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Republic of Belarus—Recent Economic Developments

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REPUBLIC OF BELARUS

Recent Economic Developments

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Approved by European II Department

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Basic Data, 1992-97 (Q1)

	1992	1993	1994	1995	1996	1997 Q1
Social and demographic indicators 1/						
Population, thousands	10,346	10,367	10,346	10,264	10,235	...
Urban, thousands	7,026	7,074	7,061	7,071	...	...
Rural, thousands	3,320	3,293	3,236	3,193	...	...
Population density, inhabitants per sq. km. 2/	50	50	50	49.8	49.3	...
Life expectancy at birth, years	70.3	69.2	68.9	68.6	...	...
Infant mortality rate, per thousand	12.3	12.5	13.2	13.3	...	...
Annual population growth rate, percent	0	0.2	-0.2	-0.3	-0.3	...
Gross domestic product (GDP), millions of dollars	2,210	3,668	4,881	10,389	13,529	3,802
(Percent changes in constant prices) 3/						
Output						
GDP	-9.6	-7.6	-12.6	-10.4	2.6	9
of which:						
Industry	-5.7	-9.9	-19.2	-10.2	3	...
Agriculture	-14.5	1.5	-15.3	-2.5	2	6
Industrial production	-9.4	-10	-17.1	-11.7	3.5	9.8
Retail trade	-26	-21.1	-22	-26	23	26
(Percent changes within period) 4/						
Prices and wages						
Industrial producer prices (end of period)	3,275	2,316	1,867	140	32	247
Consumer prices (end of period)	1,559	1,996	1,960	244	39	163
Average wage, excluding kolkozoes	1,064	1,234	1,489	307	66	129
Minimum wage	733	900	900	200	67	186
(In U.S. dollars)						
Average monthly wages (end of period)	24	24	25	93	103	70
Minimum wage (end of period)	4	3	2	5	6	5
(In percent of GDP)						
General government						
Revenue and grants	46.1	54.3	47.5	42.7	41.9	43.8
Expenditure	46.1	56.2	50.0	44.6	43.6	42.0
Overall balance (cash basis)	0.0	-1.9	-2.5	-1.9	-1.6	1.8
(Percent changes from previous period) 4/						
Money and credit						
Rubel broad money	510	573	1,445	292	67	63
Credit to enterprises and households 5/	1,582	610	1,905	134	56	242
Basic refinace rate of the NBB (level) 6/	30	210	300	66	35	42
(In millions of U.S. dollars)						
Merchandise trade 7/						
Exports	3,580	2,812	2,641	4,621	5,404	1,270
Imports	-3,203	-3,863	-3,351	-5,149	-6,739	1,870
Trade balance	377	-1,051	-710	-529	-1,336	-600
Current account balance (percent of GDP)	1	-30	-13	-2	-7	...
Exchange rate (Rbl/US\$, end of period)	51	698	10,600	11,500	15,500	24,850

Sources: Data provided by the Belarussian authorities, IBRD, and staff calculations.

1/ Figures refer to January 1 of the following year.

2/ The area of Belarus is 207,595 square kilometers.

3/ With growth rates comparable from year to year.

4/ For the first quarter of 1997, at annual rates.

5/ Excluding on-lending of government funds to agriculture.

6/ Percent per annum, end of period.

7/ Data are not comparable across years due to significant revisions.

I. OVERVIEW

1. In late 1994 and early 1995, the Belarussian authorities had taken major steps in further liberalizing the economy and bringing down inflation from the very high levels (1,200 to 2,200 percent) of 1993-94. By the second half of 1995, however, macroeconomic policies began to be relaxed and structural reform came to a virtual standstill and in some cases—notably liberalization of the foreign exchange market—was even reversed.

2. Since the second quarter of 1996, the authorities have pursued a consistent policy of rapid credit expansion—driven by a program of directed and subsidized credits of the National Bank of Belarus (NBB), at the instructions of the government and the President—designed to revive output after several years of cumulative decline. This policy succeeded in achieving modest growth in real GDP in 1996 and 10 percent growth (year-on-year) during the first five months of 1997. But while real output has revived over the past year, inflation has risen even more rapidly. Measured consumer price inflation—despite the episodic reintroduction or tightening of formal and informal price controls—rose from a monthly average of 2.7 percent during the first five months of 1996 to 6.3 percent for the same period of 1997.

3. The relaxation of monetary policy was accompanied by an exchange rate policy in 1996 which caused the Belarussian currency, the rubel, to continue to appreciate significantly against the U.S. dollar. This hurt the competitiveness of Belarussian enterprises which, together with expansionary financial policies, led to severe pressures on the balance of payments and the foreign exchange market which were met by the reimposition of exchange restrictions and a renewed buildup in external arrears. These pressures did not slacken in the early months of 1997, although the authorities did take several steps to relax somewhat the restrictive exchange system and, until end-April, they permitted the official exchange rate to depreciate to a significant degree in real terms.

4. While the fiscal authorities have managed to keep budget deficits low—the deficit on general government operations amounted to 1.6 percent of GDP in 1996 and these operations were in surplus for the first four months of 1997—the overall fiscal picture is somewhat less favorable. The continuing strength of budgetary revenue, which stands out within the CIS region, reflects in part the continued strong state control over the activities of most large enterprises and the lack of structural transformation of the economy. Moreover, the subsidized, directed credits of the NBB represent quasi-fiscal expenditures which, broadly speaking, would tend to double the size of the overall fiscal deficit of around 2 percent of GDP which the authorities expected for 1997.

