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**IMMEDIATE  
ATTENTION**

EBS/85/255

CONFIDENTIAL

November 18, 1985

To: Members of the Executive Board  
From: The Secretary  
Subject: Yugoslavia - Review of External Financing Arrangements

It is not proposed to bring the attached memorandum to the agenda of the Executive Board for discussion unless an Executive Director so requests by the close of business on Thursday, November 21, 1985. 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.

Mrs. Junz (ext. 8849) is available to answer technical or factual questions relating to this paper.

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CONFIDENTIAL

INTERNATIONAL MONETARY FUND

YUGOSLAVIA

Review of External Financing Arrangements

Prepared by the European Department  
(In consultation with other Departments)

Approved by Brian Rose and J.T. Boorman

November 18, 1985

I. Introduction

On April 29, 1985, the Executive Board approved a one-year stand-by arrangement for Yugoslavia in an amount equivalent to SDR 300 million or 49 percent of quota. The first purchase, SDR 30 million, was made on May 31, 1985. Further purchases, pursuant to paragraph 4.e of the stand-by arrangement, were subject to a finding by the Fund that satisfactory arrangements had been made for the refinancing of maturities falling due to commercial banks during the period from January 1, 1985 until the expiration of the arrangement. In view of the advanced stage of the negotiations between Yugoslavia and its commercial bank creditors on the refinancing of those maturities, as set out in EBS/85/197 (8/20/85), the Executive Board determined that for the purpose of the second purchase, SDR 67.5 million, which became available on August 30, 1985, satisfactory progress had been made in the negotiations on the refinancing (E.B. Decision No. 8058-(85/126) adopted 8/23/85) and that purchase under the stand-by arrangement was made on that date. However, the Executive Board's determination of satisfactory progress was specifically confined to the second purchase. Thus, the third purchase, equivalent to SDR 67.5 million, phased for November 29, 1985 remains subject to a finding by the Fund that satisfactory arrangements have been made between Yugoslavia and its commercial bank creditors on the refinancing arrangements. Subsequent purchases are governed by another performance criterion the breach of which would require a waiver procedure.

II. Status of the Multi-Year Refinancing Agreement with Banks

Since the information provided in EBS/85/197 (8/20/85), agreement in principle was reached between Yugoslavia and its major commercial bank creditors in late August 1985 on the refinancing of the medium- and long-term debt contracted before January 17, 1983 and falling due between January 1, 1985 and December 31, 1988. Documentation of the

agreement is proceeding and both the authorities and the commercial bank creditors expect the formal signing to take place in the week of December 16, 1985.

### III. Staff Appraisal

Agreement in principle has been reached between Yugoslavia and its commercial bank creditors on the refinancing of maturities falling due in the period 1985-88. Both the Yugoslav authorities and a sufficient number of banks have accepted the agreement in principle, and the outstanding issues are regarded as minor. Accordingly, the firm expectation is that the official signing can take place around mid-December. Meanwhile, the standstill on repayment of maturing debt in effect since January 1, 1985 has been prolonged until end-December 1985.

In these circumstances, it is proposed that the Executive Board finds that "satisfactory arrangements have been made" for the refinancing of maturities falling due to banks during the period of the stand-by arrangement. Subject to the determination that all other performance criteria applicable to the third purchase have been met, this finding would permit Yugoslavia to proceed with the third purchase which becomes available on November 29, 1985.

In view of the foregoing, the following draft decision is proposed for adoption by the Executive Board:

The Fund has been informed that agreement in principle has been reached between Yugoslavia and its major commercial bank creditors on the refinancing of maturities falling due during the period from January 1, 1985 until December 31, 1988, which encompasses the period covered by the stand-by arrangement. In light of this information, the Fund determines that the requirement in paragraph 4.e of the Stand-By Arrangement is met.