial and legal advisors have completed the analysis and preparation of the restructuring for the holding company “Zorka,” and have started their analysis and preparation for 3 more companies (“FAP,” “IMT” and “ZMAJ”). The restructuring of the holding company Zorka is underway and negotiations with financial and legal advisors to prepare and implement the restructuring plan for the automobile company Zastava are ongoing. Privatization of individual business units created out of the holding company Zorka and Zastava, and potentially the three others, will start by the end of the year.

between the BRA and the Privatization Agency (PA). In future, claims of the Health, Pension and Unemployment Funds may also be taken off the balance sheets as part of the privatization process, but this remains to be addressed in the context of an agreement between these Funds and the Privatization Agency.

8. **Reform of the bankruptcy process will allow for a credible mechanism to deal with companies that cannot be restructured in a commercially viable manner.** Under the existing bankruptcy system, accounts in the domestic payments system (ZOP) are blocked if a company is unable to service its obligations; subsequently, creditors may resort to the bankruptcy process, which in practice tends to be unduly complicated and time-consuming. A new bankruptcy law is being drafted and is expected to be promulgated by end-2002 with World Bank assistance.⁷ Moreover, a Bankruptcy Agency is being established at the Serbian level as a mechanism to allow for the licensing and control of individual bankruptcy administrators who may be appointed by the court, thus reducing the discretionary authority of the courts.

B. Business Environment

9. **By mid-2001, the authorities had taken steps to improve the business environment in several important respects.**⁸ The reform of the price, exchange, trade (Box V.1) and tax regimes removed important distortions and established more competitive conditions in the domestic market. Moreover, a new labor law, adopted in December 2001, liberalized wage determination and hiring practices.⁹

⁷ In Montenegro, a new law on company insolvency came into effect in February 2002. The law provides, inter alia, for bankruptcy, reorganization, and the appointment of liquidation trustees.

⁸ Montenegro applies its own trade policies, with average import tariffs significantly lower—but non-tariff trade barriers more prevalent—than in Serbia. Like Serbia, Montenegro is committed to phase out its non-tariff barriers on exports and imports by end-2003 and end-2004, respectively. Business registration procedures have been liberalized in Montenegro, and future efforts will focus on improving the overall business environment, including through the planned adoption of new legislation to improve labor market flexibility and reduce the costs of company restructuring.

⁹ The Serbian Labor Law (a) increased labor market flexibility, as only companies employing over 50 and retrenching more than 10 percent of their staff are required to submit a justification for their actions, (b) reduced minimum severance payments from 6–12 months to 2–5 months, (c) allowed for negotiations of collective agreements by any organization representing over 15 percent of total staff, (d) reduced minimum maternity benefits from 5 years to 1 year, and (e) reduced the minimum annual leave days to 18.

Box V.1. Liberalization of the Foreign Trade Regime

The foreign trade regime had been one of the main avenues for rent seeking. In May 2001, new legislation removed almost all non-tariff import and export barriers and lowered the maximum import duty to 30 percent with the average tariff below 10 percent.¹⁰ While this represents a significant improvement compared to the previous regime, some sectors continue to receive protection. Restrictive import licensing continues to apply to some 40 tariff lines covering steel products. Supplemental seasonal duties of 20 percent apply to 36 agricultural products, including cut flowers, vegetables and fruits. Export quotas apply to 34 tariff lines covering agricultural products (live animals, cereals, wheat, soy beans, sunflower seeds, sugar and raw hides). The authorities intend to remove quantitative restrictions on exports and imports by end-2003 and end-2004, respectively. FRY has signed preferential trade agreements with Bosnia, Hungary, and the Former Yugoslav Republic of Macedonia, while negotiations with Albania, Bulgaria, Croatia, Romania, Slovenia, and Romania are underway in the context of the EU-sponsored Stability Pact arrangements. In addition, FRY has a free trade agreement with the Russian Federation.

10. The authorities are also taking steps to address the key remaining obstacles to the expansion of the private sector, namely onerous registration and inspection requirements, inefficiencies in the domestic payments system, and constraints on access to financing for investment and working capital. To this end:

- A single company register is being established and the number of preliminary inspections required for company registration (currently 5–7) will be reduced significantly.¹¹
- The payment system (ZOP) is being replaced by a modern interbank settlement system, while restrictions on cash payments are being relaxed. Specifically, the monopoly of ZOP on all domestic payments will be lifted by end-2002, taxes and fees imposed by the payment system (currently at an *ad valorem* rate of 0.6 percent per transaction) are gradually reduced, and the maximum amounts firms are allowed to withdraw from the payment system in cash will be raised from the equivalent of approximately €50 per day to about €1000 per day.
-

¹⁰ On February 14, 2002 the authorities submitted its Memorandum on the Foreign Trade Regime of the Federal Republic of Yugoslavia to the WTO as part of its accession process.

¹¹ At present, there is no unified company registration system because the Federal Company Law requires registration of legal entities with Commercial Courts and the Federal Law on Private Entrepreneurs requires registration of sole proprietors with municipalities. Separately the Ministry of Privatization is preparing a register of privatized companies and additional information is available at the Belgrade Stock Exchange regarding publicly traded companies.

- Changes to the legal framework will facilitate enterprise access to financing. The legal framework for secured transactions requires a new Law on Secured Transactions, a Law on the Pledge Registry, and amendments to other commercial laws. The implementation of these laws will require a centralized, computerized pledge registry. Further, a law on leasing will facilitate access to financing, in particular for small- and medium-sized companies. The drafting, adoption, and implementation of these laws will be realized during 2002–04.

Table 1. Federal Republic of Yugoslavia: Selected Economic and Financial Indicators, 1996-2001 1/

	1996	1997	1998	1999	2000	2001
Geographical area						
			(Km, square)			
Federal Republic of Yugoslavia			102,173			
Serbia			88,361			
Central Serbia			55,968			
Vojvodina			21,506			
Kosovo and Methohia			10,887			
Montenegro			13,812			
Population			(000)			
Federal Republic of Yugoslavia	10,577	10,600	10,617	10,629	10,633	10,651
Serbia	9,938	9,957	9,970	9,979	9,979	9,993
Central Serbia	5,801	5,792	5,780	5,763	5,742	5,731
Vojvodina	1,984	1,977	1,968	1,958	1,946	1,937
Kosovo and Methohia	2,153	2,188	2,222	2,226	2,291	2,325
Montenegro	640	643	647	651	654	658
Real economy			(as indicated)			
GDP, in billions of YUD	75	106	146	193	358	724
GDP, in millions of U.S. dollars	14,455	16,556	13,889	10,214	8,071	10,861
Average net real wage, 1997 =100 2/	82	100	102	88	103	115
Average net wage in Euro	80	106	86	56	51	93
			(percentage change)			
Real GDP	...	9.0	2.5	-18.0	5.0	5.5
Industrial production	12.1	11.8	4.4	-24.4	11.1	0.0
Retail prices (annual average) 3/	94.3	21.3	29.5	42.1	69.9	91.1
Unemployment rate (in percent) 4/	25.8	25.8	25.1	26.5	27.3	27.8
General government finances 5/			(percent of GDP)			
Revenue	...	...	...	...	39.2	41.6
Expenditure	...	...	...	...	40.1	43.0
Cash balance	...	...	...	...	-0.9	-1.3
Commitment balance 6/	...	...	...	...	-3.0	-1.3
Money supply (end-of-period) 7/						
M1	...	...	...	47.3	85.1	109.7
M2	...	...	...	67.6	61.4	86.3
Balance of payments			(US\$ billion, unless otherwise indicated)			
Merchandise exports 8/	2.0	2.4	3.0	1.7	1.9	2.0
Merchandise imports	-4.1	-4.8	-4.8	-3.3	-3.7	-4.8
Trade balance	-2.1	-2.4	-1.8	-1.6	-1.8	-2.8
Current account balance, after grants	-0.6	-1.6	-0.7	-0.8	-0.3	-0.6
(In percent of GDP)	-4.1	-9.4	-4.8	-7.5	-4.2	-5.5
Current account balance, before grants	-0.6	-1.6	-0.7	-0.8	-0.6	-1.2
(In percent of GDP)	-4.1	-9.4	-4.8	-7.5	-7.6	-10.9
Foreign debt (year-end)	...	9.8	10.5	10.7	11.4	11.9
Gross official reserves	...	...	0.3	0.3	0.5	1.2
(In months of imports of goods and services)	...	...	1.1	0.9	1.2	2.4

Sources: Federal Statistical Office; National Bank of Yugoslavia; Federal and Republican Ministries of Finance; and IMF staff estimates.

1/ With the exception of foreign debt, data for 1999-2002 exclude Kosovo. GDP data exclude Kosovo and Metohia throughout.

2/ Wage deflated by retail price index.

3/ Based on cumulative monthly increases.

4/ Excludes workers on "forced holiday".

5/ Fiscal operations of all levels of government, except for Montenegro where it excludes local governments.

6/ Excludes arrears of local governments and most interest payments on foreign debt due but not paid.

7/ From 1999 onwards excludes Montenegro.

8/ Adjusted upwards by the estimated amount of unrecorded exports.

Table 2. Federal Republic of Yugoslavia: Selected Social Indicators, 1993-2000

	Federal Republic of Yugoslavia							Comparator data for 1999	
	1993	1995	1996	1997	1998	1999	2000	Visegrad-4 1/	Balkan-6 2/
Population									
Life expectancy at birth (years)	75	72 3/	72 3/	72	72	72	72	72	72
Birth rate, crude (per 1000 people)	14	13	13	12	12	12	12	10	12
Infant mortality rate (per 1000 live births)	22	17	15	14	14	14	13	8	16
Fertility rate, total (births per 1000 women)	2	2	2	2	2	2	2	1	2
Death rate, crude (per 1000 people)	10	10	11	11	11	11	11	11	10
Age dependency ratio (percent)	50	51	51	51	51	51	51	46	48
Population ages 65 and above (% of total)	11	12	13	13	13	13	14	13	11
Rural population (% of total population)	49	49	49	49	48	48	48	35	45
Health indicators									
Physicians (per 1,000 people)	2	2	2	2	2	2	...	3	2
Immunization, DPT (% of children under 12 months)	85	89	91	94	89	89	...	99	94
Immunization, measles (% of children under 12 months)	85	86	90	92	89	86	...	98	91
Education									
Basic school enrollment ratio (% of school age pop.)	73	73	72	71	70	99 3/		97 4/	92 5/
Technology indicators									
Mobile phones (per 1,000 people)	0	0	1	8	23	57	...	156	35
Personal computers (per 1,000 people)	12	14	16	17	19	21	...	88	31

Source: Federal Bureau of Statistics of Yugoslavia, World Development Indicators 2001, World Bank, Washington, D.C., 2001, and Transition Report 2001, EBRD, London, 2001.

1/ Simple average of reported data for Czech Republic, Hungary, Poland and Slovak Republic.

2/ Simple average of reported data for Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, and Romania

3/ Excluding Kosovo and Metohia.

4/ 1998 data.

5/ 1996 average of Bulgaria, Croatia, Macedonia and Romania.

Table 3. Federal Republic of Yugoslavia: Gross Domestic Product and
Gross Social Product, 1995-2000
(at current prices in millions of dinars)

	1995	1996	1997	1998	1999 1/	2000 1/
Gross Domestic Product (market prices)	...	...	112,355 2/	152,251 2/	196,516 2/	358,056 2/
Agriculture, hunting, and forestry	...	...	19,819	25,211	37,227	...
Fishing	...	...	56	63	104	...
Mining and quarrying	...	...	5,671	6,845	7,144	...
Manufacturing	...	...	23,555	32,934	42,958	...
Electricity, gas, and water supply	...	...	4,900	6,030	7,879	...
Construction	...	...	5,460	7,170	8,220	...
Wholesale and retail trade	...	...	7,249	11,637	15,588	...
Hotels and restaurants	...	...	1,459	1,962	2,081	...
Transport, storage, and communication	...	...	8,832	13,709	16,439	...
Financial intermediation	...	...	5,281	7,477	10,815	...
Real estate, renting, and business activities	...	...	3,599	4,228	6,097	...
Public administration and defense; compulsory social security	...	...	5,016	6,033	10,274	...
Education	...	...	3,595	4,371	4,753	...
Health and social work	...	...	5,129	6,230	6,780	...
Other	...	...	3,539	4,949	5,600	...
Gross value added (basic prices)	...	...	103,160	138,849	181,959	...
Taxes on products less subsidies on products	...	...	9,196	13,402	14,557	...
Gross Social Product (market prices)	38,101	68,978	90,375	127,189	163,467	348,888
Agriculture, hunting, and forestry	8,468	15,926	19,718	25,250	37,010	80,922
Fishing	43	70	63	94	119	330
Mining and quarrying	1,190	2,161	3,192	4,386	4,198	7,313
Manufacturing	13,472	21,781	26,353	37,244	48,857	114,411
Electricity, gas, and water supply	1,085	2,582	4,572	5,527	6,304	7,911
Construction	2,436	5,140	6,718	8,762	10,066	21,685
Wholesale and retail trade	6,309	11,205	14,845	23,418	30,246	60,059
Hotels and restaurants	909	1,620	2,109	2,819	3,154	7,455
Transport, storage, and communication	3,415	7,163	10,684	16,503	18,460	35,993
Financial intermediation	...	...	...	...	...	...
Real estate, renting, and business activities	652	1,128	1,890	2,818	4,694	11,565
Public administration and defense; compulsory social security	...	...	...	...	...	...
Education	...	...	...	...	...	...
Health and social work	94	151	156	268	219	872
Other	28	51	75	100	140	372

Sources: Federal Statistical Office of Yugoslavia (FSO); and IMF staff estimates.

1/ Excluding Kosovo and Metohia.

2/ Foreign trade transactions at official exchange rates, and FSO estimates of changes in stocks.