5. Meanwhile, there has been very little structural reform. While the privatization of the smaller-scale commercial properties has continued, there has been only negligible privatization of republican level enterprises. As of end-May 1997, only about 10 percent of these enterprises had been privatized and the employees of privatized enterprises at all levels accounted only for 10 percent of total employment. The formation of new, privately-owned

firms has continued, but a comprehensive re-registration campaign during the period February 1996-April 1997 has discouraged many private activities and added to the uncertainties already created by a relatively nontransparent business environment, a lack of clarity regarding the sanctity of contracts and property rights, and generally interventionist policies on the part of the government and the presidential administration.

6. The lack of structural reforms is highlighted by the very high proportion of Belarussian enterprises that are loss-making, and the decline in average profitability of those which are making profits. In part this is due to the severe constraints which enterprises face in shedding redundant labor; the President has decreed that unemployment is to be no greater than 130,000 by end-1997, which would be about 2.8 percent of the economically able population. The rigidities and weak overall financial position of the enterprise sector are reflected in the increased fragility of the banking sector. The volume of nonperforming bank loans has been rising and loan arrears to banks have continued to increase. Meanwhile, the ratio of actual to required bank provisioning against problem loans has been declining, as have aggregate commercial bank profits.

7. In sum, the Belarussian economy was growing in mid-1997, but inflation had accelerated, the external payments situation remained fragile, and the financial position of the enterprise and banking sectors had weakened. Intervention by the authorities in the daily activities of enterprises was pervasive, and structural reform had all but ceased.

