

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

	2000				2001							
	End-Dec.	End-Mar.	End-June		End-Sep. Target			End-Dec. Target				
	Actual		Target	Actual	Original	First Review	Actual	Original	First Review	Second Review	Actual	
A. Quantitative performance criteria												
Floor on the net foreign assets of the NBY 2/	-309	-231	-283	-170	-303	-255	-98	-283	-244	-103	-2	
Ceiling on net domestic assets of the NBY 3/	39,347	34,289	39,064	35,770	41,766	43,185	35,508	42,909	44,328	41,351	39,804	
Ceiling on net credit of the banking system to the consolidated general government 4/ 5/	3,373	88	5,373	122	7,373	8,792	2,018	7,373	8,792	8,792	3,022	
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	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	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	6	
Ceiling on outstanding external debt service arrears 2/ 9/	...	0	0	0	0	0	0	0	0	0	0	
B. Indicative targets												
Ceiling on net domestic assets of the banking system 10/	19,464	38,238	46,214	40,122	51,255	52,228	46,000	52,807	54,398	58,822	50,531	
Ceiling on change in the arrears of the federal government	...	-507	0	-1,082	0	0	-3,469	0	0	-3,469	-4,434	
the consolidated general government in Serbia	...	1,095	0	786	0	0	294	0	0	294	-175	
the consolidated general government in Montenegro	...	0	0	382	0	0	700	0	0	0	0	
Ceiling on the wage bill of the 8 largest public enterprises, cumulative from beginning of year 11/	9,992	4,318	8,756	8,378 12/	13,207	13,355	13,030	17,658	18,251	18,251	18,310	

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 in the Appendix IV of EBS/01/154, 9/5/01.

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. The ceilings will also be adjusted fully to the revision of end-2000 net deposits of the Montenegro consolidated government in the banking system of YUD 2544.

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. Excludes Montenegro.

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.

**Annex A.2. Federal Republic of Yugoslavia: Quantitative Performance Criteria and Indicative Limits for 2002 Under the 2002-2005 Extended Arrangement 1/**  
(In millions of dinars, unless otherwise noted)

	2001	2002			
	Actual	March (Proj.)	June	Sep.	Dec.
<b>A. Quantitative performance criteria</b>					
Floor on the net foreign assets of the NBY 2/	582	622	660	697	735
Ceiling on net domestic assets of the NBY 3/	1,734	2,871	4,144	5,484	6,756
Ceiling on net credit of the banking system to the consolidated general government 4/ 5/	1,603	-1,715	-912	2,896	6,096
Ceiling on contracting or guaranteeing by the public sector of new nonconcessional external debt with original maturity of more than one year 2/ 6/	...	0	0	0	0
Ceiling on new external debt contracted or guaranteed by the public sector with an original maturity of up to and including one year 2/ 7/	...	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
Ceiling on outstanding external debt service arrears 2/ 9/	...	0	0	0	0
<b>B. Indicative targets</b>					
Ceiling on net credit of the banking system to consolidated general government of Serbia 4/ 10/	225	-3,246	-2,717	2,312	5,741
consolidated general government of Montenegro 4/ 10/	1,378	1,530	1,805	584	355
Ceiling on net domestic assets of the banking system 11/	18,895	33,335	39,266	41,415	40,515
Ceiling on change in the arrears of the federal government	...	0	0	0	0
the consolidated general government in Serbia	...	0	0	0	0
the consolidated general government in Montenegro	...	0	0	0	0
Ceiling on the wage bill of the 8 largest public enterprises, cumulative from beginning of year 12/	18,310	5,492	11,163	17,021	23,070

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

2/ In millions of U.S. dollars.

3/ Monitored on the basis of monthly averages as defined in Annex D.

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 domestic public, starting from January 1, 2002, and upward for any decrease. The ceilings will also be adjusted fully to the revision of end-2001 figures. In addition, in the event of a budgetary foreign financing shortfall (excess), which is not offset by higher (lower) than budgeted privatization revenue, of up to YUD 5 billion, the ceilings for Serbia will be adjusted upward (downward) by 50% of the amount of the shortfall (excess). For Montenegro, in the case of a budgetary foreign financing shortfall (excess), which is not offset by higher (lower) than budgeted privatization revenue, of up to US\$10 million, the ceilings for Montenegro will be adjusted upward (downward) by 50% of the amount of the shortfall (excess).