Table 4. Federal Republic of Yugoslavia: Gross Social Product, 1996-2001
(In constant 1994 YUD prices and annual changes)

	1996	1997	1998	1999 1/	2000 1/	2001 1/ Prel.
Gross Social Product	23,310	25,028	25,653	20,044	21,325	22,638
Industry and mining	8,816	9,685	10,060	7,240	8,022	8,022
Agriculture and fishing	4,521	4,839	4,704	4,299	3,743	4,417
Forestry	128	113	101	110	114	93
Waterwork utilities/industry	131	131	129	121	122	122
Construction	1,431	1,429	1,350	1,109	1,384	1,204
Transportation and communications	2,131	2,265	2,341	1,313	1,635	1,946
Trade and commerce	3,665	4,042	4,338	3,640	3,993	4,472
Catering and tourism	651	685	701	497	568	585
Crafts and cottage industries manufacturing	552	532	546	487	483	483
Housing and communal public works	196	203	229	151	151	151
Other production business activities	1,088	1,104	1,154	1,077	1,110	1,143
Social ownership	15,268	16,047	16,201	11,597	12,785	...
Private ownership	8,041	8,981	9,451	8,448	8,541	...
Gross Social Product, percentage change 2/	...	7.4	2.5	-17.7	6.4	6.2
Industry and mining	...	9.9	3.9	-24.8	10.8	0.0
Agriculture and fishing	...	7.0	-2.8	-1.1	-12.9	18.0
Forestry	...	-11.7	-10.6	13.9	3.6	-18.4
Waterwork utilities/industry	...	0.0	-1.5	0.3	0.8	0.0
Construction	...	-0.1	-5.5	-12.7	24.8	-13.0
Transportation and communications	...	6.3	3.4	-41.2	24.5	19.0
Trade and commerce	...	10.3	7.3	-11.9	9.7	12.0
Catering and tourism	...	5.2	2.3	-24.0	14.3	3.0
Crafts and cottage industries manufacturing	...	-3.6	2.6	-4.6	-0.8	0.0
Housing and communal public works	...	3.6	12.8	-29.0	0.0	0.0
Other production business activities	...	1.5	4.5	-5.2	3.1	3.0
Social ownership	...	5.1	1.0	-25.1	10.2	...
Private ownership	...	11.7	5.2	-4.7	1.1	...

Source: Federal Statistical Office of Yugoslavia.

1/ Excluding data for Kosovo and Metohia.

2/ Indices for 1999-2001 are calculated on the year 1998 basis, excluding data for Kosovo and Metohia, in order to be comparable.

Table 5. Industrial Production, Monthly Data, 1994-2001 (2000=100)

	1994	1995	1996	1997
Annual average	88	91	102	114
Q1	72	88	91	101
Q2	91	94	98	109
Q3	87	85	101	114
Q4	103	97	119	132
Jan.	60	77	84	92
Feb.	70	86	92	103
March	87	101	96	110
April	92	93	97	110
May	87	96	97	110
June	94	95	100	109
July	78	78	97	109
Aug.	87	84	99	108
Sep.	98	92	108	123
Oct.	106	101	126	133
Nov.	100	92	117	130
Dec.	104	99	116	133
	1998	1999 1/	2000 1/	2001 1/
Annual average	119	90	100	100
Q1	117	105	100	99
Q2	120	63	102	98
Q3	111	85	100	94
Q4	128	106	98	108
Jan.	107	100	85	94
Feb.	114	107	102	97
March	130	108	112	107
April	118	68	100	97
May	121	53	104	98
June	121	68	102	99
July	110	77	96	90
Aug.	107	84	101	94
Sep.	116	95	104	100
Oct.	134	106	93	110
Nov.	124	104	101	107
Dec.	127	109	100	107

Source: Federal Bureau of Statistics of Yugoslavia.

1/ Excluding Kosovo and Metohia.

Table 6. Federal Republic of Yugoslavia: Agricultural Production, 1994-2001

(Index: 1997=100)

	1994	1995	1996	1997	1998	1999 1/	2000 1/	2001 1/
Total production - net	88	92	93	100	97	95	82	101
Crops	80	87	87	100	90	95	69	100
Livestock	94	99	99	100	101	99	94	91

Source: Federal Statistical Office of Yugoslavia.

1/ Excluding Kosovo and Metohia.

Table 7. Federal Republic of Yugoslavia: Trends in Employment and Unemployment, 1993-2001
(Number of people, unless otherwise indicated; end of period)

	Majority State- Owned Enterprises and Public Sector (1)	Private Sector (2)	Total Employment (3)=(1)+(2)	Unemployed (registered) (4)	Labor Force (5)=(3)+(4)	Unemployment Rate (In percent) (4):(5)
1993	2,233,417	221,117	2,454,534	738,650	3,193,184	23.1
1994	2,159,157	235,801	2,394,958	726,029	3,120,987	23.3
1995	2,109,723	264,472	2,374,195	775,642	3,149,837	24.6
1996	2,076,755	288,252	2,365,006	819,368	3,184,374	25.7
1997	2,013,357	317,796	2,331,153	814,149	3,145,302	25.9
1998	1,963,059	327,091	2,290,150	837,647	3,127,797	26.8
1999 1/	1,786,165	305,906	2,092,071	811,065	2,903,136	27.9
2000 1/	1,710,131	321,723	2,031,854	805,795	2,837,649	28.4
2001 1/	1,880,066	360,772	2,240,838	850,004	3,090,842	27.5

Source: Federal Statistical Office of Yugoslavia.

1/ Excluding employment in Kosovo and Metohia.

Table 8. Federal Republic of Yugoslavia: Trends in Total
Labor Costs, 1998-2001
(In dinars)

	Gross Salaries	Net Salaries
1998	1,756	1,064
1999 1/	2,076	1,309
2000 1/	4,504	2,816
2001 1/	8,986	5,556
1999 1/		
Jan.	1,870	1,182
Feb.	1,965	1,240
Mar.	2,088	1,317
Apr.	1,796	1,132
May	1,570	993
Jun.	1,603	1,011
Jul.	1,876	1,182
Aug.	1,990	1,258
Sep.	2,179	1,374
Oct.	2,397	1,512
Nov.	2,624	1,654
Dec.	2,951	1,857
2000 1/		
Jan.	2,692	1,694
Feb.	2,857	1,791
Jul.	3,781	2,375
Aug.	4,202	2,626
Sep.	4,575	2,851
Oct.	5,213	3,256
Nov.	5,801	3,618
Dec.	6,912	4,318
2001 1/		
Jan.	6,503	4,068
Feb.	6,962	4,335
Mar.	7,231	4,494
Apr.	7,610	4,741
May	7,591	4,715
Jun.	8,280	5,166
Jul.	9,247	5,581
Aug.	9,997	6,213
Sep.	10,160	6,333
Oct.	10,808	6,647
Nov.	11,235	6,944
Dec.	12,203	7,435

Source: Federal Statistical Office of Yugoslavia.

1/ Excluding Kosovo and Metohia.

Table 9. Federal Republic of Yugoslavia: Trends in Average Monthly Net Wages and Salaries, 1994-2001

	Total	Total 2/
	(In dinars)	(In \$U.S)
1994	142	...
1995	288	...
1996	545	105.3
1997	803	125.0
1998	1,063	100.9
1999 1/	1,309	69.3
2000 1/	2,588	58.3
2001 1/	5,545	83.5
1999 1/		
Jan.	1,182	83.6
Feb.	1,240	79.8
Mar.	1,317	77.8
Apr.	1,132	59.5
May	993	49.9
Jun.	1,011	49.8
Jul.	1,182	57.2
Aug.	1,258	56.6
Sep.	1,374	55.7
Oct.	1,512	48.7
Nov.	1,654	48.4
Dec.	1,857	46.7
2000 1/		
Jan.	1,694	40.8
Feb.	1,791	41.1
Mar.	1,967	43.4
Apr.	2,153	44.1
May	2,186	45.9
Jun.	2,271	48.2
Jul.	2,375	47.4
Aug.	2,626	44.6
Sep.	2,851	40.8
Oct.	3,256	42.5
Nov.	3,618	53.5
Dec.	4,318	68.5
2001 1/		
Jan.	4,068	64.9
Feb.	4,335	67.3
Mar.	4,494	66.5
Apr.	4,741	70.5
May	4,715	66.7
Jun.	5,166	73.0
Jul.	5,581	81.5
Aug.	6,213	95.1
Sep.	6,333	96.9
Oct.	6,647	100.4
Nov.	6,944	102.9

Source: Federal Statistical Office.

1/ Excluding Kosovo and Metohia.

2/ At transaction weighted exchange rates for annual data, at parallel market exchange rates for monthly data

Table 10. Federal Republic of Yugoslavia: Average Gross and Net Monthly Pay By Sector,
1998-2001
(In dinars)

	1998	1999 1/	2000 1/	2001 1/
Average Gross Monthly Pay Per Employee				
Total	...	...	...	8,967
Agriculture, hunting and forestry	...	...	...	7,530
Fishing	...	...	...	8,737
Mining and quarrying	...	...	...	13,296
Manufacturing	...	...	...	7,739
Electricity, gas and water supply	...	...	...	13,526
Construction	...	...	...	7,682
Wholesale and retail trade	...	...	...	6,842
Hotels and restaurants	...	...	...	6,137
Transport, storage and communication	...	...	...	11,377
Financial intermediation	...	...	...	15,430
Real estate, renting and business activities	...	...	...	9,978
Public administration; compulsory social security	...	...	...	11,977
Education	...	...	...	9,223
Health and social work	...	...	...	9,370
Other community, social and personal service activities	...	...	...	9,344
Average Net Monthly Pay Per Employee				
Total	1,063	1,309	2,588	5,545
Agriculture, hunting and forestry	726	1,001	1,880	4,615
Fishing	709	1,017	2,145	5,399
Mining and quarrying	1,902	2,239	4,810	8,058
Manufacturing	823	1,053	2,230	4,786
Electricity, gas and water supply	1,894	2,192	4,372	8,152
Construction	771	1,008	2,152	4,640
Wholesale and retail trade of motor vehicles, motorcycles and personal and household goods	736	983	1,970	4,186
Hotels and restaurants	681	830	1,889	3,717
Transport, storage and communication	1,375	1,667	3,236	6,875
Financial intermediation	2,408	2,857	4,669	9,674
Real estate, renting and business activities	1,274	1,543	2,990	6,184
Public administration; compulsory social security	1,499	1,731	3,302	7,572
Education	1,210	1,392	2,580	5,871
Health and social work	1,310	1,503	2,610	5,944
Other community, social and personal service activities	1,393	1,694	2,938	5,694

Source: Federal Statistical Office of Yugoslavia.

1/ Excluding Kosovo and Metohia.

Table 11. Federal Republic of Yugoslavia: Indices of Nominal Net Wages, 1999-2001 1/
(Chain indices, previous year = 100)

	1999	2000	2001
Total	123.1	197.7	214.3
Agriculture, hunting and forestry	137.9	187.8	245.5
Fishing	143.4	210.9	251.7
Mining and quarrying	117.7	214.8	167.5
Manufacturing	127.9	211.8	214.6
Electricity, gas and water supply	115.7	199.5	186.5
Construction	130.7	213.5	215.6
Wholesale and retail trade of motor vehicles, motorcycles, and personal and household goods	133.6	200.4	212.5
Hotels and restaurants	121.9	227.6	196.8
Transport, storage and communication	121.2	194.1	212.5
Financial intermediation	118.6	163.4	207.2
Real estate, renting and business activities	121.1	193.8	206.8
Public administration; compulsory social security	115.5	190.8	229.3
Education	115.0	185.3	227.6
Health and social work	114.7	173.7	227.7
Other community, social and personal service activities	121.6	173.4	193.8

Source: Federal Statistical Office of Yugoslavia.

1/ Paid net salaries (wages) include payments in whole, full time and part time, payments of compensations for yearly vacations, state holidays, paid leave up to 7 days, paid leave for professional education, for sick leave up to 60 days, etc., payments on other organizations account, payments for the time spent in military training, civil defense, performing civil duties, etc., payments for previous months paid during the report month (arrears); payments according to periodical account and final account and on the profit disposition basis, without concern of the period they are related to. All years presented exclude Kosovo and Metohia.

Table 12. Federal Republic of Yugoslavia: Indices of Real Net Wages
and Salaries Per Employee, 1999-2001 1/

(Chain indices, previous year = 100)

	1999	2000	2001
Total	85.0	106.5	113.3
Agriculture, hunting and forestry	95.2	101.2	130.3
Fishing	99.0	113.6	132.5
Mining and quarrying	81.2	115.7	88.6
Manufacturing	88.3	114.1	113.8
Electricity, gas and water supply	79.9	107.5	98.5
Construction	90.2	115.0	114.5
Wholesale and retail trade of motor vehicles, motorcycles and personal and household goods	92.2	108.0	112.6
Hotels and restaurants	84.1	122.6	103.6
Transport, storage and communication	83.7	104.6	112.5
Financial intermediation	81.9	88.1	109.9
Real estate, renting and business activities	83.6	104.4	109.6
Public administration; compulsory social security	79.7	102.8	120.9
Education	79.4	99.9	120.3
Health and social work	79.3	93.4	120.2
Other community, social and personal service activities	83.9	93.4	102.4

Source: Federal Statistical Office of Yugoslavia.

1/ Excluding Kosovo and Metohia.

Table 13. Federal Republic of Yugoslavia: Price Developments, 1994-2001

	Retail Prices			(Excluding seasonal agricultural effects)			Producer Prices		
	Index 1997=100	Rate of Growth		Index 1997=100	Rate of growth		Index 1997=100	Rate of Growth	
		Previous Period Dec.of the last year=100	Same Month Previous Year		Previous period Dec.of the last year=100	Same month Previous Year		Previous Period Dec.of the last year=100	Same Month Previous Year
1994	25.1	...	...	25.1	...	...	27.9	...	...
1995	43.7	...	...	43.7	...	...	44.0	...	...
1996	84.4	...	...	84.6	...	...	83.7	...	...
1997	100.0	...	...	100.0	...	...	100.0	...	...
1998	129.8	...	...	129.9	...	...	125.5	...	...
1999 1/	184.8	...	...	185.1	...	...	181.0	...	...
2000 1/	324.7	...	...	325.8	...	...	373.8	...	...
2001 1/	613.4	...	...	613.7	...	...	691.8	...	...
1999 1/									
Jan.	155.1	101.6	143.5	155.4	101.7	143.8	153.0	103.3	145.1
Feb.	157.8	103.4	141.3	158.2	103.5	141.5	156.5	105.7	144.5
Mar.	160.8	105.3	141.8	161.5	105.6	142.6	159.6	107.8	143.9
Apr.	166.7	109.2	139.5	167.8	109.8	140.8	161.9	109.3	141.6
May	168.6	110.4	135.2	169.4	110.8	135.8	163.4	110.3	136.8
Jun.	170.8	111.9	133.8	171.3	112.1	134.3	163.9	110.7	131.8
Jul.	173.9	113.9	133.4	174.1	113.9	135.6	166.2	112.2	130.4
Aug.	180.7	118.3	133.5	181.1	118.4	133.5	171.3	115.7	131.3
Sep.	203.1	133.0	145.0	203.3	133.0	144.9	190.4	128.6	142.2
Oct.	221.7	145.2	150.6	221.5	144.9	150.4	214.6	144.9	154.3
Nov.	227.3	148.8	151.9	227.2	148.7	151.9	231.7	156.4	160.5
Dec.	229.2	150.1	150.1	229.4	150.1	150.1	238.6	161.1	161.1
2000 1/									
Jan.	236.5	100.5	152.4	237.1	100.6	152.4	246.3	102.5	165.2
Feb.	240.6	102.3	152.6	241.6	102.4	152.9	258.1	107.4	169.0
Mar.	247.6	105.2	154.4	248.4	105.3	154.5	298.3	124.1	189.4
Apr.	256.5	109.0	155.3	257.5	109.2	155.1	309.3	128.7	193.5
May	269.8	114.7	161.5	269.3	114.2	160.6	325.8	135.5	202.2
Jun.	281.1	119.5	166.2	281.9	119.5	166.3	344.4	143.3	211.9
Jul.	289.2	123.0	168.4	290.1	123.0	168.7	356.6	148.3	215.5
Aug.	304.9	129.6	171.1	306.2	129.8	171.5	373.2	155.3	214.8
Sep.	330.8	140.6	170.1	332.3	140.9	170.7	396.6	165.0	202.1
Oct.	418.2	177.8	197.8	419.8	178.0	198.6	447.4	186.1	203.5
Nov.	488.8	207.7	209.6	490.0	207.8	210.3	545.7	227.0	233.5
Dec.	501.9	213.3	213.3	503.1	213.4	213.4	582.8	242.5	242.5
2001 1/									
Jan.	515.6	103.0	211.5	517.0	103.0	211.7	603.3	103.0	234.9
Feb.	532.2	106.3	215.2	533.7	106.3	215.3	610.4	104.2	227.1
Mar.	537.1	107.3	212.2	538.5	107.3	212.4	631.0	107.7	212.9
Apr.	583.2	116.5	223.7	585.1	116.6	224.0	662.4	113.1	216.4
May	594.2	118.6	216.8	593.9	118.4	217.6	683.3	116.7	212.6
June	616.0	123.0	216.6	617.1	123.0	216.7	712.8	121.7	210.3
July	630.6	125.9	216.0	630.7	125.7	215.6	712.8	121.7	201.8
Aug.	647.5	129.3	210.7	648.0	129.0	209.9	719.2	122.8	194.0
Sep.	656.2	131.1	198.3	656.2	130.7	197.6	730.0	124.6	184.2
Oct.	671.8	134.1	160.1	670.8	133.6	159.4	744.2	127.1	164.0
Nov.	682.5	136.3	139.9	680.6	135.6	139.2	745.4	127.2	138.6
Dec.	694.2	138.7	138.7	692.7	138.0	138.0	747.2	127.6	127.6