II. REAL ECONOMY, PRICES AND INCOMES

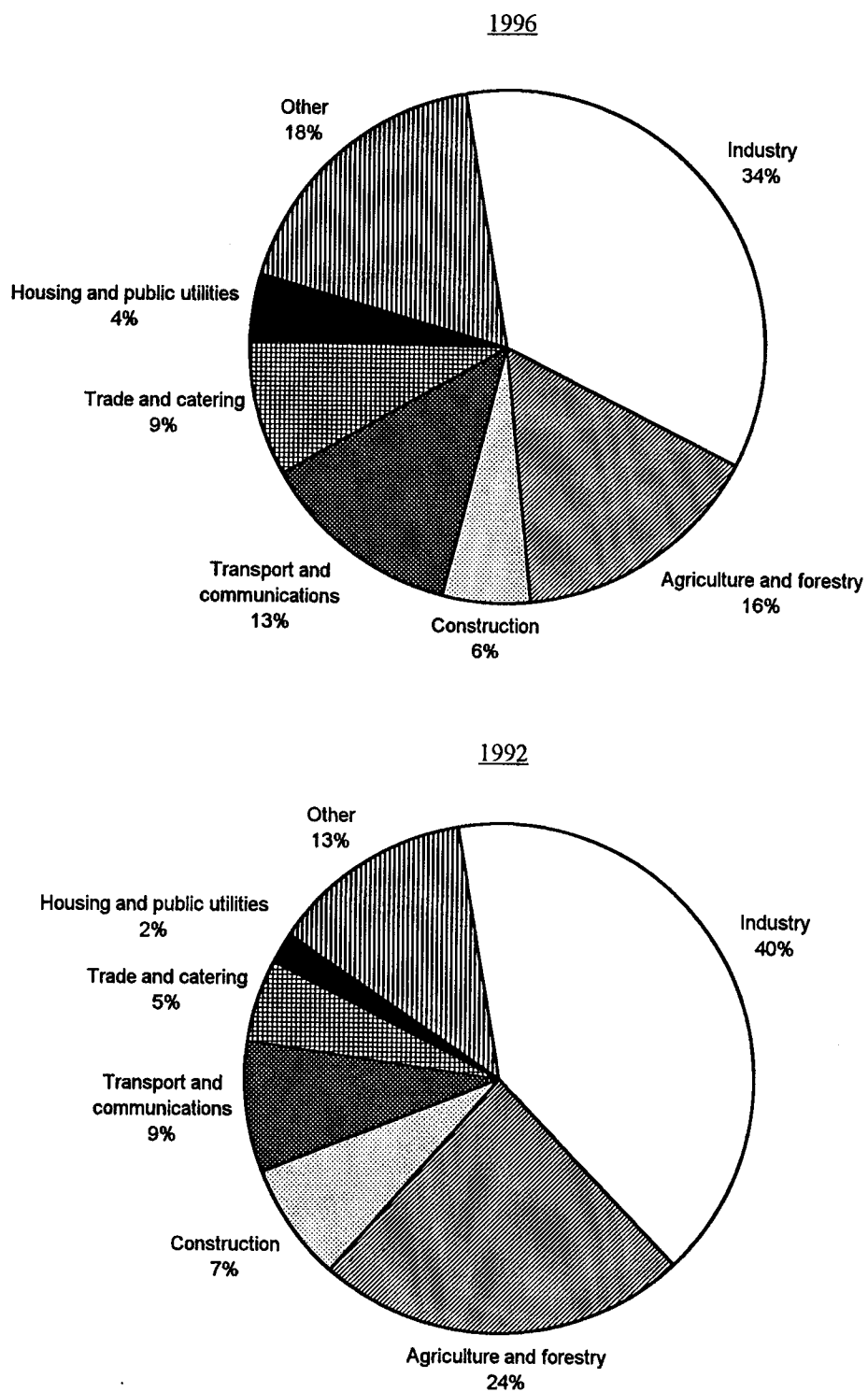
A. Overall Economic Activity

Developments in 1996 and the first five months of 1997

8. After continued declines in output averaging around 10 percent annually in 1992-95, real GDP increased in Belarus in 1996 by 2.6 percent. In the spring of that year, the authorities began to pursue a series of policies designed to increase output. In addition to expanded directed credit to the agricultural sector, industrial enterprises were strongly encouraged to increase their production. As a result, industrial output rose 6.7 percent in the second quarter (relative to the same period the previous year), much of it going toward inventories. As stocks increased, the government became concerned and instructed enterprises to reduce inventories¹ and retailers to sell mostly Belarussian products. Many enterprises thus continued to accumulate losses as they sold new products while at the same time reducing

¹These instructions were formalized in October 1996, when a presidential decree was issued stipulating that inventory levels at the end of the year should be no larger than those in July 1, 1996, and that monthly production could not be lower than production in the same month of the previous year.

Figure 1. Belarus: Composition of GDP, 1992 and 1996
(In percent)



Source: Belarussian authorities.

inventories; the share of loss-making enterprises increased from 17.9 percent in 1995 to 18.4 percent in 1996.² Despite the decline of inventories in industry in the second half of 1996, total inventories rose in nominal terms for the year as a whole (Table 7).

9. In early 1997, the provision by the National Bank of Belarus (NBB) of further directed credits spurred capital investment, which grew by 12.8 percent in the first quarter of 1997 (year-on-year). Virtually all of the increase in investment was in the two sectors benefiting most from directed credits: housing construction (by 54 percent); and agriculture (by 11 percent) (Table 5). Real GDP grew by 10 percent in the first four months of 1997 (year-on-year), although the acceleration in growth relative to 1996 reflects in part the fact that it is measured against the first four months of 1996, when real GDP had reached its lowest level since 1990.

10. At the same time, certain sectors of industry which had continued to stagnate in 1996 began to grow in early 1997 due to both domestic and foreign demand. Exports grew by 12.7 percent in dollar terms in the first quarter of 1997 (year-on-year). Although exports of goods, services and nonfactor income had also increased in 1996, by 28 percent in dollar terms after falling by almost half between 1993 and 1995, imports grew even more, and the trade balance, which widened to 7.2 percent of GDP, contributed negatively to growth in 1996. This surge in imports had reflected in part the increased demand for raw materials such as natural gas, petrochemicals and steel—as well as industrial machinery—in response to the increase in industrial output during 1996.

11. The increase in GDP in 1996 was accompanied by the resumption of growth of real disposable incomes of the population by mid-year, which in turn spurred demand, but also led to increased inflationary pressures (see Section C). Indeed, the growth of national income has largely appeared to have been due to the growth of real household incomes, rather than profits, in 1996 and early 1997. Real wages rose—for the first year since 1992—by 13 percent in 1996 and by 7 percent in the first four months of 1997 (year-on-year). Reflecting the government's emphasis on policies to improve the standard of living of the population, nominal wages increased by almost 5 percent per month on average during the twelve months ending in April 1997. Furthermore, there is evidence that activities related to the gray economy fared well in 1996, since the share of money incomes coming from "unaccounted business and other activities" grew from 25 percent in 1995 to almost 30 percent of total money income of the population.

12. With respect to GDP growth on the expenditure side, total consumption rebounded more rapidly than GDP in 1996 (by 5 percent), following a less severe cumulative decline during 1992-95 (at 6.5 percent a year on average). Consequently, the share of household

²In 1996 and the first quarter of 1997, the share of loss-making enterprises was highest in construction materials and light industry, both of which showed very rapid growth in the first quarter of 1997.

consumption to GDP has grown at an annual average rate of 2.4 percentage points since 1992, reaching a level of about 60 percent in 1996. Household consumption of services (a traditionally neglected sector) picked up markedly in the second half of 1996. The growth of consumption of nondurable consumer goods such as clothing and nonbasic foodstuffs was also notable. By contrast, investment expenditures declined by 4 percent in 1996, although this represented an improvement from the average annual investment decline of 18 percent per year between 1992 and 1995 (Tables 2 and 3). Sectors in which capital investment has fallen the most since the breakup of the former Soviet Union are agriculture and infrastructure construction. The authorities have been concerned about the obvious depletion of the capital stock, 60 percent of which is considered obsolete, and proposals have been made within the government to stipulate that expenditures on capital goods become a higher priority of enterprises.³

