

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

	2000	End-Mar.	2001		2001			2001		
	End-Dec.		End-June	End-Sep. Target		End-Dec. Target				
	Actual		Target	Actual	Original	First Review.	Actual	Original	First Review.	Revised
A. Quantitative performance criteria										
Floor on the net foreign assets of the NBY 2/	-308	-231	-283	-170	-303	-255	-98	-283	-244	-103
Ceiling on net domestic assets of the NBY 3/	39,315	34,526	39,064	35,770	41,766	43,185	35,508	42,909	44,328	41,351
Ceiling on net credit of the banking system to the consolidated general government 4/ 5/	3,373	89	5,373	-22	7,373	8,792	1,898	7,373	8,792	8,792
Ceiling on contracting or guaranteeing of new nonconcessional external debt with original maturity of more than one year by the public sector 2/ 6/	...	0.0	0.0	7.3	0.0	57.3	7.3	0.0	57.3	57.3
Ceiling on new external debt owed by the consolidated general government or guaranteed by the public sector with an original maturity of up to and including one year 2/ 7/	...	0	0	0	0	0	0	0	0	0
Ceiling on new guarantees and the assumption of enterprise debt to banks by the public sector 8/	...	0	0	0	0	0	6	0	0	6
Ceiling on outstanding external debt service arrears 2/ 9/	...	0	0	0	0	0	0	0	0	0
B. Indicative targets										
Ceiling on net domestic assets of the banking system 10/	19,433	15,720	24,604	18,513	28,226	29,198	22,969	31,226	32,831	33,602
Ceiling on change in the arrears of the federal government	...	0	0	1,200	0	0	-3,469	0	0	-3,469
the consolidated general government in Serbia	...	4,691	0	5,391	0	0	4,691	0	0	4,691
the consolidated general government in Montenegro	...	0	0	382	0	0	700	0	0	0
Ceiling on the wage bill of the 8 largest public enterprises, cumulative from beginning of year 11/	9,992	4,318	8,756	8,609 2/	13,207	13,355	12,952	17,658	18,251	18,251

1/ Quantitative performance criteria and indicative targets are defined in Annex C of the Revised Memorandum of Economic and Financial Policies of September 4, 2001 (Appendix IV of EBS/01/154, 9/5/01). Contrary to the definition of debt contained on page 61 of that document, the term debt for the purposes of the end-December 2001 performance criterion on external debt will exclude debt contracted in the context of rescheduling agreements.

2/ In millions of U.S. dollars.

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

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

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

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

7/ Excluding normal import-related credits.

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

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

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

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

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

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

	Implementation Date Reported in EBS/01/154	Status/revised implementation date
I. Prior Action for Board Consideration		
1. Submission to Federal, Serbian and Montenegrin parliaments of proposed budgets for 2002, consistent with key policy parameters described in MEFP of December 26, 2001.	...	Implemented
II. Structural Performance Criteria		
1. (Serbia) Increase in average electricity tariff (weighted by consumption) by 15 percent.	October 1, 2001	Implemented
III. Structural Benchmarks		
A. Fiscal Sector		
1. (Serbia) Issuance of decree revising the list of drugs offered to the general public population in state pharmacies, to bring expenditure on drugs in line with financial resources available to the health care system.	end-September 2001	Implemented in mid-October 2001
2. (Serbia) Improvement of cash management and fiscal reporting by eliminating primary budget managers' expenditure accounts and own accounts of direct spending units (637 accounts and their 850 subaccounts) and by creating ledger accounts within account 630.	end-September 2001	Implemented.
3. (Montenegro) Completion of a report on the external audit of the budget financing by a reputable international accounting firm.	November 15, 2001	Implemented
4. (Serbia) Submission of the Organic Budget Law and the Public Procurement Law to parliament.	...	end-December 2001
5. (Montenegro) De-linking of the statutory minimum wage from public sector pay and social benefits levels through legislation.	end-December 2001	...
6. (Serbia) Establishment of a Central Accounting Division in the Ministry of Finance and Economy.	end-December 2001	...
7. (Serbia) Establishment of a new system of commitment control based in the Treasury's Central Accounting Division.	end-December 2001	...
8. (Serbia) Set-up of a Large Taxpayer Office in Belgrade.	end-December 2001	...
9. (Serbia) Submission of a new law on tax assessment and collection to parliament.	...	mid-February 2002
10. (Federation and Serbia) Adoption of pension reform legislation, providing for an immediate increase in retirement age by 3 years and indexation of pension to the arithmetic average of price and wage increases.	end-December 2001	...
11. (Serbia) Submission of the Tobacco Law, and the Lottery Law to parliament.	...	end-January 2002
B. Financial Sector		
1. (Federation and NBY) The NBY will (a) refine, in close coordination with the BRA and in consultation with Fund and World Bank staff, its pricing matrix to be used to estimate the total costs and fiscal needs for bank restructuring, and (b) recommend either liquidation or possible rehabilitation (through the BRA) of the remaining 7 (of the 11) banks that were found to be category C banks.	September 15, 2001	Implemented
2. (Federation) Approval by Parliament of the amendments to Law on the Financial Rehabilitation, Bankruptcy and Liquidation of Banks, allowing BRA to act as a bankruptcy liquidator.	end-September, 2001	Implemented