Source: Federal Statistical Office of Yugoslavia.

1/ Excluding Kosovo and Metohia.

Table 14. Federal Republic of Yugoslavia: Retail Inflation Rates, 1995-2001
(Annual average percentage change) 1/

	1995	1996	1997	1998	1999 2/	2000 2/	2001 2/
Total	74.1	93.1	18.5	29.8	42.4	75.7	88.9
Goods	71.8	79.7	16.8	31.4	45.1	83.6	84.9
Agricultural products	54.3	53.8	23.4	31.6	80.4	103.3	51.6
Industrial products - total	72.7	80.9	16.5	31.4	43.1	82.5	86.7
Processed food products	72.5	93.1	15.1	31.0	37.0	94.0	105.5
Alcoholic beverages	54.9	111.0	13.1	23.8	51.0	109.0	90.0
Tobacco	55.0	67.2	21.2	1.4	34.2	41.5	65.7
Non-food industrial products	75.0	76.2	17.0	35.2	46.4	75.8	77.7
Textile products	65.6	77.0	17.9	27.9	49.6	63.7	81.1
Fuel and light	129.9	123.7	55.3	26.8	30.7	55.7	126.6
Household furnishings	73.5	82.4	9.8	28.4	63.1	67.4	55.2
Electric appliances	99.0	61.0	5.8	33.4	74.0	105.9	38.9
Medicine	31.8	128.2	8.6	6.0	9.7	94.6	232.7
Services	84.2	152.3	25.9	23.7	32.1	46.0	104.0
Housing services	94.2	100.4	19.4	29.3	49.3	73.6	81.2
Public utilities and services	111.8	204.9	27.7	33.1	38.4	35.9	124.9
Transport	69.3	102.4	11.6	5.9	27.0	56.4	109.3
Communications	8.1	153.4	16.5	58.6	33.9	15.2	74.8

Source: Federal Statistical Office of Yugoslavia.

1/ Based on yearly adjusted weights.

2/ Excluding Kosovo and Metohia.

Table 15. Federal Republic of Yugoslavia: Employment in Selected National
Public Enterprises, 1993-2000
(Annual average; number of people)

	1993	1994	1995	1996	1997	1998	1999	2000
Airlines	7,444	7,132	6,934	6,471	6,536	6,471	6,295	6,245
Electricity	30,300	30,664	30,526	31,653	31,405	32,199	26,247	26,534
Forestry	12,467	12,408	11,583	10,804	10,519	10,003	9,074	8,851
Oil refining and distribution	6,118	6,494	6,635	6,660	6,805	6,892	6,738	6,825
Post and telecommunications	26,336	26,089	28,826	29,513	30,682	30,910	29,433	29,771
Radio and TV	8,700	8,775	8,838	9,628	10,525	11,019	10,264	10,423
Railroads	36,598	35,959	35,330	34,513	33,672	33,173	29,653	29,527
Water Supply	4,985	4,585	4,377	4,399	4,382	4,325	4,129	4,063

Source: Federal Statistical Office of Yugoslavia.

Table 16. Federal Republic of Yugoslavia: Number of Enterprises in Economic Sector and Number of Legal Entities in the Process of Liquidation or Bankruptcy from 1995-2001 1/

	1995	1996	1997	1998	1999 2/	2000 2/	2001 2/
Registered legal entities by activities 1/							
Total	313,861	333,166	347,376	339,239	348,839	368,242	383,194
Industry and mining	24,336	25,027	25,635	25,273	26,588	28,020	29,574
Agriculture and fishing	5,542	5,650	5,694	5,489	5,287	5,579	5,916
Forestry	536	554	553	469	501	521	526
Water supply	82	80	80	76	71	75	72
Construction	9,701	10,025	10,252	10,152	10,369	10,830	11,359
Transport and communications	8,685	8,822	9,135	8,596	9,173	9,668	9,736
Trade	137,346	146,251	153,199	150,763	154,605	164,514	171,775
Catering and tourism	22,895	25,966	28,040	26,781	28,652	29,985	30,482
Crafts	25,974	28,547	30,477	30,568	30,373	31,705	33,291
Housing and utility activities	1,445	1,872	2,080	2,152	2,354	2,528	2,650
Financial and other services	26,687	27,803	28,575	27,482	28,778	30,110	32,099
Education and culture	15,967	16,943	17,437	16,758	17,426	18,324	18,280
Public health and social security	3,309	3,465	3,628	3,570	3,480	3,662	3,681
Social and political communities and organizations	31,356	32,161	32,591	31,110	31,182	32,721	33,753
Legal entities in the process of liquidation or bankruptcy							
Total	...	...	...	1,338	1,261	1,136	1,435
Industry and mining	...	...	...	240	259	254	302
Agriculture and fishing	...	...	...	120	103	95	116
Forestry	...	...	...	3	3	5	4
Water supply	...	...	...	0	0	0	0
Construction	...	...	...	84	85	84	106
Transport and communications	...	...	...	22	32	29	35
Trade	...	...	...	615	528	427	529
Catering and tourism	...	...	...	25	26	24	27
Crafts	...	...	...	26	28	25	30
Housing and utility activities	...	...	...	9	7	8	10
Financial and other services	...	...	...	152	153	143	222
Education and culture	...	...	...	35	29	32	43
Public health and social security	...	...	...	2	3	5	6
Social and political communities and organizations	...	...	...	5	5	5	5

Source: National Bank of Yugoslavia.

1/ Excluding companies and legal entities in the process of liquidation or bankruptcy.

2/ Excluding Kosovo and Metohia.

Table 17. Federal Republic of Yugoslavia: Federal Government Fiscal Operations, 1997-2002
(In billion of dinars)

	1997	1998	1999	2000	2001		2002
	Jan.-Dec. Actual	Jan.-Dec. Actual	Jan.-Dec. Actual	Jan.-Dec. Act.	Budget	Jan.-Dec. Prelim.	Jan.-Dec. Proj.
A Total revenue and grants (1+2)	7.5	9.8	14.1	27.1	45.9	49.4	65.9
1 Total revenue (1.1+1.2)	7.5	9.8	14.1	27.1	45.9	49.4	65.9
1.1 Current revenue (1.1.1+1.1.2)	7.5	9.8	14.1	27.1	45.9	49.4	65.9
1.1.1 Tax revenue (1.1.1.1+1.1.1.2+1.1.1.3)	5.9	8.4	11.8	24.4	38.1	42.9	56.9
1.1.1.1 Turnover (retail sales) tax	2.4	3.7	4.7	8.4	22.3	27.0	25.6
1.1.1.2 Taxes on international trade and operations	3.0	3.6	4.4	8.5	14.2	14.3	21.7
1.1.1.3 Excises	0.6	0.7	0.5	0.9	1.6	1.7	9.6
1.1.1.4 Extrabudgetary taxes		0.4	2.2	6.6	0.0	0.0	0.0
1.1.2 Nontax revenue	1.6	1.5	2.3	2.7	7.8	6.4	9.0
1.2 Capital revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2 Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0
B Total expenditure and net lending (1+5)	7.4	9.8	14.1	27.1	45.9	47.6	65.0
1. Total expenditure (2+3+4)	7.4	9.8	14.1	27.1	45.9	47.6	65.0
2 Current expenditure (2.1+2.2+2.3)	7.4	9.8	14.1	27.1	42.3	43.8	53.3
2.1. Expenditure on goods and services (2.1.1+...+2.1.4)	5.9	8.1	12.6	23.7	31.4	31.1	33.0
2.1.1 Wages and salaries	1.2	1.7	1.4	3.7	15.0	13.3	17.3
2.1.2 Employer contribution	1.2	1.7	1.4	3.7	0.0	0.0	2.5
for pension funds	0.0	0.0	0.0	0.0	0.0	0.0	1.8
for health insurance	0.0	0.0	0.0	0.0	0.0	0.0	0.7
for unemployment insurance					0.0	0.0	0.1
2.1.3 Severance payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.4 Other purchases of goods and services	3.5	4.7	9.8	16.3	16.4	17.8	13.2
2.2. Interest payment	0.0	0.0	0.1	0.0	1.1	1.7	0.1
2.3. Subsidies and other current transfers	1.5	1.7	1.4	3.4	9.8	10.9	20.2
2.3.1 Transfers to households	0.0	0.0	0.0	0.0	3.8	3.9	7.1
One-time retirement bonus					0.1	0.1	0.1
Disability benefit					2.1	2.2	2.5
Other					0.2	0.2	1.5
Repayment of FFCD					1.4	1.4	3.1
2.3.2 Subsidies					0.0	0.0	0.6
2.3.3 Current transfers to other levels of government	1.5	1.7	1.4	3.4	6.0	7.1	12.5
Federal budget					0.0	0.0	0.0
Republican budget	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Local Budgets					0.0	0.0	0.4
Pension Funds	0.6	0.5	0.3	0.7	1.5	1.6	3.3
Health Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Labor Market Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0
International organization	0.0	0.0	0.0	0.0	0.0	0.0	0.2
Other transfer					0.0	0.0	1.1
Pension transfer to Military Pension Fund	0.9	1.2	1.1	2.7	4.6	5.5	6.2
2.3.4 Other current transfers	0.0	0.0	0.0	0.0	0.0	0.0	1.3
3. Capital expenditure					3.6	3.8	9.0
4. General reserves							2.8
Overall budget balance (A-B)	0.0	0.0	0.0	0.0	0.0	1.8	0.9
statistical discrepancy	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Financing							
1 Domestic financing (net) (1.1+1.2)	0.0	0.0	0.0	0.0	0.0	-1.8	-0.8
1.1 Banking system (1.1.1+1.1.2)	0.0	0.0	0.0	0.0	0.0	-1.8	0.0
1.1.1 National Bank of Yugoslavia	0.0	0.0	0.0	0.0	0.0	-1.8	0.0
1.1.2 Commercial banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2 Nonbank	0.0	0.0	0.0	0.0	0.0	0.0	-0.8
					(In percent of GDP)		
A Total revenue and grants (1+2)	6.6	6.7	7.3	7.6	6.3	6.8	6.7
B Total expenditure and net lending (1+5)	6.6	6.7	7.3	7.6	6.3	6.6	6.6
Overall budget balance (A-B)	0.0	0.0	0.0	0.0	0.0	0.3	0.1
Memorandum items:							
Total expenditure:	7.4	9.8	14.1	27.1	45.9	47.6	65.0
Army	0.0	0.0	0.0	0.0	32.1	33.5	41.4
Federal Administration				0.0	13.7	14.1	23.5
Nominal GDP (billion dinars)	112.4	146.3	192.9	358.1	724.1	724.1	978.9

Sources: Federal Ministry of Finance; and IMF staff estimates.