B. Output by Sectors

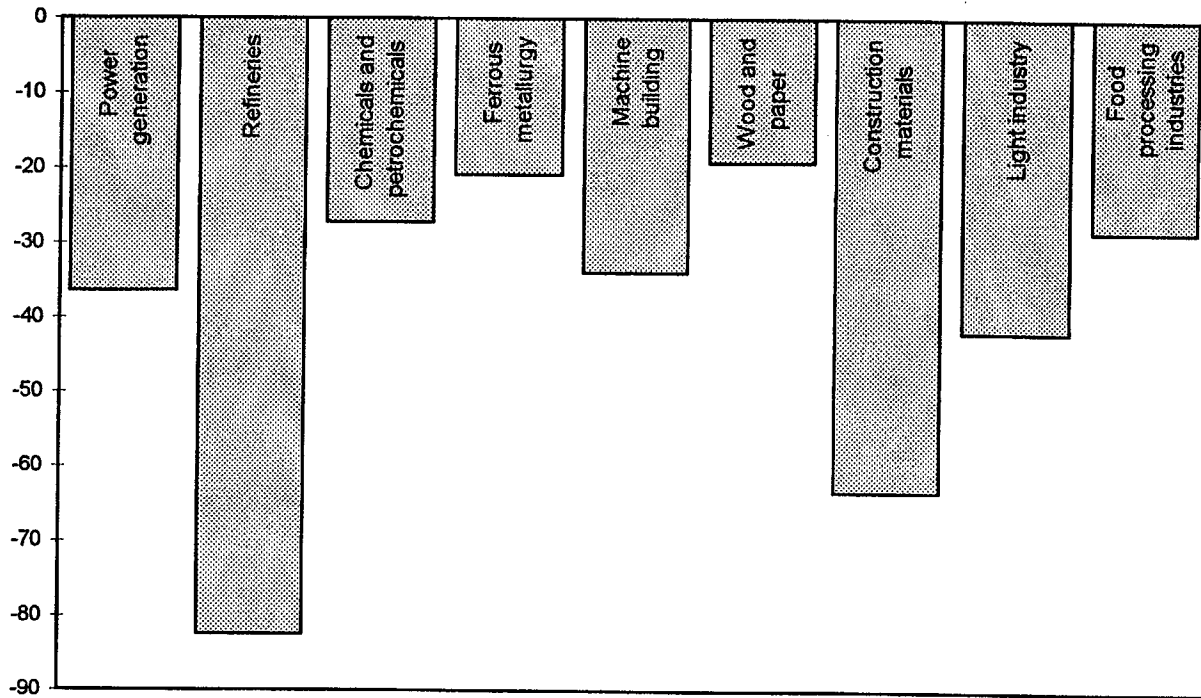
Industry

13. During the Soviet era, a large share of Belarus' industrial sector was in defense-related industries, and it developed a comparative advantage in human capital-intensive goods such as machinery and equipment. Since 1991 and the breakup of the Soviet Union, industrial enterprises have had to deal not only with finding new markets and in some cases new suppliers of raw materials, but also with the breakup of traditional technological alliances with foreign companies. Nevertheless, only about 3.5 percent of industrial enterprises have been fully privatized, while another 18 percent are joint stock companies (in which the government owns between 2 and 80 percent; the rest are still fully state-owned). But even regarding the joint stock companies, the authorities still have a major influence in enterprise decisions, either through output and price directives from the line ministries, or through the executive political committees of local governments (who often get involved in enterprise decision-making regarding prices, employment or output).

14. After declining more than 12 percent on average between 1992 and 1995, industrial production grew by 3.5 percent in 1996, and the share of industry in GDP rose from 31 percent in 1995 to 35 percent (Table 1). The fastest growing branches of industry were ferrous metallurgy (23.4 percent), wood and paper (14.2 percent) and light industry (11.9 percent) (Table 6). Output growth was particularly pronounced in 1996 for automobile tires, rolled ferrous metals, construction materials and other light consumer goods such as textiles and electronics (Table 8).

³A presidential decree stipulates that enterprises have to make full wage and tax payments before they can make any other expenditures, and many enterprises do not have funds left over for working capital, let alone large capital investments.

Figure 2. Belarus: Industrial Production by Sector, 1996
(Percent change from 1991)



Source: Belarussian authorities.

15. In the first four months of 1997, industrial production grew 9.8 percent (year-on-year). With the exception of power generation and refineries, all branches of industry posted rapid growth. Output grew at somewhat faster rates for tractors and engines (most of them bound for Russia, and many related to in-kind payments for gas) and construction materials. Light industry grew 30.8 percent year-on-year in the first quarter of 1997, as nontraditional export goods such as textiles benefited from the so-called "give-and-take" transactions with foreign companies—whereby companies receive textile raw materials from abroad with which to produce fibers and textiles for export. This sort of scheme, which got underway in earnest in 1996, exemplifies the efforts made by the government to increase industrial exports. In 1996 and 1997, the government and the presidential administration began taking an active role in searching for new markets abroad and solidifying their commercial ties with Russia (which accounts for more than 50 percent of Belarussian exports). For example, the President personally visited many countries in early 1997 in order to promote Belarussian products and sign export contracts.

16. The share of production which was exported declined for most major manufactured products during 1993-95 and continued to decline in 1996 and the early months of 1997. The notable exceptions were trucks, motorcycles, synthetic fibers, cameras and refrigerators (Table 9). Furthermore, the share of total exports going to CIS countries has recently rebounded somewhat following the initial decline after the breakup of the Soviet Union, and despite the government's efforts to diversify. The share of imports in production has continued to increase since 1994. Imports continue to be concentrated in industrial raw materials such as steel, plastics and resins, as well as natural gas and crude oil on which Belarus continues to heavily depend as long as the basic structure of its industry is maintained.

