



Arrangement with the IMF and Financial Sector Support Programme

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Why Serbia needs an arrangement with the IMF?

- The yawning current account deficit can no longer be financed in the volume and under the terms applied in earlier years;
- The downturn in trade and economic activity has triggered a decline in tax receipts – significant fiscal adjustment is needed (mainly through savings, and to a lesser extent, through revenue growth);
- Inability of Serbian legal entities (banks and enterprises) to roll over their current debt could weigh down heavily on the country's foreign exchange liquidity position = pressure on the exchange rate and NBS foreign exchange reserves;
- The need for having a “third party” initiate unpopular measures (IMF?).

Aims of the arrangement with the IMF

- Maintenance of macroeconomic stability:
 - Strong fiscal adjustment;
 - Putting inflation under control (monetary policy);
 - Maintenance of financial stability (liquidity, confidence).
- Bracing for unfavourable movements;
- Securing external sources of funds:
 - Loans from the IMF (EUR 3 billion over 2 years), EU (EUR 400 million), and other IFIs;
 - Participation of key private sector representatives.

Financial Sector Support Programme (FSSP) agreed with the IMF

- Vienna negotiations with banks were held under the auspices of the IMF and EBRD;
- Parent banks have been asked to express interest in the FSSP until 10 April;
- The majority of banks have responded positively and other banks are expected to follow. So far, no bank has refused to participate;
- The NBS invites all banks to express their interest in the FSSP until 30 April, and to submit signed commitment letters until 10 May at the latest.
- All banks are expected to participate in the FSSP. The final list will be published in the IMF report and posted on the NBS website.

Steps to be taken:

- **23 April:** Publication of draft regulations on special facilities and terms of use;
- **Until 26 April:** Receiving banks' comments;
- **Until 30 April:**
 - Receiving letters of interest in the FSSP from banks – signing commitment letters;
 - Publication of regulations if a large number of banks apply to participate.
- **Until 10 May:** Signing commitment letters – final deadline;
- **Mid-May:** Approval of the IMF arrangement;
- **Second half of May:** Beginning of FSSP implementation.