Table 18. Federal Republic of Yugoslavia: Republican Government
Fiscal Operations of Serbia, 1997-2002
(In billion of dinars)

	1997	1998	1999	2000	2001	2002
	Jan.-Dec. Actual	Jan.-Dec. Actual	Jan.-Dec. Actual	Jan.-Dec. Actual	Jan.-Dec. Prelim.	Budget
A Total revenue and grants (1+2)	13.8	16.8	17.6	49.4	123.5	188.2
1 Total revenue (1.1+1.2)	13.8	16.8	17.6	49.3	121.6	180.7
1.1 Current revenue (1.1.1+1.1.2)	13.8	16.8	17.6	49.3	121.6	180.7
1.1.1 Tax revenue (1.1.1.1+...+1.1.1.6)	13.8	16.8	17.6	44.2	114.0	171.1
1.1.1.1 Personal income tax	7.2	7.4	7.0	12.4	31.4	44.8
1.1.1.2 Corporate income tax	0.3	0.5	1.0	1.1	3.4	4.6
1.1.1.3 Turnover (retail sales) tax	4.1	4.8	5.9	12.3	37.5	67.9
1.1.1.4 Excises	1.1	1.2	0.9	7.9	24.5	38.5
1.1.1.5 Property taxes/Financial transaction tax 3/	0.4	0.6	0.7	0.9	10.2	8.2
1.1.1.6 Other taxes	0.7	2.3	2.2	9.7	6.9	7.1
1.1.2 Nontax revenue	0.0	0.0	0.0	5.1	7.6	9.6
1.2 Capital revenue	0.0	0.0	0.0	0.0	0.0	0.0
2 Grants	0.0	0.0	0.0	0.1	1.9	7.5
Of which: Grants for the budget for recovery and restructuring					0.0	
B. Total expenditure and net lending (1+5)	13.8	16.8	17.6	50.5	130.1	230.5
I Total expenditure (2+3+4)	13.8	16.8	17.6	50.5	123.8	230.5
II Current expenditure (2.1+2.2+2.3)	13.5	16.7	16.8	44.0	119.9	208.4
1. Expenditure on goods and services (2.1.1+...+2.1.4)	11.0	14.1	15.0	24.4	51.3	75.1
1.1 Wages and salaries	5.1	5.6	7.1	13.3	27.2	40.9
1.2 Employer contribution	1.6	1.8	2.2	3.4	5.5	10.7
1.2.1 Contribution					0.0	7.6
1.2.2 Local Tax					0.0	3.1
1.3 Severance payments					0.0	0.1
1.4 Other purchases of goods and services	4.4	6.7	5.6	7.7	18.5	23.4
2. Interest payment	0.1	0.4	0.3	0.4	0.6	15.6
2.1 interest payment on domestic debt					0.6	0.0
2.2 interest payment on foreign debt					0.0	15.6
3. Subsidies and other current transfers	2.4	2.2	1.5	19.2	67.9	117.7
3.1 Subsidies				7.1	20.5	30.3
3.2 Transfers to households	2.3	2.0	1.4	5.1	21.3	31.5
3.3 Current transfers to other levels of government	0.1	0.1	0.1	7.0	26.2	55.9
Federal budget					0.0	0.0
Republican budget					0.0	0.0
Local Budgets	0.1	0.1	0.1	1.7	0.8	0.9
Pension Fund for employee				5.2	21.3	44.1
Pension Fund for farmers					1.0	2.4
Health Fund					2.0	5.0
Labor Market Fund					1.1	2.5
Other						1.0
4. Capital expenditure	0.3	0.1	0.8	6.6	3.9	17.8
Of which: Budget for recovery and reconstruction					0.0	11.5
Capital transfer to other levels of government						
5. General reserves					0.0	4.3
6. Lending minus repayment	0.0	0.0	0.0	0.0	6.3	0.0
Lending					7.1	0.0
Lending to EPS					0.0	0.0
Commodity Reserve					0.0	0.0
Other					0.0	0.0
Repayment					0.8	
Overall budget balance (cash) (A-B)	0.0	0.0	0.0	-1.1	-6.6	-42.3
Core balance 1/	0.0	0.0	0.0	-1.1	-6.6	-42.3
Balance of the budget for recovery and reconstruction 2/	0.0	0.0	0.0	0.0	0.0	0.0
Statistical discrepancy		0.7	0.4	0.0	0.4	0.5
Financing (1+2+3+4)		0.7	0.4	1.1	7.0	42.8
1 Domestic financing (net) (1.1+1.2)		0.7	0.4	1.1	7.0	5.5
1.1 Banking system (1.1.1+1.1.2)		0.7	0.4	0.8	8.2	6.6
1.1.1 National Bank of Yugoslavia		0.2	0.4	0.8	8.2	6.6
1.1.2 Commercial banks		0.5	0.0	0.0	0.0	0.0
1.2 Nonbank		0.0	0.0	0.4	-1.2	-1.1
2 Foreign financing (net) (2.1-2.2)		0.0	0.0	0.0	0.0	26.2
2.1 Program		0.0	0.0	0.0	0.0	14.7
2.2 Project		0.0	0.0	0.0	0.0	11.5
3 Privatization receipts		0.0	0.0	0.0	0.0	11.1
			(In percent of GDP)			
A Total revenue and grants (1+2)	12.3	11.5	9.1	13.8	17.1	19.2
B. Total expenditure and net lending (1+5)	12.3	11.5	9.1	14.1	18.0	23.5
Overall budget balance (cash) (A-B)	0.0	0.0	0.0	-0.3	-0.9	-4.3
Memorandum items:						
Nominal GDP (billion dinars)	112.4	146.3	192.9	358.1	724.1	978.9

Sources: Ministry of Finance of Serbia; and IMF staff estimates.

1/ Core balance excludes grants for and expenditure in the budget for recovery and reconstruction.

2/ Includes grants for and expenditure in the budget for recovery and reconstruction.

Table 19. Federal Republic of Yugoslavia: Local (Cities and Municipalities) Government
Fiscal Operations of Serbia, 2001-2002
(In billion of dinars)

	2001 Jan.-Dec. Prelim.	2002 Budget
A Total revenue and grants (1+2)	30.558	44.940
1 Total revenue (1.1+1.2)	30.558	44.826
1.1 Current revenue (1.1.1+1.1.2)	30.558	43.668
1.1.1 Tax revenue (1.1.1.1+1.1.1.2+1.1.1.3+1.1.1.4)	22.238	41.842
1.1.1.1 Personal income	1.504	3.770
1.1.1.2 Corporate income tax	0.000	0.000
1.1.1.3 Turnover (retail sales) tax	7.615	12.86
1.1.1.4 Property tax	2.330	3.084
1.1.1.5 Payroll tax	7.795	10.918
1.1.1.6 Other taxes	2.994	11.210
1.1.2 Nontax revenue	8.320	1.826
1.2 Capital revenue		1.158
2 Grants		0.114
B Total expenditure and net lending (1+2)	29.177	44.938
1 Total expenditure (1.1+1.2)	29.177	44.938
1.1 Current expenditure (1.1.1+1.1.2+1.1.3)	28.377	43.653
1.1.1 Expenditure on goods and services (1.1.1.1+1.1.1.2+1.1.1.3)	13.002	20.241
1.1.1.1 Wages and salaries	4.371	6.750
1.1.1.2 Employer contribution	1.229	1.899
1.1.1.3 Other purchases or goods and services	7.401	11.592
1.1.2 Interest payment	0.793	0.000
1.1.3 Subsidies and other current transfers	14.582	23.412
1.1.3.1 Subsidies	3.645	5.853
1.1.3.2 Transfers to households	10.936	17.559
1.2 Capital expenditure	0.8	1.285
2 Net lending		
C Net transfer to other levels of government (1+3-2-4)	0.875	0.000
1 Transfers to lower levels of government		
2 Transfers from lower levels of government	0.875	0.000
3 Transfers to extra-budgetary social security funds		
4 Transfers from extra-budgetary funds		
Overall budget balance (cash) (A-B-C)	2.257	0.002
	(In percent of GDP)	
A Total revenue and grants (1+2)	4.2	4.6
B Total expenditure and net lending (1+5)	4.0	4.6
Overall budget balance (cash) (A-B)	0.3	0.0
Memorandum items:		
Nominal GDP (billion dinars)	724.100	978.900

Sources: Ministry of Finance of Serbia; and IMF staff estimates.

Table 21. Federal Republic of Yugoslavia: Pension Fund, Number of Beneficiaries of Pension and Resources for Pension Payments of Serbia, 1994-2001

	1994 1/	1995 1/	1996 1/	1997	1998	1999	2000	2001
Number of beneficiaries				(Annual average, in thousands)				
Total	1,113.7	1,151.3	1,183.6	1,233.2	1,248.8	1,254.0	1,258.9	1,276.1
Old age	422.7	454.5	480.0	520.0	528.0	530.5	534.9	550.4
Disability	414.4	410.9	409.9	411.6	410.8	406.7	401.5	399.8
Survivor's	263.3	271.2	278.3	286.2	294.8	303.1	310.5	315.0
Pensions under a decree from former SFRY	13.3	14.7	15.4	15.5	15.3	13.6	12.1	10.9
Net funds for pension payments				(In thousand dinars)				
Total	1,661.0	3,760.4	8,473.5	10,494.1	14,140.4	14,813.1	25,780.0	61,000.7
Old age	752.7	1,746.8	4,087.7	5,037.4	7,144.3	7,769.5	13,060.1	31,643.8
Disability	589.5	1,291.9	2,808.7	3,369.3	4,373.5	4,399.0	7,872.9	17,967.6
Survivor's	301.0	677.7	1,521.9	1,900.4	2,463.8	2,489.7	4,611.6	10,893.0
Pensions under a decree 2/ from former SFRY	17.9	44.1	55.1	187.0	158.9	154.9	235.4	496.3
Average net salary (in dinars)	165.0	343.0	658.0	798.0	1,052.0	1,261.0	2,389.0	5,361.0
Average pensions (in dinars)								
Total	122.0	269.0	586.0	716.0	944.0	1,132.0	2,154.0	4,665.0
Old age	149.0	326.0	715.0	862.0	1,135.0	1,364.0	2,592.0	5,641.0
Disability	115.0	253.0	543.0	670.0	882.0	1,055.0	2,016.0	4,551.0
Survivor's	90.0	197.0	425.0	523.0	688.0	828.0	1,575.0	3,558.0
Pensions under a decree from former SFRY	112.0	250.0	506.0	750.0	937.0	1,018.0	1,933.0	429.0
Insurees (in thousands)	2,048.0	1,988.0	1,953.0	1,893.0	1,845.0	1,671.0	1,597.0	1,555.0
Dependency ratio (employee/pensioner)	1.82/1	1.71/1	1.62/1	1.52/1	1.47/1	1.32/1	1.26/1	1.22/1

Source: Serbia Republica Pension Fund.

1/ Under the effective Law on Accountancy, expenditure for pension payments also for last year have been included and calculated.

2/ Funds for pensions under the Decree for 1994 and 1995 were estimated.

Table 22. Federal Republic of Yugoslavia: Health Care Fund Fiscal Operations of Serbia, 1997-2002
(In billion of dinars)

	1997	1998	1999	2000	2001	2002
	Jan.-Dec. Prelim.	Jan.-Dec. Prelim.	Jan.-Dec. Prelim.	Jan.-Dec. Prelim.	Jan.-Dec. Prel.	Budget
A Total revenue and grants (1+2)	6.667	8.214	9.945	17.547	30.769	38.420
1 Total revenue (1.1+1.2)	6.667	8.214	9.945	17.547	30.769	38.420
1.1 Current revenue (1.1.1+1.1.2)	6.667	8.214	9.945	17.547	30.769	38.420
1.1.1 Tax revenue (1.1.1.1+1.1.1.2)	6.666	8.046	9.788	17.398	30.303	36.420
1.1.1.1 Social security contributions	6.666	8.046	9.788	17.398	30.303	36.420
1.1.1.2 Other taxes	0.000	0.000	0.000	0.000	0.000	0.000
1.1.1.3 Extrabudgetary taxes	0.000	0.000	0.000	0.000	0.000	0.000
1.1.2 Nontax revenue	0.001	0.168	0.157	0.149	0.466	2.000
1.2 Capital revenue					0.000	0.000
2 Grants					0.000	
B Total expenditure and net lending (1+2)	8.688	9.760	11.758	20.369	39.460	55.800
1 Total expenditure (1.1+1.2)	8.688	9.760	11.758	20.369	39.460	55.800
1.1 Current expenditure (1.1.1+1.1.2+1.1.3)	8.655	9.700	11.758	20.369	39.460	54.981
1.1.1 Expenditure on goods and services (1.1.1.1+1.1.1.2+1.1.1.3)	8.288	9.184	11.023	19.232	36.356	52.042
1.1.1.1 Wages and salaries	0.059	0.076	0.073	0.130	17.571	23.101
1.1.1.2 Employer contribution	0.016	0.023	0.021	0.035	4.030	5.082
1.1.1.3 Other purchases or goods and services	8.213	9.085	10.929	19.067	14.755	23.859
1.1.2 Interest payment	0.000	0.054	0.173	0.477	1.079	0.210
1.1.3 Subsidies and other current transfers	0.367	0.462	0.562	0.660	2.025	2.729
1.1.3.1 Sick leave	0.000	0.000	0.000	0.000	1.475	
1.1.3.2 Other transfers to households	0.367	0.462	0.562	0.660	0.550	
1.2 Capital expenditure	0.033	0.060	0.000	0.000	0.000	0.819
2 Net lending						
C Net transfer to other levels of government (1+3-2-4)	-1.184	-1.485	-1.814	-2.822	-9.074	-17.380
1 Transfers to other levels of government	0.000	0.000	0.000	0.000	0.000	0.000
2 Transfers from other levels of government	1.171	1.459	1.762	2.787	2.030	5.000
3 Transfers to extra-budgetary social security funds	0.000	0.000	0.000	0.000	0.000	0.000
4 Transfers from extra-budgetary funds	0.013	0.026	0.052	0.035	7.043	12.380
Self-employed fund					0.000	
Pension fund					6.920	12.114
Farmers pension fund					0.000	
Labor market fund					0.123	0.266
Overall budget balance (cash) (A-B-C)	-0.837	-0.061	0.001	0.000	0.382	0.000
Statistical discrepancy	0.000	0.000	0.000	0.000	0.382	0.000
Financing (1+2+3+4)	0.837	0.061	-0.001	0.000	-0.382	0.000
1 Domestic financing (net) (1.1+1.2)	0.837	0.061	-0.001	0.000	-0.382	0.000
1.1 Banking system (1.1.1+1.1.2)	0.837	0.061	-0.001	0.000	-0.382	0.000
1.2 Nonbank						
2 Foreign financing (net) (2.1-2.2)	0.000	0.000	0.000	0.000	0.000	0.000
3 Privatization receipts						
(In percent of GDP)						
A Total revenue and grants (1+2)	5.9	5.6	5.2	4.9	4.2	3.9
B Total expenditure and net lending (1+5)	7.7	6.7	6.1	5.7	5.4	5.7
C Net transfer to other levels of government (1+3-2-4)	-1.1	-1.0	-0.9	-0.8	-1.3	-1.8
Overall budget balance (cash) (A-B-C)	-0.7	0.0	0.0	0.0	0.1	0.0
Memorandum items:						
Nominal GDP (billion dinars)	112.4	146.3	192.9	358.1	724	979
Arrears (end of period)	0.000	0.000	0.000	5.923	3.429	

Sources: Serbian Health Fund, the Ministry of Finance of Serbia; and IMF staff estimates.