17. Some industrial enterprises received financial assistance from the government in the form of cheap credits or exemptions in 1996, but many others have major financial problems and few options available in the present environment with which to change their situation (see Section E). Most enterprises are not permitted to shed excess labor without ensuring that those workers can be employed elsewhere in the same geographic area, but this is difficult in a country in which towns traditionally developed around a particular industry and housing constraints somewhat limit geographical labor mobility. Moreover, laying off workers in Belarus is usually a joint decision by the regional executive political committee and the employment service, as well as the trade unions and the enterprise managers; consequently, it is highly unusual for an enterprise to lay off a large number of workers. Between 1992 and 1996, for every 1 percent decline in value added in industry, employment fell by 0.8 percent.

Agriculture and forestry

18. Agricultural policy in Belarus continues to be characterized by the maintenance of extensive price controls, which have restrained somewhat the growth of food prices during a time when prices of most agricultural inputs have been sharply increasing. For example, Belarussian farmers still heavily depend on expensive fertilizers for crops, as without them the

soil is relatively poor.⁴ Although the government has slowly moved away from subsidizing many agricultural inputs, it continues to heavily support the agricultural sector. The Ministry of Agriculture makes advance payments at zero interest to farmers of grain and sugar beets of up to 50 percent of the estimated delivery value during the planting season. About Rbl 3.3 trillion (almost 1 percent of GDP) were scheduled to be extended in 1997 for this purpose. Furthermore, the Agricultural Support Fund⁵ spent Rbl 3.7 trillion in 1996 subsidizing the price of agricultural inputs, reducing the cost of agricultural credit, as well as purchasing tractors and other farm machinery that are then leased to farmers. This Fund expects to spend Rbl 4.6 trillion in 1997 (about 1.4 percent of GDP). Furthermore, both in early 1996 and 1997 the government financed planting operations by allocating large amounts of directed credits at preferential rates.

19. Despite the heavy government involvement, the agricultural sector has been one of the worst performing sectors of the economy. Its share in GDP has fallen from 24 percent in 1992 to an estimated 15 percent of GDP in 1996 (Figure 1), and real investment has dropped 92.5 percent since 1990. Nonetheless, 1996 was a relatively good year; GDP in agriculture (excluding forestry) grew by 2 percent, after having fallen by 2.5 percent in 1995. The share of land utilized for crops has been increasing at the expense of land used for livestock, in part due to the limited profitability of livestock (as fodder has become more expensive and livestock has lost many of its traditional export markets). While cattle, pig and sheep production continued to decline in 1996, potato production grew about 15 percent for the second year in a row, while the output of grain grew by 5.3 percent (Table 10). In contrast, sugar beet production fell sharply, as imports of sugar grew almost 100 percent in 1996 reflecting Belarus' comparative disadvantage in the production of this product. The output of dairy products, traditionally an important domestic agricultural staple, declined slightly, although dairy exports grew 34 percent in 1996 as domestic consumers substituted from domestic to imported dairy produce. In response, a presidential decree prohibiting the import of milk was issued in May 1997 in order to further protect domestic dairy producers. Belarus also imports products such as coffee, cocoa, tobacco, and grain (Table 55). About 5 percent of Belarus' agricultural production is exported.

20. Belarus is still largely self-sufficient in food, partly due to the tradition of Belarussian households' supplementing purchased food by home-grown vegetables, potatoes and spices in private plots. Between 80 and 90 percent of fruits, vegetables and potatoes are grown on typically small individually-utilized plots and leased farms. Most farm animals such as sheep and pigs are also mostly privately bred (Table 11). Nonetheless, the distribution of land ownership for agriculture has changed little since 1990. Leased farms and individually-utilized plots occupied less than 11 percent of the agricultural land in 1996, yet they have proven to be more productive than the traditional structures. Most agricultural production is still public and

⁴Prices for fertilizers, however, are subject to ceilings (see Chapter V).

⁵An extrabudgetary fund created in 1995.

organized into two types of centrally-controlled large-scale farms: “kolkhozes” (collective farms) and “sovkhozes” (state farms) which in 1996 owned 61 percent and 22 percent of total agricultural land, respectively (Table 12). These organizations have traditionally produced most of the meat, grains and dairy products (including processing). The average size of a collective farm in 1996 was 3,042 hectares in 1996. In contrast, the average size of individually-utilized properties leased from state and collective farms was 18 hectares.

21. Most agricultural produce is still procured by the so-called “state procurement organizations” (Table 13), as well as *Belcoopsoyuz*, the national union of cooperative societies. Food-processing enterprises also buy at the wholesale level, although their share in total procurement has declined over the past few years due to lack of demand and working capital. At the retail level, some small trading firms have been established, but the imposition of fixed prices for certain basic agricultural products (see Chapter VI) has created few incentives for private traders. Instead, at least in border regions, incentives have arisen for agricultural products to be carried across borders by private traders and sold—in Russia and Poland, for example—at higher prices.

22. Belarus has significant forest resources with total forest land covering about 40 percent of the total area. By law, forests are property of the state. The timber industry is relatively small (less than 1 percent of GDP in 1996), but it provides inputs to the wood and paper industry which grew by 14.2 percent in 1996 and 29.5 percent in the first quarter of 1997.

Services

23. The share of the service sector in GDP⁶, at 43 percent in 1996, has not changed much since 1993, although this sector—led by trade and catering—posted a rapid increase in output in 1996. Real value added in trade and catering (which accounts for almost 9 percent of GDP, compared to 5 percent in 1992) grew by 23 percent in 1996, reflecting the strong growth of overall retail trade (which grew by 26 percent during January to April 1997 (year-on-year).