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3. (Montenegro) The CBM will decide on the resolution (liquidation, rehabilitation, mergers, no action) of all banks.	end-September, 2001	end-December 2001
4. (Federation) The BRA will develop rehabilitation/resolution plans for the 4 large banks under its control. The plans will include (a) monthly cash flows and operational losses during the rehabilitation period with a view to assessing progress toward achieving core profitability; (b) future business strategies; (c) the fiscal costs of restructuring, which will critically depend on progress in securing creditor haircuts, and (d) a recommendation on whether the bank should be rehabilitated or closed.	October 15, 2001	Implemented.
5. (Federation) The Board of Directors of the BRA, will decide, under Articles 7 and 22(a) of the Act governing its operations, whether the banks should be subjected to a rehabilitation plan or liquidated. Bank rehabilitation will be undertaken only if it is expected to produce a viable bank with good prospects for privatization; and can be implemented with identifiable fiscal resources. If this does not appear to be achievable based on performance during the first six months of a rehabilitation program, the banks will be closed and liquidated.	end-October, 2001	Implemented
6 (Federation) The NBY will take a decision: (i) to address the accounting treatment of unresolved succession issues, (ii) for financial year 2001, to prepare financial statements on the basis of International Accounting Standards (IAS), and (iii) to adopt IAS as its permanent accounting framework, effective with the 2003 financial year.	...	end-December 2001
7 (Federation) The Internal Audit Department of the NBY, as part of its regular audit cycle, will review the reconciliation of the accounting records and the NFA data submitted to the Fund for program purposes on a monthly basis, effective with the end-December 2001 data. In addition, the NBY will strengthen the functioning of the Internal Audit Department by: (i) defining its role with the development of a charter and ensuring an appropriate degree of independence and objectivity; (ii) continuing to recruit additional staff with skill levels necessary to successfully conduct financial and information systems risk-based audits; and (iii) commissioning an independent assessment of the Internal Audit Department.	...	mid-February 2002
C. Private Sector Development		
1. (Serbia) Conclusion of at least four contracts for the privatization of pools of companies (of 3-5 enterprises each) with investment banks hired through competitive international tenders (out of a total of seven pools for which international advisors will be solicited this year).	end-October 2001	end-December 2001
2. (Serbia) Offer of at least one pool of companies consisting of 3-5 enterprises for sale observing well defined, internationally accepted tender rules.	end-December 2001	end-February 2002
3. Appoint advisors for the privatization of 2 pools comprising a total of 12 companies.	...	January 15, 2002
4. (Serbia) Offer of at least one pool of companies consisting of 3-5 enterprises for sale observing well defined, internationally accepted tender rules.	...	end-February 2002
5. (Serbia) Offer of at least two pools of companies consisting of 3-5 enterprises for sale observing well defined, internationally accepted tender rules.	...	end-March 2002

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	Implementation Date Reported in EBS/01/154	Status/revised implementation date
6. (Federation and Serbia) Request for the opinion of the Supreme Court on a draft memorandum of understanding between the Privatization Agency and the Bank Restructuring Agency.	...	end-December 2001
7. (Serbia) Adoption of a new labor law to liberalize the labor market.	...	end-February 2002