Table 23. Federal Republic of Yugoslavia: Labor Market Fund Fiscal Operations, 1997-2002
(In billion dinars)

	1997	1998	1999	2000	2001	2002
	Jan-Dec Prel.	Jan-Dec Prel.	Jan-Dec Prel.	Jan-Dec Prel.	Jan-Dec. Prel.	Budget
A Total revenue and grants (1+2)	0.608	0.818	0.905	1.695	2.923	4.400
1 Total revenue (1.1+1.2)	0.608	0.818	0.905	1.695	2.923	4.400
1.1 Current revenue (1.1.1+1.1.2)	0.608	0.818	0.905	1.695	2.923	4.400
1.1.1 Tax revenue (1.1.1.1+1.1.1.2)	0.582	0.774	0.868	1.608	2.854	4.400
1.1.1.1 Social security contributions	0.582	0.774	0.868	1.608	2.854	4.400
1.1.1.2 Other taxes	0.000	0.000	0.000	0.000	0.000	0.000
1.1.1.3 Extrabudgetary taxes	0.000	0.000	0.000	0.000	0.000	0.000
1.1.2 Nontax revenue	0.026	0.044	0.037	0.087	0.069	0.000
1.2 Capital revenue					0.000	0.000
2 Grants						
B Total expenditure and net lending (1+2)	0.530	0.667	0.830	1.617	3.104	5.627
1 Total expenditure (1.1+1.2)	0.530	0.667	0.830	1.617	3.104	5.627
1.1 Current expenditure (1.1.1+1.1.2+1.1.3)	0.530	0.667	0.830	1.617	3.104	5.627
1.1.1 Expenditure on goods and services (1.1.1.1+1.1.1.2+1.1.1.3)	0.122	0.179	0.174	0.414	0.464	0.631
1.1.1.1 Wages and salaries	0.030	0.043	0.042	0.081	0.188	0.241
1.1.1.2 Employer contribution	0.003	0.006	0.006	0.022	0.046	0.053
1.1.1.3 Other purchases or goods and services	0.089	0.130	0.126	0.311	0.230	0.337
1.1.2 Interest payment	0.000	0.000	0.000	0.000	0.000	0.000
1.1.3 Subsidies and other current transfers	0.408	0.488	0.656	1.203	2.640	4.996
1.1.3.1 Unemployment benefits	0.408	0.488	0.656	1.203	2.640	4.996
1.1.3.2 Other transfers to households	0.000	0.000	0.000	0.000	0.000	0.000
1.2 Capital expenditure	0.000	0.000	0.000	0.000	0.000	0.000
2 Net lending						
C Net transfer to other levels of government (1+3-2-4)	0.048	0.096	0.135	0.108	-0.301	-1.227
1 Transfers to other levels of government	0.000	0.000	0.000	0.000	0.000	0.000
2 Transfers from other levels of government	0.000	0.000	0.000	0.000	1.072	2.500
3 Transfers to extra-budgetary social security funds	0.048	0.096	0.135	0.108	0.771	1.273
Pension fund					0.532	1.007
Health fund					0.239	0.266
4 Transfers from extra-budgetary funds	0.000	0.000	0.000	0.000	0.000	0.000
Overall budget balance (cash) (A-B-C)	0.030	0.055	-0.060	-0.030	0.120	0.000
Statistical discrepancy	0.000	0.000	0.000	0.000	0.120	0.000
Financing (1+2+3+4)	-0.030	-0.055	0.060	0.030	-0.120	0.000
1 Domestic financing (net) (1.1+1.2)	-0.030	-0.055	0.060	0.030	-0.120	0.000
1.1 Banking system (1.1.1+1.1.2)	-0.030	-0.055	0.060	0.030	-0.120	0.000
1.2 Nonbank						
2 Foreign financing (net) (2.1-2.2)	0.000	0.000	0.000	0.000	0.000	0.000
3 Privatization receipts						
	(In percent of GDP)					
A Total revenue and grants (1+2)	0.5	0.6	0.5	0.5	0.4	0.4
B Total expenditure and net lending (1+5)	0.5	0.5	0.4	0.5	0.4	0.6
C Net transfer to other levels of government (1+3-2-4)	0.0	0.1	0.1	0.0	0.0	-0.1
Overall budget balance (cash) (A-B-C)	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum Items:						
Nominal GDP (billion dinars)	112.4	146.3	192.9	358.1	724.1	978.933
Arrears (end of period, million dinars)	n.a.	n.a.	n.a.	921.500	1731.000	

Sources: Serbian Labor Market Fund; the Ministry of Finance of Serbia; and IMF staff estimates.

Table 24. Federal Republic of Yugoslavia: Labor Market Fund
Unemployment Insurance of Serbia, 1994-2001

	1994	1995	1996	1997	1998	1999	2000	2001
	(Average monthly, Number of Persons in thousands)							
Unemployment benefits	12.6	14.2	14.8	19.0	29.6	45.1	47.4	51.2
Other benefits:								
New employment benefits	108.1	161.6	133.9	35.2	12.2	1.3	0.1	0.1
Trainees	6.5	10.6	15.2	12.9	11.5	15.0	21.0	18.2
For retraining	45.9	77.1	52.3	33.9	6.5	1.7	2.6	2.0
For self-employment SME	6.1	6.1	9.8	7.4	14.0	8.4	10.6	12.0
	(Average benefits in thousand dinars)							
Unemployment benefits 1/ 2/	8,054	25,653	50,805	147,048	269,768	492,254	758,826	2,428,960
Other benefits:								
New employment benefits	1.2	1.0	1.4	4.0	3.8	5.4	36.0	54.0
Trainees 1/	8,220	33,463	85,731	79,019	130,490	191,921	369,102	795,849
For retraining	0.3	0.5	0.8	0.8	3.3	5.6	6.8	9.1
For self-employment SME	1.2	2.0	2.6	4.9	6.0	6.3	12.2	14.1

Source: The Serbian Labor Market Fund.

1/ Resources for unemployment benefits and trainees are presented as totals spent in a particular year, since the duration of benefits ranges from 3-24 months and the fund pays a portion of wages of trainees for 6, 9, and 12 months; consequently data on average payments would not be comparable.

2/ For the founder YUD 30,000.

Table 25. Federal Republic of Yugoslavia: Consolidated General Government Fiscal Operations in 2000-2002 1/

	Consolidated General Government Excluding Montenegro								Consolidated General Government Including Montenegro							
	2000	2001		2002	2000	2001		2002	2000	2001		2002	2000	2001		2002
		Prog.	Prel.	Budget		Prog.	Prel.	Budget		Prog.	Prel.	Budget		Prog.	Prel.	Budget
	(Billion dinars)				(Percent of GDP) 2/				(Billion dinars)				(Percent of GDP) 2/			
Total revenue	128.8	250.6	277.2	392.1	36.0	36.9	38.3	40.1	140.2	273.8	300.5	421.0	39.2	40.4	41.5	43.0
Current revenue	128.8	250.1	277.2	390.9	36.0	36.9	38.3	39.9	140.2	272.7	300.5	419.8	39.2	40.2	41.5	42.9
Tax revenue	115.7	229.7	253.7	360.5	32.3	33.9	35.0	36.8	126.4	251.1	273.8	385.3	35.3	37.0	37.8	39.4
Personal income tax	12.4	25.5	32.9	48.6	3.5	3.8	4.5	5.0	12.7	26.2	36.2	52.8	3.5	3.9	5.0	5.4
Social security contributions	39.7	73.2	76.9	101.7	11.1	10.8	10.6	10.4	44.8	83.8	85.5	112.9	12.5	12.3	11.8	11.5
Corporate income tax	1.1	2.1	3.4	4.6	0.3	0.3	0.5	0.5	1.1	2.1	3.4	4.6	0.3	0.3	0.5	0.5
Retail sales tax	22.8	57.5	72.1	106.4	6.4	8.5	10.0	10.9	26.3	63.8	75.8	110.5	7.3	9.4	10.5	11.3
Excises	10.7	26.7	26.2	48.1	3.0	3.9	3.6	4.9	10.7	26.7	28.4	50.3	3.0	3.9	3.9	5.1
Taxes on international trade and operations	8.5	14.1	14.3	21.7	2.4	2.1	2.0	2.2	10.3	17.8	16.0	23.9	2.9	2.6	2.2	2.4
Other taxes	13.8	30.6	27.9	29.5	3.8	4.5	3.9	3.0	13.9	30.8	28.6	30.4	3.9	4.5	3.9	3.1
Extrabudgetary taxes	6.6	0.0	0.0	0.0	1.8	0.0	0.0	0.0	6.6	0.0	0.0	0.0	1.8	0.0	0.0	0.0
Nontax revenue	13.1	20.4	23.5	30.4	3.7	3.0	3.2	3.1	13.8	21.6	26.6	34.6	3.8	3.2	3.7	3.5
Capital revenue	0.0	0.5	0.0	1.2	0.0	0.1	0.0	0.1	0.0	1.1	0.0	1.2	0.0	0.2	0.0	0.1
Total expenditure and net lending	129.6	289.3	283.9	444.2	36.2	42.6	39.2	45.4	143.6	315.4	310.2	477.0	40.1	46.5	42.8	48.7
Current expenditure	118.6	261.5	268.8	405.8	33.1	38.5	37.1	41.5	131.2	284.7	292.6	435.9	36.6	42.0	40.4	44.5
Expenditure on goods and services	61.6	123.8	123.4	165.3	17.2	18.2	17.0	16.9	66.4	133.2	134.5	178.9	18.5	19.6	18.6	18.3
Wages and salaries	33.4	64.5	65.4	89.1	9.3	9.5	9.0	9.1	36.0	71.0	73.0	98.6	10.1	10.5	10.1	10.1
Other purchases of goods and services	28.2	59.3	58.0	76.2	7.9	8.7	8.0	7.8	30.4	62.2	61.6	80.3	8.5	9.2	8.5	8.2
Interest payment	2.2	6.7	5.6	16.5	0.6	1.0	0.8	1.7	2.2	6.7	5.7	18.0	0.6	1.0	0.8	1.8
Subsidies and other current transfers	54.8	131.1	139.8	224.1	15.3	19.3	19.3	22.9	62.5	144.8	152.4	239.0	17.5	21.3	21.0	24.4
Subsidies	7.1	21.7	25.2	40.4	2.0	3.2	3.5	4.1	8.1	22.5	25.9	41.9	2.3	3.3	3.6	4.3
Transfers to households	47.7	109.3	114.6	183.7	13.3	16.1	15.8	18.8	54.5	122.3	126.5	197.0	15.2	18.0	17.5	20.1
Capital expenditure	11.0	23.5	8.8	29.3	3.1	3.5	1.2	3.0	11.8	24.7	10.0	30.5	3.3	3.6	1.4	3.1
General reserves	0.0	2.9	0.0	9.1	0.0	0.4	0.0	0.9	0.3	4.1	0.4	9.8	0.1	0.6	0.1	1.0
Lending minus repayment	0.0	1.4	6.3	0.0	0.0	0.2	0.9	0.0	0.3	1.9	7.2	0.8	0.1	0.3	1.0	0.1
Net transfer to other levels of government	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.1	0.0	0.0	0.0	0.0
Overall balance	-0.8	-38.7	-6.7	-52.2	-0.2	-5.7	-0.9	-5.3	-3.4	-41.7	-9.7	-56.1	-0.9	-6.2	-1.3	-5.7
Foreign grants	0.1	5.2	3.4	7.8	0.0	0.8	0.5	0.8	2.8	8.0	5.4	9.8	0.8	1.2	0.7	1.0
Overall balance including grants	-0.7	-33.6	-3.3	-44.4	-0.2	-4.9	-0.5	-4.5	-0.6	-33.7	-4.3	-46.3	-0.2	-5.0	-0.6	-4.7
Statistical discrepancy	0.0	0.0	0.6	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.6	0.0	0.0	0.0	0.1	0.0
Financing	0.7	33.6	3.9	44.5	0.2	4.9	0.5	4.5	0.6	33.7	5.0	46.4	0.2	5.0	0.7	4.7
Domestic financing	0.7	4.2	3.9	5.6	0.2	0.6	0.5	0.6	0.6	4.4	5.0	4.4	0.2	0.6	0.7	0.5
Bank financing	0.3	4.2	5.1	7.5	0.1	0.6	0.7	0.8	0.3	4.4	5.7	6.3	0.1	0.6	0.8	0.6
NBY	0.8	4.0	6.4	6.6	0.2	0.6	0.9	0.7	0.8	4.0	7.0	5.5	0.2	0.0	1.0	0.6
Commercial banks	-0.5	0.2	-1.2	0.9	-0.1	0.0	-0.2	0.1	-0.5	0.4	-1.3	0.9	-0.1	0.1	-0.2	0.1
Non-bank financing	0.4	0.0	-1.2	-1.9	0.1	0.0	-0.2	-0.2	0.4	0.0	-0.7	-1.9	0.1	0.0	-0.1	-0.2
Foreign financing	0.0	19.6	0.0	27.5	0.0	2.9	0.0	2.8	0.0	19.6	0.0	29.0	0.0	2.9	0.0	3.0
Privatization receipts	0.0	9.7	0.0	11.4	0.0	1.4	0.0	1.2	0.0	9.7	0.0	12.9	0.0	1.4	0.0	1.3

Sources: Ministry of Finance of FRY, Republic of Serbia and Republic of Montenegro; and IMF staff estimates.

1/ Consolidated general government includes the federal, the republican and local governments, the social security funds and the extrabudgetary programs.

2/ Expressed in terms of GDP of the FRY excluding Kosovo.

Table 26. Federal Republic of Yugoslavia: Republican Government
Fiscal Operations of Montenegro, 2000-2002
(In million DM)

	2000	2001	2002
	Jan.-Dec.	Jan.-Dec. Prel.	Jan.-Dec. Projections
A Total revenue and grants (1+2)	483.0	473.7	584.4
1 Total revenue (1.1+1.2)	375.0	444.9	527.4
1.1 Current revenue (1.1.1+1.1.2)	375.0	444.9	527.4
1.1.1 Tax revenue (1.1.1.1+1.1.1.2+1.1.1.3+1.1.1.4)	304.5	367.6	408.0
1.1.1.1 Personal income	88.8	110.7	132.9
1.1.1.2 Turnover (retail sales) tax	62.6	114.4	121.1
1.1.1.3 Excises	95.6	69.8	65.9
1.1.1.4 Taxes on international trade and transactions	57.5	53.4	64.3
1.1.1.5 Other taxes		19.4	23.7
1.1.2 Nontax revenue	70.5	77.3	119.4
1.2 Capital revenue			
2 Grants	108.0	28.8	57.0
B Total expenditure and net lending (1+2)	481.5	507.3	641.7
1 Total expenditure (1.1+1.2)	481.5	494.1	619.2
1.1 Current expenditure (1.1.1+1.1.2)	421.5	456.4	586.5
1.1.1 Interest	2.6	1.22	46.10
1.1.2 Non-interest (1.1.2.1+1.1.2.2+1.1.2.3+1.1.2.4)	418.9	455.2	540.4
1.1.2.1 wages and salaries	203.0	212.2	263.6
1.1.2.2 goods and services		108.3	106.2
1.1.2.3 Social Insurance and Social Security Transfers	50.1	88.7	87.79
1.1.2.4 Subsidies to enterprises		24.0	50.8
1.1.2.5 Reserve			23.3
1.1.2.6 Other non-interest expenditure	165.8	22.1	8.8
1.2 Capital expenditure	60.0	37.7	32.8
2 Net lending	0.0	13.2	22.5
Lending		27.3	22.5
Repayment		14.2	
C Net transfer to other levels of government (1+3-2-4)	1.5	0.0	0.0
1 Transfers to lower levels of government	1.5	0.0	0.0
2 Transfers from lower levels of government			
3 Transfers to extra-budgetary social security funds			
4 Transfers from extra-budgetary funds			
Overall budget balance excluding grants (cash) (A-B-C-2)	-108.0	-62.3	-114.4
Overall budget balance (cash) (A-B-C)	0.0	-33.5	-57.4
Financial Gap	0.0	-0.3	0.0
Financing (1+2+3)	0.0	33.3	57.4
1 Domestic financing (net) (1.1+1.2)	0.0	33.3	-33.5
1.1 Banking system (1.1.1+1.1.2)	0.0	33.3	-33.5
1.1.1 National Bank of Yugoslavia	0.0	19.8	-33.5
Borrowing		37.2	0.0
Repayment		17.3	33.5
1.1.2 Commercial banks	0.0	13.4	0.0
Borrowing		112.4	0.0
Repayment		98.9	0.0
1.2 Nonbank	0.0	0.0	
2 Foreign financing (net) (2.1-2.2)	0.0	0.0	43.9
2.1 Disbursements	0.0	0.0	43.9
2.2 Amortization	0.0	0.0	0.0
3 Privatization receipts	0.0	0.0	47.0
	(In percent of GDP)		
A Total revenue and grants (1+2)	37.2	30.2	32.1
B Total expenditure and net lending (1+2)	37.0	32.3	35.3
Overall budget balance (cash) (A-B-C)	0.0	-2.1	-3.2
Memorandum Items:			
Nominal GDP (million DM)	1300.0	1570.0	1817.7

Source: Montenegrin Ministry of Finance.