Energy

24. Belarus is highly dependent on energy imports. In the first four months of 1997, 98 percent of natural gas, 87 percent of crude oil and 26 percent of the electricity consumed were imported (Table 14). All of the imported gas comes from Russia’s *Gazprom*, through the network of pipelines which was mostly constructed in the Soviet period. Every year Belarus negotiates with *Gazprom* the price it will pay for gas, implicitly taking into account the transit fee *Gazprom* would otherwise pay for transporting its gas to Europe through Belarussian territory. A second major gas transport system, the Yamal pipeline, is currently under

⁶The service sector is defined here as all sectors other than industry, agriculture and construction.

construction (see Box 1). In 1996, the agreed price for gas was \$50 per thousand cubic meters, and in 1997 it is \$49 per thousand cubic meters, which is about \$31 per thousand cubic meters below the relevant international benchmark price (the European border price). After allowing for the implicit transit fee on transshipment of gas, the net subsidy to Belarus was estimated at more than 1 percent of Belarussian GDP in 1996 and somewhat under 2 percent of GDP in 1997. Not only does Belarus benefit from the direct subsidy incorporated in the price of gas from Russia, but also most of what is paid is provided in-kind (see Chapter V).

Text Box 1. Belarus: The Yamal Pipeline

The new Yamal pipeline stretching from Russia to Europe will add to the existing network of gas pipelines in Belarus, and will continue to use the corridor from Torzhok (near the border with Russia) to Nesvizh (west-central Belarus) and the compressor stations that support the existing pipelines along that route. The new route within Belarus, currently under construction, stretches 209 km from Nesvizh to Slonin, on the border with Poland. Both in Poland and Germany, joint ventures between the domestic companies and *Gazprom* are managing local construction. The section of the pipeline under construction in Belarus will be about 574 km in length in total. The completed pipeline, from the Yamal Peninsula in Russia to the eastern border of Germany, will be 4,107 km. long, and, together with the existing pipeline, will have the capacity to transport roughly 90 billion cubic meters of gas a year (of which potentially some 70 billion could go to the Baltics, Ukraine and western Europe, which compares to existing transit shipments to these countries through Belarus of about 23 billion cubic meters).

Beltranzgas, the monopoly which owns and operates Belarus' gas pipeline network, is the main contractor in Belarus to *Gazprom* in this project. As such, the pipeline construction is considered a Russian foreign direct investment, to the extent the resources come from *Gazprom*. The Belarussian section of the pipeline began to be built in 1996. Construction between Nesvizh and Slonin is expected to be completed in the first quarter of 1998 and be put to use shortly thereafter. Construction of the section from the Russian border to Nesvizh, which will run parallel to the existing pipeline, will take somewhat longer. The entire completed stretch of the new pipeline (for deliveries to western Europe) will not be operational before 1999.

25. Belarus has not reduced its relative dependence on imported natural gas since 1993. Whereas in 1992, imports of natural gas (in kilo calories) declined at a rate three times the rate of decline of GDP, imports declined at a lower rate than GDP during 1993-95 and increased more rapidly than GDP in 1996 (Table 15). The same pattern held for crude oil, Belarus' other main energy import, until 1996, when imports of crude oil fell by 2.3 percent while GDP increased. At the same time, a pattern of substitution from one form of energy to another has emerged since 1992 in response to the increase in the effective relative import price of crude

oil to natural gas. While the share of imported natural gas (in kilo calories) in total consumption of energy has risen from 27 percent in 1992 to 40 percent in 1996, the share of imported crude oil has declined from 37 percent to 26 percent during the same period.

26. The authorities have, in fact, been actively looking for ways to move away from the consumption of crude oil as well as electricity, the prices of which are comparable (in U.S. dollar terms) to those paid in western Europe. Efforts to substitute away from fuel oil and electricity and into other, less polluting and inexpensive forms of energy began in earnest in 1996. The government is supporting several energy conservation projects and helping to increase the production of nontraditional forms of energy in the social sphere, mostly for heating. These include burning waste in high-capacity European furnaces, as well as the promotion of research on wind energy, solar energy and energy from biological mass. Nevertheless, it is unlikely that these measures will have a noticeable effect in the short to medium term. In the meantime, attempts to increase efficiency in this sector are hampered by obsolescent technology. For example, many of the power plants that produce electricity (five large ones and several small ones) use somewhat outdated plant and equipment. At the moment it is cheaper to import some electricity from Lithuania—which uses nuclear and hydroelectric power—than to produce it domestically. The production of power has fallen drastically since 1990, and the power generation industry has consistently produced financial losses. Output of refineries, after increasing in 1995, continued its decline in 1996 and again in the first quarter of 1997. The technology in refineries is also outdated, since they require a high proportion of crude oil to produce fuel oil, a major problem given the rising cost of imported crude oil. The Ministry of Energy is evaluating proposals for the restructuring of the refineries under its control.

27. The major consumers of crude oil products and their derivatives (diesel and heavy fuel oil) are the Ministry of Energy (which has management responsibility for refineries and power plants), the chemical industry, households and enterprises, and the transport sector. *Beltopgas* is the sole distributor of natural gas: its major consumer (about 60 percent) is the Ministry of Energy. The other 40 percent of consumption of gas goes mainly for household cooking and heating (12 percent) and directly to industry. The Ministry of Energy itself converts some of the gas into other forms of energy such as electricity and thermal energy, which it sells mostly to enterprises and large industrial plants, as well as to households and the agricultural sector.