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, EU, IBRD, or IFC as well as debt contracted in the context of restructuring agreements. The public sector comprises the consolidated general government and the National Bank of Yugoslavia.

7/ Excluding normal import-related credits.

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

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

10/ Consolidated Montenegrin government includes all entities in Montenegro defined under footnote 5/; the rest of entities under footnote 5/ is included in the consolidated Serbian government.

11/ Foreign-currency denominated loans and deposits at program exchange rates. Excludes Montenegro.

12/ JP Elektroprivreda Srbije, JP Naftna Industrija Srbije, JP PTT Srbije, JP Jugoslovenski Aerotransport, JP Zelenicko Transportno Preduzece Srbije, JP Radio Televizija Srbije, JP Srbija Sume, and JP Srbija Vode.

**Annex B-1: Federal Republic of Yugoslavia: Stand-By Arrangement, May 2001-March 2002**  
**Remaining Structural Benchmarks**

	Implementation Date Reported in EBS/01/216	Status/ revised implementation date
<b>A. Fiscal Sector</b>		
1. (Serbia) Submission of the Organic Budget Law and the Public Procurement Law to parliament	end-December 2001	Implemented
2. (Montenegro) De-linking of the statutory minimum wage from public sector pay and social benefits levels through legislation.	end-December 2001	Implemented
3. (Serbia) Establishment of a Central Accounting Division in the Ministry of Finance and Economy.	end-December 2001	[...]
4. (Serbia) Establishment of a new system of commitment control based in the Treasury's Central Accounting Division.	end-December 2001	[...]
5. (Serbia) Set-up of a Large Taxpayer Office in Belgrade.	end-December 2001	end-June 2002
6. (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	Implemented
7. (Serbia) Submission of the Tobacco Law and the Lottery Law to parliament	end-January 2001	Implemented
8. (Serbia) Submission of a new law on tax assessment and collection to parliament.	mid-February 2002	end-June 2002
<b>B. Financial Sector</b>		
1. (Montenegro) The CBM will decide on the resolution (liquidation, rehabilitation, mergers, no action) of all banks.	mid-December 2002	Implemented
2. (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	Implemented
3. (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	Implemented

Annex B-1: Federal Republic of Yugoslavia: Stand-By Arrangement, May 2001-March 2002  
Remaining Structural Benchmarks

	Implementation Date Reported in EBS/01/216	Status/revised implementation date
<b>C. Private Sector Development</b>		
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-December 2001	Implemented
2. (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	Implemented (Referred to lower courts.)
3. (Serbia) Adoption of a new labor law to liberalize the labor market.	end-December 2001	Implemented
4. (Serbia) Appoint advisors for the privatization of 2 pools comprising a total of 12 companies.	January 15, 2002	Implemented February 2002
5. (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	[...]
6. (Serbia) Offer at least 2 pools of companies consisting of 3-5 enterprises for sale observing well defined, internationally accepted tender rules	End-March, 2002	[...]

**Annex B.2. Federal Republic of Yugoslavia: Extended Arrangement, March 2002-March 2005  
Prior Actions, Structural Performance Criteria, and Structural Benchmarks, March 2002-March 2003**