Table 27. Federal Republic of Yugoslavia: Republican Health Fund, Budget Execution of Montenegro, 1997-2002

	1997	1998	1999	2000		2001		2002
	(YUD m.)	(YUD m.)	(YUD m.)	Budget (DM m.)	Outcome (DM m.)	Budget (DM m.)	Outcome (DM m.)	Budget (DM m.)
Total revenue	606	725	1,020	115	108	131	137	160
Out of gross wages for economic activities	257	322	463	52	47	54	58	65
Out of gross wages for non-economic activities	173	233	312	29	35	35	48	42
Out of private employers and workers they employ	16	22	30	5	3	5	4	6
From the pension fund	147	118	88	25	18	32	22	41
From farmers insurees	1	2	4	0	0	0	0	0
From the unemployment fund	0	0	0	0	0	3	3	0
From the budget for the jobless	4	18	23	3	3	1	2	4
Other revenue	7	10	100	1	2			1
Total expenditure	607	800	1,020	115	114	131	149	160
<i>Of which:</i>								
Funds for health care	569	764	947	108	104	122	140	149
Gross wages	250	349	456	43	52	59	60	69
Funds for investment	7	1	6	2	2	4	0	3
Orthopedic aids and equipment	7	6	8	1	1	1	1	1
Compensation for sick leave over 60 days	6	9	16	1	2	2	2	2
Travel expenses and DSA for insurees	11	14	21	2	2	2	3	2
Funds for specialized training abroad	0	0	0	0	0	0	0	0
Fund for housing and accomodation issues	0	0	0	0	0	0	0	0
Operational cost of health fund	6	7	23	1	3	1	2	2
Total revenue				8.8	8.3	8.3	8.7	8.8
Total expenditure				8.8	8.7	8.3	9.5	8.8
Memorandum items:								
Nominal GDP (million DM)				1,300	1,300	1,570	1,570	1,818

(In percent of GDP)

Source: Montenegro Republican Health Care Fund.

Table 28. Federal Republic of Yugoslavia: Overview of Health Insurees
by Years and Categories in Montenegro, 1994-2000
(Number of persons insured; annual averages)

	1994	1995	1996	1997	1998	1999	2000
Employees	170,684	147,232	147,743	147,083	147,233	145,571	140,762
Pensioners	84,282	86,554	90,688	92,810	94,687	94,026	95,186
Unemployed	56,890	56,614	60,730	64,478	68,923	79,800	81,069
Family members	297,721	316,063	345,891	313,158	310,334	306,518	306,705
Others	28,443	27,605	26,444	26,675	26,731	25,716	25,433
Total	638,020	634,068	671,496	644,204	647,908	651,631	649,155
Refugees and displaced persons	41,590	425,588	28,338	28,338	59,438	58,627	46,594
Total number of insured persons	679,610	1,059,656	699,834	672,542	707,346	710,258	695,749

Source: Republic Statistical Bureau.

Table 29. Federal Republic of Yugoslavia: Pension Fund Operations
of Montenegro, 2000-2002

	2000		2001		2002
	Budget	Outcome	Budget	Outcome	Budget
	(Million DM)				
Total revenue	220	239	300	276	320
Own revenue	220	226	270	242	221
Revenues from contributions	132	151	172	144	202
Redirected funds	77	50 1/	79 1/	76 1/	0
Revenues from payment operations commission	10	15 2/	7	7	7
Revenues from special tax	-	7	11	10	12
Other revenues (dividends and interest)	1	3	1	5	...
Transfers from the budget 1/	...	...	...	...	99
Foreign assistance	-	13	30	34	-
Expenditure	220	239	300	276	320
Total current expenditure	191	239	270	260	317
Pensions	134	166	200	209	241
Allowances/additional payments	2	4	5	5	5
Compensations	11	9	9	11	12
Contributions	25	37	38	18	41
Costs of making pension payments	5	5	5	6	5
Funds for special purposes	5	6	5	5	3
Funds for expert services	3	3	3	3	4
Material expenditure	2	7	2	3	4
Investments	4	2	2	1	2
Reserves	29	0	30	0	3
Surplus revenue	0	0	...	16	...
	(In percent of GDP)				
Total revenue	16.9	18.3	19.1	17.6	17.6
Expenditure	16.9	18.4	19.1	17.6	17.6
Memorandum items:					
Nominal GDP (million DM)	1300	1300	1570	1570	1817.682

Sources: Montenegrin Republican Pension Fund; and IMF Staff estimates.

1/ During 2000 and 2001 transfers from the budget are included under redirected funds.

2/ Including revenues from special tax and other revenues.

Table 30. Federal Republic of Yugoslavia: Montenegrin Pension Fund, Number of Beneficiaries and Pension Payments, 1993-2001

	1993	1994	1995	1996	1997	1998	1999	2000	2001
Number of beneficiaries (in thousands)	71.6	72.7	74.8	77.4	80.7	81.8	83.7	84.7	86.2
Old age	21.4	22.9	24.8	27.6	30.1	30.7	31.6	32.6	33.9
Disability	29.6	28.9	28.3	27.8	27.9	27.6	27.8	27.7	27.5
Survivors	20.5	20.9	21.7	22.0	22.8	23.5	23.9	24.4	24.8
Other former SFRY republics 1/	1.5 ...		1.2	1.2	1.1	1.1	1.0	0.9	0.8
	(In million dinars)							(In million DM)	
Pension payments	402.5	109.0	251.5	558.0	715.2	1052.8	1588.9	165.4	208.5
Old age	161.3	44.0	108.0	245.5	321.8	482.3	741.6	76.9	99.8
Disability	143.9	38.0	80.0	177.5	220.9	316.1	468.0	48.9	59.7
Survivors	92.6	25.5	60.0	127.5	164.6	241.2	365.0	39.3	49.0
Other	4.7	1.5	3.5	7.5	7.9	13.2	14.3	1.0	...
	(In dinars)							(In DM)	
Wages and pension benefits:									
Average net wage	41.8	141.8	309.0	660.0	878.0	1228.0	1929.0	189.0	211.0
Average pension	...	125.2	278.8	601.0	867.3	1092.9	1705.7	163.2	190.0
Old age	...	160.7	363.2	741.7	892.1	1311.0	1952.8	196.4	245.1
Disability	...	110.2	236.7	532.4	660.3	956.0	1400.7	147.0	180.8
Survivors	...	101.2	228.7	481.8	601.2	853.5	1273.9	134.0	164.7
Memorandum items:									
Total active insured persons (end-of-period)	...	...	125,089	124,264	120,604	117,745	115,348	100,656	...
Dependency ratio (insured/pensioners)	...	...	1.6	1.5	1.5	1.4	1.4	1.2	...
Old age dependency ratio	...	...	5.1	4.5	4.0	3.8	3.6	3.1	...
Average replacement rate	...	...	0.9	0.9	1.0	0.9	0.9	0.9	0.9
Old age replacement rate	...	1.1	1.2	1.1	1.0	1.1	1.0	10.4	1.2

Source: Montenegrin Pension Fund.

1/ Pension beneficiaries from former SFRY republics are included in total number of pension beneficiaries by types.

Table 31. Federal Republic of Yugoslavia: Balance Sheet of the NBY, 1998-2001
(In millions of dinars; end of period)

	1998	1999	2000	2001				
	Dec. 5/	Dec. 5/	Dec.	March	June	Sep.	Nov.	Dec.
Net foreign reserves	-6,776	-22,549	9,746	14,008	19,216	24,316	26,836	30,864
Net foreign reserves in Euro million	-425	-549	325	236	324	407	447	518
Gross foreign reserves 1/	4,446	11,975	33,112	39,424	50,745	58,189	62,558	69,707
Gross reserve liabilities (-) 2/	-11,222	-34,524	-23,366	-25,416	-31,529	-33,873	-35,722	-38,843
Net domestic assets	14,290	32,016	-9,746	-14,008	-19,216	-24,316	-26,836	-30,864
Domestic credit	41,173	107,967	15,038	9,902	10,105	11,761	14,043	9,359
Net claims on government	3,148	7,663	1,986	-1,419	-952	2,852	2,467	5,564
Claims	3,877	9,280	5,456	5,572	5,488	8,684	10,284	13,066
Dinar credits	2,262	4,220	5,456	5,572	5,488	8,684	10,284	13,066
Foreign currency credits	1,615	5,060	0	0	0	0	0	0
Liabilities (-)	-729	-1,617	-3,470	-6,991	-6,440	-5,832	-7,817	-7,502
Dinar liabilities	-355	-547	-1,964	-3,729	-4,106	-2,894	-3,373	-3,719
Foreign currency liabilities	-374	-1,070	-1,506	-3,262	-2,334	-2,938	-4,444	-3,783
Net claims on banks	38,110	100,213	11,940	10,646	10,223	8,425	11,105	5,585
Claims	38,278	100,676	12,611	11,898	12,431	11,523	13,471	6,362
Recourse to required reserves	527	866	1,174	882	1,017	847	2,342	2,286
Other dinar credits	3,403	4,120	3,364	3,401	3,346	3,144	3,173	1,740
Foreign currency credits	34,348	95,690	8,073	7,615	8,069	7,532	7,956	2,336
Foreign currency credits in Euro million	2,155	2,330	269	128	136	126	132	39
Liabilities (-)	-169	-463	-671	-1,252	-2,208	-3,098	-2,366	-777
Of which: Voluntary NBY bills	0	0	-86	-343	-1,372	-2,700	-2,266	281.1
Net claims on the rest of the economy	-84	91	1,112	675	834	484	471	-1,790
Claims	40	218	1,072	973	1,118	906	874	-787
Dinar credits	0	95	1,072	973	1,118	906	874	216
Foreign currency credits	40	123	0	0	0	0	0	-1003
Liabilities (-)	-124	-127	40	-298	-284	-422	-403	-1,003
Other assets (net)	-26,883	-75,951	-24,784	-23,910	-29,321	-36,077	-40,879	-40,223
Reserve money	7,514	9,467	19,845	19,907	25,019	31,139	34,600	43,647
Currency in circulation	5,057	6,688	10,933	11,258	14,318	17,563	20,208	25,324
Reserve deposits	2,457	2,779	8,912	8,649	10,701	13,576	14,392	18,323
Required reserves held 3/	1,502	1,217	3,650	4,730	6,041	7,988	8,192	8,022
Shortfall in required reserves 3/	527	866	1,174	882	1,017	847	2,342	2,286
Excess reserves 4/	429	696	4,088	3,037	3,643	4,741	3,858	8,015

Sources: National Bank of Yugoslavia; and IMF staff estimates and calculations.

1/ Foreign exchange-denominated items converted at parallel market exchange rates up to September 2000, at YUD 30 = DM for September and at current exchange rates thereafter.

2/ Excludes long-term liabilities and undivided liabilities of the SFRY. Including foreign currency-denominated liabilities to domestic banks and residents converted at parallel market exchange rates up to September 2000, at YUD 30 = DM for September and at current exchange rates thereafter.

3/ Amounts banks are required to hold in NBY account 201 to satisfy the standard percent reserve requirement.

4/ Comprise balances in Giro accounts and cash in commercial bank vaults.

5/ Include domestic assets and liabilities inherited from the SFRY.

Table 32. Monetary Survey of Serbia, 1998-2001
(In millions of dinars, end of period, in current exchange rates)