28. Households in Belarus paid 63 percent of the total cost of energy utilities they consumed at the end of 1995, but cost recovery had slipped to 58 percent by end-1996 and 33 percent at the end of April 1997 due to the unexpectedly high inflation of costs, which outpaced the increase in household tariffs. The main problem is the cross-subsidization of households by consuming enterprises. If all customers paid the same price for gas, it would be approximately \$59 per thousand cubic meters (assuming full coverage of the operating costs of *Beltopgas*). However, enterprises pay an average of \$67.3 per thousand cubic meters, essentially cross-subsidizing households (although the government pays *Beltopgas* directly to cover some of the implicit subsidy to households). This problem became even more acute in the aftermath of the significant depreciation of the rubel in early 1997, since the rubel price for

gas paid by enterprises went up considerably more than that paid by households. *Beltopgas* also suffered losses as a result. Gas arrears by mostly enterprise consumers to *Beltopgas* rose from about 30 percent of the value of gas supplied in 1996 to about 60 percent at end-May 1997. This problem has yet to be addressed adequately, although the government is studying proposals to reduce the cross-subsidization by better targeting the subsidy within the household sector. The main proposal would be to achieve full cost recovery for the household sector as a whole, but to set different tariffs for the population according to income and needs.⁷

C. Inflation and Price Policy

29. Inflation in Belarus continued to be brought down into early 1996, and although credit emissions began to accelerate in the second quarter of 1996, especially agricultural credits in connection with the sowing campaign, the increased supply of agricultural products after the harvest kept food prices from rising significantly during the summer months. Average monthly inflation fell from 4 percent in the first quarter of 1996 to 1.5 percent in the second quarter of 1996 (Table 16). The strengthening of policies aimed at controlling retail prices in the second half of 1996 (see below) also contributed to temporarily quell open inflation. However, it also contributed to enterprise losses, since they were unable to pass on fully the increasing prices of imported inputs to consumers.⁸

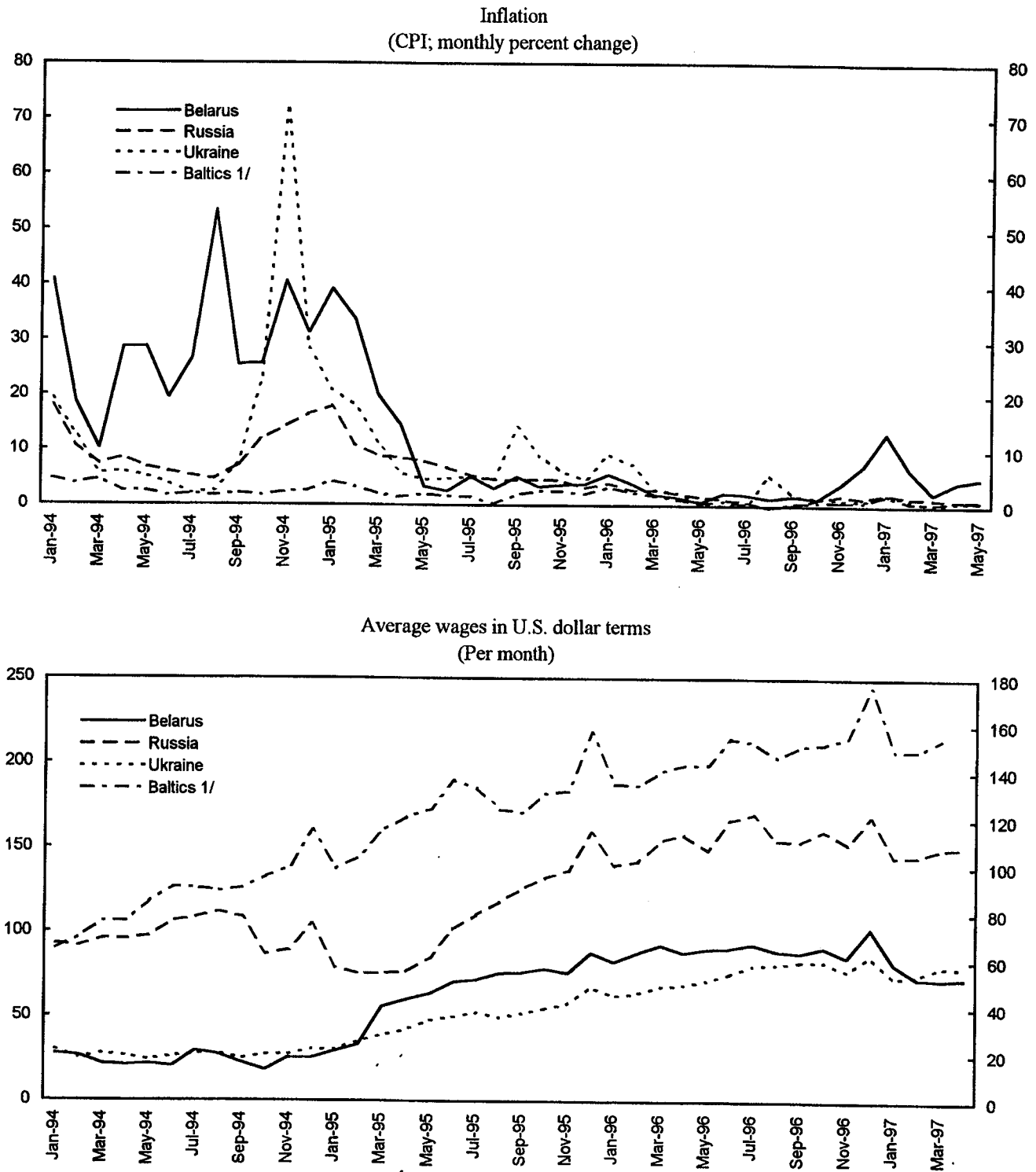
30. The growth of credit and nominal wage increases that took place starting in the second quarter of 1996 began to be reflected in increased open inflation toward the end of the year. Measured inflation rose from a monthly average of 1.7 percent in the third quarter of 1996 to 4.2 percent in the fourth quarter, to 7.3 percent in the first quarter of 1997. Part of the increase in inflation in the early months of 1997 was due to the one-time jump in the price level as a result of the significant depreciation of the rubel in the context of loose financial policies. In April 1997, the authorities attempted to control inflation by slowing the pace of depreciation, but inflation, nonetheless, increased from 2.3 percent in March to a monthly average of 4.6 percent in the second quarter as credit policy remained lax (see Chapter IV).