	Proposed implementation date
<b>I. Prior Action for Board Consideration</b>	
Federation: Submission to federal Parliament of proposed new Foreign Exchange Law and completion of draft implementing regulations consistent with the key principles described in the MEFP of April 26, 2002	
<b>II. Structural Performance Criteria</b>	
Serbia: Increase electricity prices by 50 percent on average.	end-June 2002
Federation: Effective January 1, 2003, permit commercial banks to initiate and settle payments among themselves on behalf of enterprises and individuals without the mandatory intermediation of ZOP.	end-December 2002
<b>III. Structural Benchmarks</b>	
<b>A. Fiscal Sector</b>	
1. Serbia: Establish a Large Taxpayers Unit in the Belgrade office.	end-June 2002
2. Serbia: Adopt the Law on Tax Administration organization and the Law on Identification, Control and Payment of Public Revenue.	end-June 2002
3. Serbia: Establish a Treasury in the Ministry of Finance with basic core functions in cash and debt management.	end-September 2002
4. Serbia: Create a unified taxpayer identification number.	end-December 2002
5. Montenegro: Adopt a pension law that shifts pension indexation to the Swiss formula (arithmetic average of wage and price increases) and raises the minimum retirement age by 3 to 5 years in a phased manner.	end-December 2002
<b>B. Financial Sector</b>	
1. Montenegro: Adopt legislation to empower CBM to supervise the existing offshore banks in line with the rules and regulations applicable to onshore banks.	end-April 2002
2. Montenegro: Adopt final decision on the resolution of Montenegro Banka and Jugobanka ad Podgorica, as well as Beranska Banka that is yet to be re-licensed without direct or indirect fiscal resources except for appropriate social programs.	end-May 2002
3. Federation: Adopt a new Law on the National Bank of Yugoslavia to provide for a NBY Supervisory Board and amend the Law on Banks and Other Financial Institutions and establish a regulatory framework in line with international standards.	end- June 2002
4. Federation: Publish IAS-based financial statements of the NBY.	end-June 2002
5. Federation: Submit draft Law on Securities Market to Parliament.	end-June 2002
6. Federation: Decide on (a) privatization plans for banks under NBY enhanced supervision and administration and (b) resolution plans for banks under control of the BRA.	end-June 2002
7. Federation: Amend the Accounting Law to adopt IAS as the permanent accounting framework of all financial institutions, including the NBY.	end-September 2002

Federal Republic of Yugoslavia: Summary and Timetable for Potential Structural Measures  
Under the Extended Arrangement-Supported Program, 2002-2005<sup>1</sup>

Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Lead Agency/ Technical Assistance	National Agency Responsible
<b>1. Fiscal Sector</b>					
<b>1.1 Fiscal transparency</b>	(a) Broaden the coverage of government	(1) (F, S, M) Bring all extrabudgetary funds—notably the social security fund—into the annual budgetary preparation and approval process.	2003-04	IMF/World Bank (F, S) EAR, USAID (M)	Federal, Serbian, and Montenegrin MoF
	(b) Strengthen internal audit of budget	(1) (F, S, M) Set up an internal audit office and prepare a plan for annual audits.  (2) (F, S, M) Issue internal audit manuals and standards and complete internal audit.	2003  2004	IMF/World Bank/ Bilateral Donors	Federal, Serbian and Montenegrin MoF
	(c) Improve fiscal reporting	(1) (F, S) Reconcile monetary and fiscal data on budget financing.  (2) (F, S, M) Establish a GFS-consistent fiscal reporting system from all levels of general government.	2002 (April)  2002-2004	IMF/World Bank	Federal and Serbian MoF  Federal, Serbian, and Montenegrin MoF
<b>1.2 Tax policy</b>	(a) Improve the efficiency of the tax system by broadening the tax base and, as appropriate, reducing tax rates	(1) (F, S, M) Decide on how to resolve the issue of inter-republic trade relations regarding customs, excises, and VAT.  (2) (S) Further reduce substantially the financial transactions tax.  (3) (M) Eliminate most of the exemptions introduced in the six laws on direct and indirect taxes adopted in 2002.  (4) (S) Convert the schedular personal income tax to a global tax and reform corporate income tax	2002 (June)  2003 (January)  2003-2005  2005	IMF	Federal, Serbian and Montenegrin MoF  Serbia and Montenegro MoF  Montenegro MoF  Serbian MoF

<sup>1</sup> Please note that *italicized* measures are proposed to be designated as structural performance criteria or structural benchmarks under the envisaged Extended Arrangement

Federal Republic of Yugoslavia: Summary and Timetable for Potential Structural Measures  
Under the Extended Arrangement-Supported Program, 2002-2005<sup>1</sup>

Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Lead Agency/ Technical Assistance	National Agency Responsible
<b>1.3 Tax administration</b>	(a) Modernize tax administration to improve collection and compliance while reducing compliance costs	<p>(1) (S) Secure financing for PRA modernization projects.</p> <p>(2) (S, M) Introduce new guidelines to simplify tax administration procedures, including those in assessment and payment, taxpayer services, and compliance control.</p> <p>(3) (S) <i>Adopt the law on tax administration organization and the law on tax administration procedures.</i></p> <p>(4) (S) <i>Create a unified taxpayer identification number.</i></p> <p>(5) (M) Prepare for the implementation of new laws on personal income tax, excises, property tax, and corporate income tax</p> <p>(6) (S, M) Establish LTUs in Belgrade and regional offices. • <i>Belgrade office</i></p> <p>(7) (S, M) Introduce a VAT.</p>	<p>2002 (May)</p> <p>2002 (December )</p> <p>2002 (end-June)</p> <p>2002 (December)</p> <p>2002</p> <p>2002-2003 <i>2002 (June)</i></p> <p>Montenegro 2003 (January); Serbia 2004 (January )</p>	IMF/bilateral donors	<p>Serbian PRA</p> <p>Serbian and Montenegrin PRA</p> <p>Serbian PRA and MoF</p> <p>Serbian PRA</p> <p>Montenegrin PRA</p> <p>Serbian and Montenegrin PRA</p> <p>Serbia and Montenegro PRA</p>
<b>1.4 Public expenditure</b>	(a) Strengthen government financial management and capacity for budget planning, preparation and execution	<p>(1) (S) <i>Establish a Treasury within MoF with cash and debt management functions.</i></p> <p>(2) (S, M) Reorganize MoF and strengthen capacity along functional lines corresponding to its mandate and responsibilities .</p>	<p>2002 (September)</p> <p>2002-2004</p>	World Bank/US Treasury and other bilateral donors	<p>Serbian MoF</p> <p>Serbia and Montenegro MoF</p>

Federal Republic of Yugoslavia: Summary and Timetable for Potential Structural Measures  
Under the Extended Arrangement-Supported Program, 2002-2005<sup>1</sup>

Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Lead Agency/ Technical Assistance	National Agency Responsible
		(3) (S, M) Develop fiscal and budget planning functions and build capacity for policy analysis.	2002 (late) - 2004 (early)		Serbia and Montenegro MoF
		(4) (S, M) Establish a Centralized Accounting Division; develop comprehensive accounting of budget operations.	2003 (March)		Serbia and Montenegro MoF
		(5) (M) Establish debt management capacity.	2003 (early)		Montenegro MoF
		(6) (S, M) Establish a system of commitment control, unify system of making payments, and strengthen control processes and procedures.	2003 (mid)		Serbia and Montenegro MoF
	(b) Civil service reform	(1) (F, S) Reduce overlap between federal and republic agencies and activities.	2002 (mid)-2004	World Bank	Federal and Republican Governments
		(2) (F, S, M) Downsize public sector employment and reform the public sector pay scale.	2003 - 2004		
	(c) Repay frozen foreign currency deposits in a fiscally sustainable manner	(F, S) Amend the law that guides the repayment of frozen forex deposits so as to ?? contain total repayments of such deposits—including debt service on bonds that will be issued to repay the foreign exchange deposits exceeding DM 10,000—to the equivalent of 0.9 percent of GDP in 2005-2010 and 1 percent thereafter.	2002 (June)	IMF	NBY, Federal and Serbian MoF
<b>2. Social Security</b>					
<b>2.1 Social welfare</b>	(a) Improve equity, targeting, and administration of social welfare provision	(1) (S) Means-test the third-child allowance, i.e., grant on the same basis as the allowance for the first two children.	2002 (June)	World Bank	Serbian Ministry of Social Affairs, and Ministry of Labor
		(2) (S) De-link child allowance from the average wage.	2002 (June)		



Federal Republic of Yugoslavia: Summary and Timetable for Potential Structural Measures  
Under the Extended Arrangement-Supported Program, 2002-2005<sup>1</sup>

Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Lead Agency/ Technical Assistance	National Agency Responsible
		(3) (S) Design a Serbia-wide comprehensive welfare provision framework with unified eligibility criteria and standardized approval procedures.	2004		
<b>2.2 Pensions</b>	(a) Reform the pension system to improve long-term financial viability and facilitate a lowering of payroll taxes	<p>(1) (F, S, M) Modify the benefit formula to improve the link between contributions and benefits, and make redistribution more transparent and consistent with available resources. (Specifically, benefits will be based on lifetime wage history instead of the best 10 years.)</p> <p>(2) (F, S, M) Redesign and tighten eligibility requirements for disability pensions.</p> <p>(3) (F, S) Assess the need for further measures to strengthen the financial position of the pension fund.</p> <p>(4) (M) <i>Increase the minimum retirement age in a phased manner by 3 to 5 years.</i></p> <p>(5) (M) Change the indexation formula to the arithmetic average of price and wage increases (the Swiss model).</p>	<p>2002 (late)-2003 (early)</p> <p>2003 (February)</p> <p>2003-2004</p> <p>2003 (January)</p> <p>2003 (January)</p>	World Bank	<p>Federal and Republican governments, and Ministry of Social Affairs in Serbia.</p> <p>Serbian and Montenegrin govts. &amp; Ministry of Social Affairs</p> <p>Federal government and Serbian MOF</p> <p>Montenegrin government</p> <p>Montenegrin government</p>
<b>2.3 Health</b>	(a) Rationalize and provide cost-effective public health services	<p>(1) (S, M) Improve commitment and spending control by redefining the criteria for contracting medical services, redesigning the drug prescription form to reduce fraud, and adjust the positive drug list to minimize costs.</p> <p>(2) (F, S, M) Draft new laws on health insurance, healthcare provision and on pharmaceuticals, to reduce overlap, clarify roles of the public health institutions, and to set a framework for more</p>	<p>(S) 2002 (September) (M) 2003</p> <p>(F,S) 2002 (December) (M) 2003</p>	World Bank	<p>Serbian and Montenegrin Health Fund</p> <p>Ministry of Health, Health Fund in Serbia and Montenegro</p>

Federal Republic of Yugoslavia: Summary and Timetable for Potential Structural Measures  
Under the Extended Arrangement-Supported Program, 2002-2005<sup>1</sup>

Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Lead Agency/ Technical Assistance	National Agency Responsible
		efficient public health system.  (3) (S) Eliminate excess capacity, duplication, and other structural problems with the delivery system.	2003-2004		Serbian Ministry of Health, and Health Fund
<b>3. Financial Sector</b>					
<b>3.1 Monetary instruments</b>	(a) Improve monetary policymaking	(1) (F) Reform the reserve requirement by extending the reserve base to foreign exchange deposits (other than individuals' foreign exchange deposits accumulated since July 1, 2001), while holding foreign exchange reserves against foreign exchange deposits, lowering the reserve ratio, and adopting monthly averaging.	2002 (March)	IMF	NBY
		(2) (F) Create a formal body within NBY (monetary policy committee) that sets the monetary policy.	2002 (June)	IMF	NBY
		(3) (F) Unify the reserve requirement by extending the reserve base to all foreign exchange deposits.	2003	IMF	NBY
<b>3.2 Foreign exchange market</b>	(a) Liberalize foreign exchange market	<i>(1) (F) Pass a new Foreign Exchange Law and implement associated by-laws to remove all restrictions on payments and transfers for current international transactions consistent with Article VIII of the Fund's Articles of Agreement, liberalize capital transactions with the exception of investing and lending abroad and short-term capital movements; allow banks to conduct foreign exchange operations on their own account; repeal surrender requirements for banknotes; permit legal persons to trade freely outside the interbank market; and regulate banks' short-term foreign exchange liabilities and open positions.</i>	2002 (May)	IMF	NBY/Federal MOF

Federal Republic of Yugoslavia: Summary and Timetable for Potential Structural Measures  
Under the Extended Arrangement-Supported Program, 2002-2005<sup>1</sup>

Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Lead Agency/ Technical Assistance	National Agency Responsible
<b>3.3 Payment system</b>	(a) Upgrade payments system to international standards	(1) (F) Reduce the price of payment services and adjust pricing (currently an amount-based tariff) to better reflect actual per-transaction processing costs.	2002 (May)	IMF	NBY
		(2) (F) Approve by-laws for RTGS & GCC.	2002 (April)	IMF	NBY
		(3) (F) Finalize the strategy for dividing the functions of ZOP between the Ministry of Finance (treasury ), Public Revenue Agency (tax collection), NBY (payments) and new private organizations.	2002 (June)	IMF	NBY, Serbian MoF
		(4) (F) Restructure NBY internal organization by creating a Payment System Department in the NBY (comparable to other central banks) and shifting dedicated technical support for PLATNET, RTGS, GCC, and other payment-related services from ZOP to the NBY.	2002 (June)	IMF	NBY
		<i>(5) (F,S) Have in place laws and regulations to allow the operation of a modern payments system. Permit commercial banks to initiate and settle payments among themselves on behalf of enterprises and individuals without the mandatory intermediation of ZOP or any other agency.</i>	2003 (January)	IMF	NBY, Serbian MoF
		(6) (F) Privatize retail services of ZOP (e.g. foreign exchange bureaus, IT services for NSB)	2003	IMF	NBY
<b>3.4 Central bank structure and organization</b>	(a) Strengthen internal audit and accounting	<i>(1) (F) Strengthen the Internal Audit Department and commission an independent assessment of the department.</i>	2002 (March)	IMF	NBY
		(2) (M) Prepare consolidated Central Bank of Montenegro balance sheet incorporating all ZOP (internal and external) and Central Bank accounts based on IAS.	2002 (March)	USAID	CBM

Federal Republic of Yugoslavia: Summary and Timetable for Potential Structural Measures  
Under the Extended Arrangement-Supported Program, 2002-2005<sup>1</sup>

Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Lead Agency/ Technical Assistance	National Agency Responsible
		<p>(3) (F) Adopt the new Law on the National Bank of Yugoslavia to provide for a Supervisory Board.</p> <p>(4) (F) Amend the Accounting Law to adopt the IAS as the permanent accounting framework for all financial institutions, including the NBY.</p> <p>(5) (F) Publish IAS-based financial statements of the NBY.</p> <p>(6) (M) Prepare IAS-based audited financial statements of the Central Bank of Montenegro incorporating all ZOP accounts.</p>	<p>2002 (June)</p> <p>2002 (September)</p> <p>2002 (June)</p> <p>2002 (May)</p>	<p>IMF</p> <p>World Bank IMF</p> <p>IMF</p> <p>IMF</p>	<p>NBY</p> <p>Federal MoF</p> <p>NBY</p> <p>CBM</p>
<b>3.5 Banking supervision</b>	(a) Ensure soundness of banking system	<p>(1) (M) Through legislation, empower CBM to supervise the existing offshore banks in line with the rules and regulations applicable to onshore banks.</p> <p>(2) (F) Prepare a comprehensive Supervisory Development Plan outlining medium- to long-term objectives, and legislative and institutional changes necessary to achieve these objectives.</p> <p>(3) (F) Adopt the new Law on the National Bank of Yugoslavia and amendments to the Law on Banks and Other Financial Institutions to establish a regulatory framework in line with international standards.</p> <p>(4) (F) Introduce prudential regulations covering capital adequacy, large credit exposures, exchange rate risk, liquidity, lending to connected parties and shareholders, loan classification and provisioning, internal control and audit functions, risk management, credit activities, and investment in</p>	<p>2002 (May)</p> <p>2002 (April)</p> <p>2002 (June)</p> <p>2002 (June)</p>	<p>IMF, USAID</p> <p>World Bank, USAID</p> <p>IMF, World Bank</p> <p>IMF, World Bank, Bundesbank</p>	<p>CBM/MOF of Montenegro</p> <p>NBY</p> <p>NBY</p> <p>NBY</p>

Federal Republic of Yugoslavia: Summary and Timetable for Potential Structural Measures  
Under the Extended Arrangement-Supported Program, 2002-2005<sup>1</sup>

Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Lead Agency/ Technical Assistance	National Agency Responsible
		fixed assets as well as other bank and enterprise capital.  (5) (M) Adopt the Law on Anti-Money Laundering and issue supporting regulations.  (6) (F) Implement regulations governing reporting by financial institutions of suspicious and/or large cash transactions, and defining responsibilities of the NBY, in line with the Law on Anti-Money Laundering.	2002 (June)  2002 (July)	IMF  IMF, World Bank, Bundesbank, USAID	CBM/MOF of Montenegro  NBY
<b>3.6 Bank restructuring</b>	(a) Establish a competitive banking system	<i>(1) (M) Adopt final decisions on the resolution of Montenegro Banka, Jugobanka and Podgorica, and Beranska Banka without direct or indirect fiscal resources except for appropriate social programs.</i>  <i>(2) (F) Decide on (a) privatization plans for banks under NBY enhanced supervision and administration and (b) resolution of banks under control of the BRA.</i>	2002 (May)  2002 (June)		CBM  NBY
<b>3.7 Non-bank financial sector</b>	(a) Developing financial markets	(1) (M) Adopt the Law on Secured Transactions.  (2) (F) Adopt a Federal Law on Secured Transactions and regulations on a Pledge Registry.  (3) (F) Enact Law on Securities Market  (4) (F) Enact Law on Investment Funds  (5) (F) Adopt legislation to eliminate restrictions on leasing operations.	2002 (July)  2002 (September)  2002 (June )  2002 (December)  2002 (December)	World Bank/USAID  World Bank, EBRD, USAID  IMF  IMF  World Bank	MOF/CBM  Federal Ministry of Justice  NBY/Federal MoF NBY/Federal MoF  Federal Min. of Justice & Center for Legal Reform under Serbian MIER

Federal Republic of Yugoslavia: Summary and Timetable for Potential Structural Measures  
Under the Extended Arrangement-Supported Program, 2002-2005<sup>1</sup>

Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Lead Agency/ Technical Assistance	National Agency Responsible
<b>4. Private Sector Development</b>					
<b>4.1 Enterprise privatization</b>	(a) Expedite privatization through tenders	<p>(1) (S) Privatize some 100 large socially-owned companies through tender procedures:</p> <ul style="list-style-type: none"> <li>• Launch competitive investment tenders for at least 4 groups of the six World Bank pools.</li> <li>• Launch competitive investment tenders for one more group of the World Bank pools.</li> <li>• Launch competitive investment tenders for the last groups of the World Bank pools.</li> <li>• Sign contracts with financial advisors (hired through competitive international tender) for investment tenders for privatization of 20 companies (including Beopetrol, Boza Tomic and sugar factories);</li> <li>• Launch competitive tender for this group of 20 companies.</li> </ul> <p>(2) (M) Sell majority shares in companies to strategic investors through international tenders</p> <ul style="list-style-type: none"> <li>• Sell shares in selected companies.</li> </ul>	<p>2002-2005</p> <p>2002 (June)</p> <p>2002 (September)</p> <p>2002 (November)</p> <p>2002 (September)</p> <p>2003 (February)</p> <p>2002-2005</p> <p>2002</p>	<p>World Bank</p> <p>World Bank</p> <p>World Bank</p> <p>World Bank</p> <p>World Bank/Dutch and Swedish grants</p> <p>World Bank/Dutch and Swedish grants USAID</p>	<p>Serbian Ministry of Privatization/ Privatization Agency</p> <p>Montenegrin Privatization Council</p>
<b>4.2 Enterprise restructuring</b>	(a) Create viable companies that can be privatized	<p>(1) (S) Restructure some 40 conglomerates prior to privatization under either tender or auction procedures:</p> <ul style="list-style-type: none"> <li>• Start implementation of restructuring plans in the first 3 conglomerates;</li> <li>• Start implementation of restructuring plan in the remaining conglomerates.</li> </ul>	<p>2002-2006</p> <p>2002 (October)</p> <p>2003-04</p>	World Bank, EAR	Serbian Ministry of Privatization/ Privatization Agency
<b>4.3 Legal and regulatory framework</b>	(a) Strengthen creditor rights	<p>(1) (F) Implement new bankruptcy law</p> <ul style="list-style-type: none"> <li>• draft new law;</li> <li>• adopt new law;</li> <li>• establish Bankruptcy Agency to license individual administrators.</li> </ul>	<p>2002-2003</p> <p>2002 (June)</p> <p>2002 (December)</p> <p>2003 (December)</p>	World Bank	Federal Ministry of Justice/ Serbian Ministry of Privatization

Federal Republic of Yugoslavia: Summary and Timetable for Potential Structural Measures  
Under the Extended Arrangement-Supported Program, 2002-2005<sup>1</sup>

Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Lead Agency/ Technical Assistance	National Agency Responsible
	(b) Development of small and medium-sized enterprises	(F, S) Submit to Parliament proposed amendments to the Federal Enterprise Law and the Republican Law on Private Entrepreneurs to simplify the process of business registration.	2002 (April)	World Bank	Federal and Serbian Ministry of Justice and Ministry of Economy and Privatization
	(c) Liberalize labor market	(M) Adopt a labor law that improves labor market flexibility and brings budgetary commitments associated with labor market programs in line with available resources	2002 May	World Bank	Montenegrin Ministry of Labor
<b>5. Sectoral Policies</b>					
<b>5.1 Energy sector</b>	(a) Establish financial viability	(1) (S) Increase average electricity price to cost recovery levels by the middle of 2004: <ul style="list-style-type: none"> <li>increase the price to 3 US\$ cents per kWh;</li> <li>increase the price to 4 US\$ cents per kWh;</li> <li>increase the price to 4.5 US\$ cents per kWh.</li> </ul>	2002-2004  2002 (June) 2003 (June) 2004 (June)	World Bank	Ministry of Energy and EPS
		(2) (M) Increase the average electricity , excluding KAP, to at least 46 Euro/MWh and reduce cross-subsidies.	2002 (December)	World Bank	Ministry of Energy and the electricity company
	(b) Improve profitability	(S) Contain the growth in the wage bill for electricity companies to no more than the rate of inflation.	2002-2005	IMF/ World Bank	Republican Ministries of Finance and Energy and electricity companies
	(c) Prepare for privatization after completion of the program	(S, M) Design and introduce a legal and institutional framework for an independent energy regulator.	2002-2003	World Bank	Republican Ministries of Energy
<b>6. Trade Policy</b>					
<b>6.1 Merchandise trade</b>	(a) Further liberalize foreign trade regime	(1) (F) Remove import quotas for steel products and export quotas on agricultural products, wood and raw hides:	2002-2004	World Bank	Federal Ministry of Trade

Federal Republic of Yugoslavia: Summary and Timetable for Potential Structural Measures  
Under the Extended Arrangement-Supported Program, 2002-2005<sup>1</sup>

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		<ul style="list-style-type: none"> <li>Eliminate all export quotas;</li> <li>Eliminate all import quotas.</li> </ul> <p>(2) (M) Remove import quotas and contingency licenses for agricultural products, iron, and selected household appliances, and export quotas for agricultural products, wood and hides:</p> <ul style="list-style-type: none"> <li>Eliminate all export quotas</li> <li>Eliminate all import quotas</li> </ul>	<p>2003 (December) 2004 (December)</p> <p>2002-2004</p> <p>2003 (December) 2004 (December)</p>		Montenegrin Ministry of Trade
<b>7. Statistical issues</b>					
<b>7.1 Collections of statistics</b>	Improve the statistical base for macroeconomic decision-making	<p>(1) (F, S, M) Make a decision with regard to participating in the GDDS, and nominate a GDDS coordinator.</p> <p>(2) (F, S, M) Macroeconomic statistics will be reviewed in the context of a multi-sector GDDS mission, as a basis for further technical assistance.</p> <p>(3) (F, S, M) Conduct household survey and poverty assessment.</p>	<p>2002 (April)</p> <p>2002-2005</p> <p>2002 (December)</p>	<p>IMF</p> <p>Multi-sector GDDS mission scheduled for July 2002</p> <p>World Bank</p>	<p>The Federal and Republican Statistical Offices</p> <p>Federal and Republican Statistical Offices</p> <p>Republican Ministries of Social Affairs and Federal and Republican Statistical Offices</p>



Federal Republic of Yugoslavia: Summary and Timetable for Potential Structural Measures  
Under the Extended Arrangement-Supported Program, 2002-2005<sup>1</sup>

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<p>Notes:</p> <p>F – Federal; S – Serbia; M – Montenegro;  CBM – Central Bank of Montenegro;  EA – Extended Arrangement;  EPS – Electricity company of Serbia.  GCC – Clearing and Settlement Service;  GDDS – Generalized Data Dissemination Standard  IAS – International Accounting Standards;  LTU – Large Tax Payer Unit;  MOF – Ministry of Finance;  NBY – National Bank of Yugoslavia;  PAYG – Pay-as-you-go pension system;  PRA – Public Revenue Agency;  ROSC – Report on Standards and Codes;  RTGS – Real-time Gross Settlement system.</p>					