	1998	1999	2000	2001				
	Dec. 3/	Dec. 3/	Dec.	Mar.	June	Sep.	Nov.	Dec.
Net Foreign Assets 1/	2,838	7,713	24,609	29,729	37,670	46,562	55,342	70,953
(NFA in Euro m.)	178	188	419	501	635	779	921	1,190
Assets	10,427	26,922	56,231	63,024	76,777	88,743	97,632	113,016
NBY	4,446	11,975	33,112	39,424	50,745	58,189	62,558	69,707
Commercial banks	5,981	14,947	23,119	23,600	26,032	30,554	35,074	43,309
Liabilities (-) 2/	-7,589	-19,209	-31,622	-33,295	-39,107	-42,181	-42,290	-42,063
NBY	-1,771.0	-5,325.0	-9,601	-10,219	-15,156	-18,319	-18,959	-18,947
Commercial banks	-5,818	-13,884	-22,021	-23,076	-23,951	-23,862	-23,331	-23,116
Net Domestic Assets	21,383	32,874	39,739	39,203	40,013	43,976	45,595	51,140
Domestic credits	58,268	134,051	212,092	221,336	229,529	224,225	231,567	240,946
Net credit to government	4,024	9,436	1,751	-1,421	-2,383	210	-2,244	865
Credits	6,432	13,088	9,399	8,940	9,329	12,287	14,075	16,955
Dinar credits	3,622	7,141	7,906	7,437	7,134	10,610	12,447	15,224
NBY	2,262	4,220	5,456	5,572	5,488	8,684	10,284	13,061
Commercial banks	1,360	2,921	2,450	1,865	1,646	1,926	2,163	2,163
Foreign currency credits	2,810	5,947	1,493	1,503	2,195	1,677	1,628	1,731
NBY	1,615	5,060	0	0	0	0	0	0
Commercial banks	1,195	887	1,493	1,503	2,195	1,677	1,628	1,731
Deposits	-2,408	-3,652	-7,648	-10,361	-11,712	-12,077	-16,319	-16,090
Dinar deposits	-1,991	-2,448	-5,919	-6,913	-9,168	-8,815	-11,456	-11,851
NBY	-375	-1,070	-1,506	-3,262	-2,334	-2,938	-4,444	-3,783
Commercial banks	-42	-134	-223	-186	-210	-324	-419	-456
Credit to the non-government sector	54,244	124,615	210,341	222,757	231,912	224,015	233,811	240,081
Households	1,332	1,663	2,684	2,344	3,494	4,581	5,048	5,008
Non-profit and other sectors in dinar	476	680	1,231	2,234	1,449	1,188	2,822	3,040
Non-profit and other sectors in foreign currency	1,294	1,449	20,793	21,509	24,934	24,541	25,799	26,074
Enterprises in dinar	16,390	20,719	31,189	34,468	37,593	39,405	44,292	46,455
Enterprises in foreign currency	34,752	100,104	154,444	162,202	164,442	154,300	155,850	159,504
Enterprises in foreign currency (Euro million)	2,180	2,437	2,632	2,736	2,770	2,582	2,595	2,675
Other items net	-36,885	-101,176	-172,353	-182,133	-189,516	-180,249	-185,972	-189,806
Net claims on government on the basis of								
frozen deposit	6,450	6,628	11,207	11,200	5,404	-3,051	-4,353	-5,231
Claims of the Government on the basis of								
frozen foreign currency	56,414	150,584	222,638	224,398	219,121	209,317	209,270	208,319
Frozen deposits	-49,964	-143,956	-211,431	-213,198	-213,717	-212,368	-213,623	-213,550
Broad Money (M2)	24,221	40,587	64,348	68,932	77,683	90,538	100,937	122,093
Dinar-denominated M2	13,496	18,229	31,413	34,560	42,646	54,092	57,892	66,079
M1	9,883	14,552	25,780	28,733	35,694	45,602	48,401	56,532
Currency outside banks	5,057	6,688	10,932	11,257	14,318	17,563	20,208	25,273
Demand deposits	4,826	7,864	14,848	17,476	21,376	28,039	28,193	31,259
Time and savings deposits	3,613	3,677	5,633	5,827	6,952	8,490	9,491	9,547
Foreign-currency deposits (non-frozen)	10,725	22,358	32,935	34,372	35,037	36,446	43,045	56,014
Foreign-currency deposits (not-frozen), Euro million	673	544	561	580	590	610	717	939

Sources: National Bank of Yugoslavia; and IMF staff estimates and calculations.

1/ Foreign exchange-denominated items converted at parallel market exchange rates for 1998 YUD 8.15 = 1DM, for 1999 YUD 21.00 = 1 DM, and current exchange rate thereafter.

2/ Excluding frozen liabilities and liabilities that are likely to be rescheduled as part of Yugoslavia's negotiations with official creditors.

3/ Include domestic assets and liabilities inherited from the SFRY.

Table 33. Federal Republic of Yugoslavia: Deposit Money Banks' Accounts, 1998- 2001
(In millions of dinars; end of period)

	1998	1999	2000	2001			
				Mar.	Jun.	Sep.	Dec.
Assets (1+2+3+4+5+6)	140,338	338,487	519,044	535,669	550,511	518,035	552,095
1. Reserves and deposits at NBY	4,884	11,365	19,367	20,066	22,682	25,683	35,251
1.1 In foreign currency	2,427	8,586	10,455	11,417	11,981	12,107	16,773
(in millions of Euro)	152	209	178	193	202	203	281
(in millions of US\$)	178	210	166	181	190	192	266
1.2 Reserves in dinar	2,457	2,779	8,912	8,649	10,701	13,576	18,478
2. Foreign Assets 1/	6,104	14,947	23,106	22,992	23,435	29,473	40,395
(NFA in Euro m.)							
3. Claims on the government	58,861	154,392	226,580	227,766	222,964	212,920	212,214
3.1 Federal government	57,538	152,129	223,845	225,082	220,600	210,178	209,086
from blocked f/c deposits	56,414	150,584	222,638	224,398	219,121	209,317	208,319
bonds	189	1,381	764	464	443	435	394
other claims	935	164	443	220	1,036	426	373
3.2 Serbia government	1,006	1,348	1,255	1,182	715	1,161	1,501
from blocked f/c deposits							
bonds	0	22	37	32	8	0	10
other claims	1,006	1,326	1,218	1,150	707	1,161	1,491
3.3 Local government	317	915	1,480	1,502	1,649	1,581	1,627
4. Claims on other domestic sectors	54,117	124,440	192,609	203,986	212,445	205,015	220,370
4.1 Claims on enterprises	51,142	120,761	184,572	195,708	200,928	192,701	204,970
4.2 Claims on households	1,332	1,663	2,684	2,344	3,494	4,581	5,008
4.3 Claims on others	1,643	2,016	5,353	5,934	8,023	7,733	10,392
5. Claims on other banking institutions	16,173	33,123	40,711	43,275	50,856	27,060	25,143
6. Claims on other financial institutions	199	220	16,671	17,584	18,129	17,884	18,722
Liabilities	149,126	336,121	584,422	600,377	617,366	829,034	865,484
1 Demand deposits	4,705	7,735	15,577	17,214	21,485	27,653	30,747
2. Savings and time deposits	3,613	3,677	5,633	6,369	6,952	8,490	9,560
3. Foreign currency deposits 1/	10,726	22,358	32,935	34,372	35,037	36,446	56,014
3.1 Enterprises and other agencies	6,144	20,303	29,930	31,034	31,287	31,690	35,375
3.2 Households	4,582	2,055	3,005	3,338	3,750	4,756	20,639
4. Bonds and money market instruments	997	1832	2431	2348	2443	2341	2458
5. Foreign liabilities 1/	49,746	121,693	180,324	188,612	190,572	203,857	207,579
(in Euro)	3,121	2,963	59	3,182	3,210	3,411	3,481
6. Government deposits	1,679	2,034	3,505	3,349	4,889	6,218	8,085
of which: in foreign currency	103	117	223	186	210	324	456
6.1 Federal	766	1,016	1,497	1,051	1,066	1,621	2,248
6.2 Serbia	524	546	973	940	2,059	2,038	2,943
6.3 Local	389	472	1,035	1,358	1,764	2,559	2,894
7. Credit from central bank	4,321	4,766	4,538	4,283	4,363	3,991	5,644
8. Restricted and blocked deposits							
of which: Households' blocked FX deposits	49,964	143,956	211,431	213,198	213,717	212,368	213,550
9. Capital accounts	23,375	28,070	128,048	130,632	137,908	327,670	331,847
0. Other items (net)	-8,788	2,366	-65,378	-64,708	-66,855	-310,999	-313,389

Sources: National Bank of Yugoslavia; and IMF staff estimates and calculations.

1/ Foreign-exchange denominated items converted at parallel market exchange rates up to September 2000, at YUD 30 = DM for September and at current exchange rates thereafter.

Table 34. Federal Republic of Yugoslavia: Commercial Bank Lending Rates, 1998-2002 1/
(Monthly, in percentage)

	1998 Dec.	1999 Dec.	2000 Dec.	2001												2002		
				Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
1 Short-term credits for exports of goods and services	2.37	3.42	2.06	1.91	1.37	2.47	2.15	2.28	1.56	2.13	2.11	1.96	1.27	1.39	1.12	0.91	0.97	0.98
2 Short-term credits for agriculture (production and stocks)	3.05	2.44	5.29	4.88	4.69	3.58	4.06	4.50	3.92	4.18	3.92	4.09	3.24	3.15	3.17	2.85	2.47	2.56
3 Other short-term credits	4.27	3.34	5.19	4.76	4.25	3.91	4.23	4.48	3.81	3.77	3.75	3.41	2.93	3.07	2.69	2.77	2.17	2.36
4 Short-term securities	3.63	3.34	4.51	3.93	3.62	2.93	3.25	3.36	2.94	3.36	2.99	2.75	2.01	2.01	2.20	2.12	1.82	1.75
5 Interbank lending	3.58	3.68	4.56	5.34	3.63	4.12	5.14	4.21	3.87	3.48	2.87	2.71	2.27	2.57	2.38	2.25	1.83	1.26
6 Money market	7.02	3.90	6.85	5.91	5.35	5.31	5.26	5.49	5.04	4.81	4.20	4.07	3.99	4.00	3.89	...	2.50	...
7 Short-term credits to households	4.49	2.69	2.24	1.36	1.40	1.43	1.87	1.99	2.04	2.30	2.49	2.15	1.68	2.13	1.79	1.93	1.45	1.62
8 Consumer credits	4.58	3.95	3.96	1.08	4.64	4.48	2.96	7.88	2.39	2.91	3.09	2.82	2.03	2.89	2.28	1.15	1.25	1.78
9 Long-term cred. for purchase and sale of domestic equipment	...	...	0.56	...	0.61	0.56	0.56	0.08	0.08	...	...	0.08	...	...	0.56	0.98	0.83	0.81
10 Long-term credits for agricultural production	0.69	...	0.08	0.09	0.08	0.08	0.08	0.08	0.62	0.30	0.55	0.65	0.47	1.09	0.08	0.08	0.08	0.03
11 Long-term credits for purchase and sale of fixed assets	...	0.33	3.30	0.56	1.58	1.32	0.72	0.25	0.08	0.00	2.34	0.44	0.79	0.64	0.96	0.92	1.38	0.81
12 Long-term credits to businesses for construction projects	1.20	1.20	0.95	2.20	2.70	1.59	1.59	1.59	1.45	1.68	1.12	0.57	1.26	1.14	1.01	1.06	0.81	1.06
13 Long-term credits to households for dwelling construction	0.96	1.49	0.96	1.02	2.02	1.98	0.14	1.52	0.89	0.86	0.63	0.86	0.91	1.03	0.99	0.90	0.73	1.07
14 Long-term rehabilitation loans	2.84	...	...	...	...	...	...	...	...	...	...	...	0.66	...	...	...	...	...
15 Other long-term credits to businesses	0.87	1.19	2.12	1.88	0.93	1.38	0.98	1.42	1.13	0.82	0.72	1.40	1.33	1.04	0.75	1.12	1.16	0.96
16 Other long-term credits to households	0.67	1.00	1.05	0.96	1.01	0.99	0.88	0.94	0.99	0.65	0.61	0.61	0.65	0.61	1.08	0.66	0.80	0.83
17 Long-term securities	...	...	...	...	...	...	...	...	...	1.90	1.90	1.60	1.48	1.60	1.60	1.60	1.60	...
Weighted average interest rates																		
Short-term credits	4.12	3.27	5.04	4.62	4.04	3.74	4.06	4.19	3.47	3.58	3.42	3.15	2.65	2.74	2.55	2.47	2.06	2.13
Long-term credits	0.89	1.20	2.10	1.64	1.12	1.30	0.41	0.87	0.95	0.82	0.72	1.21	1.23	0.98	0.76	1.04	1.00	0.94
Lending rates	4.09	3.23	5.00	4.58	3.99	3.70	3.96	4.11	3.39	3.37	3.32	3.10	2.58	2.69	2.42	2.42	2.03	2.09
Commercial Paper, Bank Bills and Certificates of Deposit	6.97	3.89	6.80	5.76	5.13	5.09	5.08	5.04	4.91	4.96	4.96	4.32	4.17	4.11	3.81	3.71	3.63	3.39

Source: National Bank of Yugoslavia.

1/ Based on data from Serbia only.

Table 35. Federal Republic of Yugoslavia: Deposit Interest Rates in Commercial Banks, 1998-2002 1/
(Monthly, in percentage)

	1998	1999	2000	2001												2002		
	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
1 Site deposits																		
Households	0.61	0.08	0.33	0.29	0.27	0.50	0.44	0.46	0.40	0.41	0.42	0.45	0.38	0.41	0.19	0.19	0.18	0.18
Businesses	0.56	0.01	0.07	0.05	0.05	0.05	0.05	0.05	0.08	0.09	0.07	0.11	0.11	0.12	0.12	0.10	0.23	0.26
2 Giro and current accounts																		
Households	0.46	0.02	0.17	0.17	0.18	0.20	0.15	0.17	0.17	0.15	0.14	0.16	0.16	0.15	0.16	0.16	0.15	0.15
Businesses	0.25	0.01	0.09	0.11	0.11	0.11	0.12	0.13	0.10	0.15	0.12	0.06	0.05	0.03	0.03	0.04	0.04	0.05
3 Time deposits																		
a) Up to 15 days																		
Households	4.00	0.00	4.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.83	0.71
Businesses	3.07	0.73	2.02	1.88	2.30	1.52	1.42	2.01	0.83	0.65	1.36	1.21	0.11	0.21	0.30	0.12	0.28	0.18
b) Up to one months																		
Households	5.60	2.07	2.65	2.93	2.50	2.78	2.67	2.93	2.95	2.87	2.84	2.88	2.52	2.51	2.57	2.58	2.42	1.61
Businesses	3.67	0.98	2.74	1.86	2.38	2.23	1.99	2.34	2.14	2.17	1.87	2.18	1.68	1.76	1.64	1.53	1.32	1.28
c) Up to two months																		
Households	6.07	0.78	3.18	2.89	2.83	2.70	2.76	2.79	2.75	2.79	2.74	2.49	2.50	2.46	2.43	2.43	2.29	1.92
Businesses	3.15	0.79	1.16	1.34	1.71	1.36	1.54	1.79	1.63	1.04	1.11	1.72	1.73	1.73	2.36	2.15	2.25	2.2
d) Up to three months																		
Households	6.12	2.36	3.38	3.37	3.12	3.37	3.10	3.53	3.14	3.26	3.09	3.07	2.80	2.75	2.77	2.72	2.52	2.11
Businesses	3.33	1.09	3.20	3.06	2.29	2.26	2.86	2.90	2.09	2.45	2.34	2.53	1.69	1.89	1.74	1.61	1.41	1.37
e) Up to six months																		
Households	6.50	4.39	4.12	4.14	4.12	3.95	3.80	3.71	3.62	3.60	3.53	3.46	3.17	2.83	2.79	2.74	2.64	2.18
Businesses	2.10	0.87	1.26	1.47	1.04	0.82	0.70	1.13	0.85	0.92	0.99	0.96	0.86	0.96	1.60	1.54	1.06	1.07
f) Up to one year																		
Households	7.03	3.09	4.30	4.59	4.23	4.36	4.30	4.57	4.53	4.58	4.53	4.59	3.32	3.01	3.16	3.17	3.06	1.97
Businesses	3.50	0.63	1.73	1.92	1.76	1.79	1.20	1.85	1.11	1.35	1.31	0.86	1.21	1.16	1.35	1.47	1.21	1.16
4 Long-term deposits																		
a) Up to two years																		
Households	4.37	2.61	4.50	4.57	4.57	4.63	4.58	4.62	4.46	4.46	3.69	4.22	4.02	3.27	2.56	1.51	2.54	1.79
Businesses	0.23	0.06	0.39	0.51	0.24	0.25	0.26	0.26	0.26	0.26	0.26	0.27	0.23	0.20	0.48	0.51	0.54	0.53
b) Up to three years																		
Households	6.98	6.15	6.87	6.61	6.81	6.81	6.63	6.85	6.55	6.79	6.56	6.60	4.62	4.72	4.42	4.26	4.05	2.19
Businesses	0.11	0.23	0.72	0.35	0.34	0.51	0.27	0.30	0.07	0.04		0.26	0.27	0.26	0.28	1.13	0.26	0.12
c) Over three years																		
Households	0.30	0.26	0.21	0.22	0.21	0.18	0.25	0.14	0.16	0.34	0.43	0.22	0.20	0.13	0.16	0.17	0.09	0.11
Businesses	0.33	0.08	0.06	0.05	0.16	0.16	0.15	0.16	0.17	0.18	0.18	0.20	0.18	0.17	0.18	0.17	0.16	0.17
Weighted average deposit interest rates																		
Short-term deposits of households 2/	1.38	3.10	3.76	3.79	3.60	3.67	3.57	3.74	3.63	3.63	3.54	3.50	3.00	2.79	2.82	2.78	2.62	2.00
Long-term deposits of households 3/	0.76	4.37	5.75	5.64	5.84	6.05	6.00	6.43	6.21	6.47	6.38	6.26	4.55	4.61	3.93	3.07	3.56	2.06
Deposits of households	1.36	3.11	3.78	3.81	3.62	3.70	3.60	3.77	3.66	3.67	3.58	3.54	3.03	2.82	2.84	2.79	2.64	2.00
Short-term deposits of businesses 2/	3.12	0.94	2.58	2.24	2.14	2.03	2.11	2.33	1.84	1.96	1.83	2.05	1.56	1.64	1.69	1.58	1.37	1.33
Long-term deposits of businesses 3/	0.29	0.07	0.41	0.50	0.24	0.27	0.26	0.27	0.18	0.25	0.26	0.27	0.24	0.20	0.46	0.56	0.52	0.46
Deposits of businesses	2.95	0.88	2.45	2.14	2.03	1.93	2.01	2.23	1.72	1.89	1.78	1.99	1.52	1.59	1.66	1.55	1.35	1.31
Total deposits of households and businesses 4/	2.36	1.05	2.55	2.28	2.17	2.10	2.18	2.39	1.95	2.10	1.98	2.18	1.69	1.76	1.88	1.83	1.68	1.50
All deposits	1.28	0.28	0.52	0.48	0.52	0.46	0.47	0.53	0.44	0.47	0.45	0.48	0.38	0.36	0.34	0.33	0.37	0.36

