

**IMMEDIATE
ATTENTION**

EBS/13/8

January 31, 2013

To: Members of the Executive Board

From: The Secretary

Subject: **Former Yugoslav Republic of Macedonia—Post-Program Monitoring—
Proposal**

Attached for consideration by the Executive Directors is a proposal for post-program monitoring for the former Yugoslav Republic of Macedonia.

It is not proposed to bring this matter to the agenda of the Executive Board for discussion unless an Executive Director so requests by the **close of business on Thursday, February 7, 2013**. In the absence of such a request, the draft decision that appears on page 2 will be deemed approved by the Executive Board and it will be so recorded in the minutes of the next meeting thereafter.

Questions may be referred to Ms. Vladkova Hollar, EUR (ext. 39695).

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

Att: (1)

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INTERNATIONAL MONETARY FUND

FORMER YUGOSLAV REPUBLIC OF MACEDONIA

Post-Program Monitoring—Proposal

Prepared by the European Department in consultation with the Legal and Finance
Departments

Approved by Ajai Chopra and Dhaneshwar Ghura

January 29, 2013

FYR Macedonia's two-year arrangement under the Precautionary and Liquidity Line (PLL) expired on January 18, 2013, with outstanding Fund credit of 286 percent of quota. In March 2011—prior to the first review—the authorities purchased SDR 197 million, citing reduced market access and higher risks resulting from the announcement of early elections. The second review under the arrangement was not completed, and the authorities decided to allow the arrangement to expire without seeking to unlock further access. No successor arrangement is envisaged at this time.

External and financial stability have been maintained even as the environment weakened in 2012, but policy challenges remain. The policy priorities identified at the time of the conclusion of the 2011 Article IV consultation—developing a sound medium-term fiscal framework that would help set priorities with a clear view of existing fiscal space, improving public debt management, and strengthening public financial management to improve budget planning and prevent arrears—remain central to ensuring a sustainable position. At that time, Directors also encouraged the authorities to make further progress on addressing regulatory gaps in the financial sector and strengthening their crisis response capacity. While progress has been made on some of these fronts, continued efforts are needed.

Therefore, in accordance with the Fund's policy on Post-Program Monitoring (PPM), the Managing Director recommends the initiation of such monitoring. Outstanding Fund credit exceeds the 200 percent of quota threshold for PPM (and would remain above this threshold until November 2014 under a repurchase obligations schedule), and there are no exceptional circumstances that would indicate that PPM is not warranted. The first PPM engagement is expected to take place in conjunction with the 2013 Article IV consultation, planned for the spring. Thus, the combined Article IV and first PPM Board discussion is envisaged for mid-2013.

Proposed Decision

The following decision, which may be adopted by a majority of the votes cast, is proposed for adoption by the Executive Board:

The Former Yugoslav Republic of Macedonia is expected to engage in post-program monitoring with the Fund, in accordance with Decision No. 13454-(05/26).