



INTERNATIONAL MONETARY FUND
WASHINGTON, D. C. 20431

CABLE ADDRESS
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July 25, 2003

Mr. Ian Kinniburgh
Director
Development Policy & Planning Office
Department of Economic and Social Affairs
United Nations
New York, New York 10017

Dear Ian:

In response to your letter of June 11, 2003, please find attached a report, prepared by the Fund's European I Department, for inclusion in the Secretary-General's report dealing with General Assembly resolution 56/110, entitled "*Economic Assistance to the Eastern European States Affected by the Developments in the Balkans.*"

With best regards.

Sincerely yours,

R. Munzberg

Reinhard Munzberg
Special Representative to the United Nations

Attachment

IMF Contribution to UN Report on Assistance to Eastern European States Affected by the Developments in the Balkans

The IMF assistance to the states affected by developments in the Balkans is part of the ongoing effort to promote macroeconomic stability and structural reforms and, in this way, greater integration to the European economy for the region as a whole. The IMF responded flexibly to the varying needs of the seven states (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Serbia and Montenegro, the former Yugoslav Republic of Macedonia, and Romania) that were significantly affected by developments, notably the disruption caused by the sanctions against the then Federal Republic of Yugoslavia and the conflict in Kosovo. In **Albania, Bosnia and Herzegovina, and the former Yugoslav Republic of Macedonia**, the IMF increased its financial assistance in 1999 through augmenting access under existing arrangements (by SDR 10 million in Albania and a cumulative SDR 34 million in Bosnia and Herzegovina) or providing access under new arrangements (SDR 10 million under the Compensatory and Contingency Financing Facility in the former Yugoslav Republic of Macedonia). In the case of **Bulgaria**, where the authorities did not request an augmentation of access under the existing three-year Fund extended arrangement, the IMF nevertheless helped mitigate the costs of the disruption by participating in a Consultative Group/G24 meeting in June 1999 and supporting the authorities' request for grants to cover the financial gap generated by the Kosovo conflict. Following the successful completion of the extended arrangement, a two-year stand-by arrangement for SDR 240 million was approved in February 2002, under which SDR 162 million has been disbursed. In **Romania**, an IMF Stand-by Arrangement equivalent to SDR 400 million was approved in August 1999. After two purchases totaling SDR 140 million, the program went off track and expired in February 2001. A successor stand-by arrangement of SDR 300 million was approved in October 2001 under which SDR 190 million has been disbursed thus far. In **Croatia**, discussions started in May 1999 on a possible Stand-by Arrangement to help finance a prospective balance of payments gap in the wake of the Kosovo conflict, but were concluded only after the 2000 elections. The arrangement, in an amount of SDR 200 million, covered a 14-month period, from March 2001 to May 2002 but, because of Croatia's comfortable international reserves position and easy market access, the authorities did not make any purchases. A successor arrangement in the amount of SDR 106 million covering a 14-month period ending in April 2004 was approved in February 2003; again no purchases have been made.

Following the adoption of a new Constitution in February 2004, the state Union of Serbia and Montenegro replaced the **Federal Republic of Yugoslavia**. The country received post-conflict emergency assistance from the IMF in the amount of SDR 117 million in December 2000. This was followed by a Stand-by Arrangement in the amount of SDR 200 million, approved in June 2001. An Extended Arrangement was approved in May 2002 in the amount of SDR 650 million, of which SDR 200 million has been disbursed through June 2003. In **Bosnia and Herzegovina** reconstruction and institution building continued to progress with the support of the international community and economic performance improved. In this context, a new Stand-by Arrangement in the amount of

SDR 68 million was approved in August 2002, of which SDR 44 million was disbursed as of end-June 2003.

Shortly after the Ohrid Peace Framework Agreement (PFA) ended the insurgency crisis in the **former Yugoslav Republic of Macedonia**, a six-month IMF staff-monitored program was agreed which set out a policy framework to underpin donor support of the PFA. This was followed by a Stand-by Arrangement in the amount of SDR 20 million, of which SDR 4 million was disbursed on approval in May 2003.

In addition to making financial resources available to these states on the basis of their balance of payments need and record of policy implementation, the IMF has continued to provide an uninterrupted flow of technical assistance, including training of local officials at the IMF Institute in Washington, DC and the Joint Vienna Institute. The IMF has also been providing extensive technical assistance to Kosovo under UNSC 1244.

The IMF coordinates its activities closely with the World Bank and other international financial institutions. The IMF also participates in the Stability Pact for Southeastern Europe and other regional fora to help coordinate donor support and economic policy advice in the region. In this context, the IMF has regularly participated in the Regional Donor Conferences.