Source: National Bank of Yugoslavia.

1/ Based on data from Serbia only.

2/ Excludes site deposits, giro and current accounts, and deposits with up to 15 days maturity

3/ Excludes time deposits with over three years maturity

4/ Excludes site deposits, giro and current accounts, time deposits with up to 15 days maturity and time deposits with over three years maturity.

Table 36. Federal Republic of Yugoslavia: NBY Lending and Deposit Rates, 1998-2002
(Monthly, in percentage)

	1998	1999	2000	2001												2002		
	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June 1/	July	Aug. 2/	Sep. 3/	Oct.	Nov.	Dec.	Jan.	Feb. 4/	Mar.
1. Discount rate	2.50	2.00	2.00	2.00	2.00	1.00	1.00	1.00	1.90	1.90	1.60	1.30	1.30	1.30	1.30	1.30	1.00	1.00
2. Lombard rate	2.57	2.05	2.05	2.05	2.05	1.03	1.03	1.03	1.95	1.95	1.64	1.34	1.34	1.34	1.34	1.34	1.03	1.03
3. Overnight loans	5.00	4.00	4.00	4.00	4.00	2.00	2.00	2.00	3.80	3.80	3.20	2.60	2.60	2.60	2.60	2.60	2.00	2.00
4. Penalty rate	3.73	3.02	3.02	3.02	3.01	1.55	1.55	1.55	2.87	2.88	2.44	2.00	2.00	2.00	2.00	2.00	1.55	1.55
5. Shortfall through miscalculated RR	3.73	3.90	2.00	2.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
6. Use of required reserves	2.50	3.90	2.00	2.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
7. Rate on shortfall of required reserves	...	...	...	...	...	...	...	...	...	...	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
8. Foreign assets backed export credit (not repaid within 3 mos.)	5.00	4.00	4.00	4.00	4.00	2.00	2.00	2.00	3.80	3.80	3.20	2.60	2.60	2.60	2.60	2.60	2.00	2.00
9. Mandatory subscription of NBY bills	1.82	2.00	2.00	2.00	2.00	1.00	1.00	1.00	1.90	1.90	1.60	1.30	1.30	1.30	1.30	1.30	1.00	1.00
10. Allocated required reserves	1.33	1.05	1.05	1.05	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
11. NBY assets determined by separate law on transforming short term loans to long-term loans	...	0.97	0.96	0.97	0.87	0.97	0.94	0.97	0.94	0.97	0.97	0.94	0.97	0.94	0.97	0.97	0.87	0.97
12. NBY assets determined by separate decision of the governor	...	0.66	0.65	0.66	0.59	0.66	0.63	0.66	0.63	0.66	0.66	0.63	0.66	0.63	0.66	0.66	0.59	0.66

Source: Yugoslav authorities.

1/ From June, 16 2001.

2/ From Aug. 25 2001.

3/ From Sep. 29 2001.

4/ From Feb. 2, 2002

Table 37. Federal Republic of Yugoslavia: Composition of Exports, 1997-2001
(In millions of U.S. dollars)

	1997	1998	1999	2000	2001
Exports by broad category					
Total	2,677	2,858	1,498	1,723	1,903
Intermediate goods	1,752	1,934	858	1,031	1,078
Equipment goods	129	168	108	127	162
Consumer goods	796	757	531	565	663
Exports by detailed category					
Total	2,677	2,858	1,498	1,723	1,903
Food and Live Animals	281	334	291	255	275
Beverages and tobacco	77	41	22	15	17
Raw materials, except fuel	129	127	82	123	102
Mineral fuel and lubricants	56	78	36	4	50
Animal and plant oils and fats	21	23	8	17	18
Chemical products	321	286	145	145	132
Products classified by materials	911	855	465	632	653
Machines and transport devices	239	290	184	215	243
Miscellaneous manufactured products	423	384	221	270	363
Others	220	439	44	46	50
(In percent of total)					
Intermediate goods	65.4	67.6	57.3	59.8	56.6
Equipment goods	4.8	5.9	7.2	7.4	8.5
Consumer goods	29.7	26.5	35.5	32.8	34.8
Total	100.0	100.0	100.0	100.0	100.0
Food and Live Animals	10.5	11.7	19.4	14.8	14.5
Beverages and tobacco	2.9	1.5	1.5	0.9	0.9
Raw materials, except fuel	4.8	4.4	5.5	7.1	5.3
Mineral fuel and lubricants	2.1	2.7	2.4	0.3	2.6
Animal and plant oils and fats	0.8	0.8	0.6	1.0	0.9
Chemical products	12.0	10.0	9.7	8.4	7.0
Products classified by materials	34.0	29.9	31.1	36.7	34.3
Machines and transport devices	8.9	10.2	12.3	12.5	12.8
Miscellaneous manufactured products	15.8	13.5	14.8	15.7	19.1
Others	8.2	15.3	2.9	2.7	2.6

Source: Federal Statistical Office of Yugoslavia.

Table 38. Federal Republic of Yugoslavia: Composition of Imports, 1997-2001
(In millions of U.S. dollars)

	1997	1998	1999	2000	2001
Imports by broad category					
Total	4,826	4,849	3,296	3,711	4,837
Intermediate goods	3,237	3,219	2,254	2,543	3,151
Equipment goods	614	745	522	600	768
Consumer goods	976	885	520	568	918
Imports by detailed category					
Total	4,826	4,849	3,296	3,711	4,837
Food and Live Animals	586	492	279	279	441
Beverages and tobacco	83	51	41	53	99
Raw materials, except fuel	402	311	231	221	188
Mineral fuel and lubricants	768	766	588	745	1,001
Animal and plant oils and fats	9	10	8	9	10
Chemical products	638	678	519	556	698
Products classified by materials	1,002	1,041	677	772	948
Machines and transport devices	864	997	714	820	1,029
Miscellaneous manufactured products	373	385	213	237	356
Others	102	119	28	19	68
(In percent of total)					
Intermediate goods	67.1	66.4	68.4	68.5	65.1
Equipment goods	12.7	15.4	15.8	16.2	15.9
Consumer goods	20.2	18.3	15.8	15.3	19.0
Total by product category					
Food and Live Animals	12.1	10.1	8.5	7.5	9.1
Beverages and tobacco	1.7	1.0	1.2	1.4	2.1
Raw materials, except fuel	8.3	6.4	7.0	5.9	3.9
Mineral fuel and lubricants	15.9	15.8	17.8	20.1	20.7
Animal and plant oils and fats	0.2	0.2	0.2	0.2	0.2
Chemical products	13.2	14.0	15.7	15.0	14.4
Products classified by materials	20.8	21.5	20.5	20.8	19.6
Machines and transport devices	17.9	20.6	21.7	22.1	21.3
Miscellaneous manufactured products	7.7	7.9	6.5	6.4	7.3
Others	2.1	2.4	0.8	0.5	1.4

Source: Federal Statistical Office of Yugoslavia.

Table 39. Federal Republic of Yugoslavia: Destination of Exports, 1997-2001
(In millions of U.S. dollars)

	1997	1998	1999	2000	2001
Total	2,677	2,857	1,497	1,723	1,903
Developed Western Countries	1,344	1,419	693	838	1,008
Developing Countries	111	145	66	124	109
Countries in Transition	1,222	1,293	738	761	786
Total	2,677	2,858	1,498	1,723	1,903
Italy	318	311	167	223	312
Bosnia and Herzegovina	456	603	303	254	249
Germany	339	336	175	177	231
Republic of Macedonia	236	251	157	210	176
Switzerland	189	243	106	107	160
Russia	183	152	77	86	80
Greece	122	115	74	75	63
Hungary	63	56	32	62	63
Great Britain	80	98	42	34	56
France	67	92	41	43	43
Other countries	624	600	324	452	470
Developed Western Countries	50.2	49.7	46.3	48.6	53.0
Developing Countries	4.1	5.1	4.4	7.2	5.7
Countries in Transition	45.6	45.3	49.3	44.2	41.3
Total	100.0	100.0	100.0	100.0	100.0
Italy	11.9	10.9	11.1	12.9	16.4
Bosnia and Herzegovina	17.0	21.1	20.2	14.8	13.1
Germany	12.7	11.7	11.7	10.3	12.1
Republic of Macedonia	8.8	8.8	10.5	12.2	9.2
Switzerland	7.1	8.5	7.1	6.2	8.4
Russia	6.8	5.3	5.2	5.0	4.2
Greece	4.5	4.0	4.9	4.3	3.3
Hungary	2.3	2.0	2.1	3.6	3.3
Great Britain	3.0	3.4	2.8	2.0	2.9
France	2.5	3.2	2.7	2.5	2.3
Other countries	23.3	21.0	21.7	26.2	24.7

Source: Federal Statistical Office of Yugoslavia.

Table 40. Federal Republic of Yugoslavia: Origin of Imports, 1997-2001
(In millions of U.S. dollars)

	1997	1998	1999	2000	2001
Total	4,826	4,850	3,296	3,711	4,837
Developed Western Countries	2,428	2,529	1,682	1,836	2,382
Developing Countries	554	570	283	255	298
Countries in Transition	1,844	1,751	1,331	1,620	2,157
Total	4,826	4,850	3,296	3,711	4,837
Russia	454	550	274	319	685
Germany	650	589	404	479	589
Italy	485	508	333	390	500
Greece	181	193	147	132	218
Hungary	127	116	101	123	194
Romania	101	99	108	145	175
Bulgaria	123	82	149	324	153
Austria	157	152	114	114	147
Slovenia	75	70	24	35	145
Bosnia and Herzegovina	285	248	187	174	135
Other countries	2,187	2,244	1,456	1,477	1,896
	(In percent of total)				
Developed Western Countries	50.3	52.1	51.0	49.5	49.2
Developing Countries	11.5	11.8	8.6	6.9	6.2
Countries in Transition	38.2	36.1	40.4	43.7	44.6
Total	100.0	100.0	100.0	100.0	100.0
Russia	9.4	11.3	8.3	8.6	14.2
Germany	13.5	12.1	12.3	12.9	12.2
Italy	10.1	10.5	10.1	10.5	10.3
Greece	3.7	4.0	4.5	3.6	4.5
Hungary	2.6	2.4	3.1	3.3	4.0
Romania	2.1	2.0	3.3	3.9	3.6
Bulgaria	2.5	1.7	4.5	8.7	3.2
Austria	3.3	3.1	3.4	3.1	3.0
Slovenia	1.6	1.4	0.7	0.9	3.0
Bosnia and Herzegovina	5.9	5.1	5.7	4.7	2.8
Other countries	45.3	46.3	44.2	39.8	39.2

Source: Federal Statistical Office of Yugoslavia.

Table 41. Federal Republic of Yugoslavia: Stock of External Debt, 1997-2001
(In millions of U.S. dollars)

Creditor	1997	1998	1999	2000	2001
Total External Debt	9,770	10,539	10,744	11,403	11,948
Multilateral creditors	2,190	2,342	2,422	2,488	2,706
IMF	118	129	133	152	272
IBRD 1/	1,563	1,641	1,718	1,781	1,840
Eurofima	131	149	135	126	130
IFC	121	134	130	132	175
EIB	219	247	266	257	49
Eurofund	30	33	31	30	199
MIB	8	9	9	10	11
EBRD	0	0	0	0	28
European Community	0	0	0	0	2
Official bilateral creditors	3,892	4,238	4,213	4,604	4,818
Paris Club 2/	3,860	4,206	4,180	4,409	4,557
Other bilateral creditors	32	32	33	195	261
Commercial creditors	2,640	2,938	3,122	3,158	3,398
London Club 3/	2,002	2,175	2,228	2,267	2,299
Other commercial creditors	429	554	685	682	914
Debt incurred in non-convertible currencies	209	209	209	209	185
Short-term debt	1,048	1,021	987	1,153	1,026
Debt related to unpaid imports of oil and gas 4/	387	382	431	490	502
Other short-term debt	661	639	556	663	524

Source: National Bank of Yugoslavia.

1/ Including exchange rate adjustments.

2/ For 2001, debt figure reflects Paris Club estimate determined during the November 2001 Paris Club session.

3/ Excludes US\$500 million in debt held by Yugoslav "connected parties".

4/ Non-guaranteed overdue obligations (trade credits) owed to oil and gas enterprises in Russia and China.