31. During 1996 and early 1997, the authorities used a complex set of controls to partially suppress inflation (see Chapter VI). In early 1996, locally produced oil was sold to agricultural enterprises at substantially lower prices than imported oil, as part of the campaign to raise agricultural production. Low tariffs were maintained on utilities, and tight controls

⁷ For an average-sized family with one wage earner whose sole income was the average salary in Belarus in 1996, and who at that time owned a 30-square-meter apartment which consumed 9 cubic meters of water and 50 Kwh of electricity per month, its utilities bill would have been equal to about 7 percent of its income.

⁸ Producer prices increased by over 40 percent more than consumer prices during the 12 months ending in March 1997.

Figure 3. Inflation and Wages in Selected Countries, 1994-97 (May)



Sources: National authorities; and IMF staff estimates.
1/ Average for Estonia, Latvia and Lithuania.

were enforced on profit margins in the retail trade sector. In August 1996, the Ministry of Economy issued a regulation limiting the profit margins of certain enterprises to a maximum of 25 percent over cost, and the President decreed in August 1996 that price ceilings for "socially important goods" would be set by the regional authorities. As noted earlier, the higher inflation rate in the first quarter of 1997 further eroded strides made earlier toward full cost recovery of household utilities.⁹ A short-lived effort in April 1997¹⁰ to restrain imports and conserve scarce foreign exchange by limiting the mark-up on imports to 25 percent (and also to limit the markup on wholesale trade and retail trade by 30 and 40 percent, respectively), were also examples of isolated efforts by the government to artificially repress inflation. While it cannot be measured precisely, there is clearly at least some repressed inflation in Belarus, given the pervasive direct and indirect price controls.

D. Employment and Wages

Wages and other incomes

32. The authorities have retained tight control over wage policy in Belarus (see Chapter VI), and their main priority in 1996 and early 1997 was to prevent the erosion of real wages. At times, the presidential administration has become heavily involved in this issue, and in 1996, as part of the policy to raise the standard of living of the Belarussian people, nominal wages were increased significantly, outpacing measured consumer price inflation.¹¹ After declining 4 percent in the first quarter of 1996, the real wage increased an average of over 5 percent per quarter during the last nine months of 1996, and 7 percent between January and April 1997 (Table 20). The minimum wage and the first grade wage were both raised by almost 50 percent in early 1997, in several steps, one in January 1997 and two in April 1997.¹²

⁹The government has stated that it would like to achieve full cost recovery of communal services by 1998, but concerns that administered price increases for these services could fuel inflation have slowed the process.

¹⁰The resolution was adopted on April 26, 1997 by the Ministry of the Economy and repealed a month later.

¹¹The government sets the minimum wage and the wages for civil servants, and a wage scale for each grade and skill level in the productive sphere is calculated by the Ministry of Labor, based among other things on productivity trends in the economy. These wage scales are recommended to enterprise managers, who decide on the actual levels after negotiating with labor unions. In many instances, the presidential administration and government representatives at various levels have also become heavily involved in the process.

¹²The first grade wage, which was Rbl 170,000 in April, is considered a better indicator of the lower bound for wages in Belarus, since very few actually earn the minimum wage.

33. Since 1994, wage dispersion across sectors in Belarus has increased, reflecting in part changes in relative productivity of the economic sectors. The ratio of average wages in the sector with the highest wages to those in the sector with the lowest wages rose from 2.3 percent in 1992 to 2.7 percent in 1996. Despite earlier policies to reduce this dispersion, a presidential decree in April 1997 allowed enterprises to better compensate workers who were productive (but with bonuses to be paid out of profits rather than charged to tax-deductible costs, if more than a certain amount) and put in place a more incentive-based wage structure. For example, the gap between the first-grade wage and the minimum social support transfer was widened to encourage workers to find jobs. The sectors with the highest wages in 1996 were services such as banks and insurance, administration and information and computing services. The sectors with the lowest wages were education, culture and the arts and agriculture. These rankings have not changed much since 1992 (Table 19).

Other income

34. Total money incomes of the Belarussian population grew 72 percent in 1996 and 84 percent (year-on-year) in the first quarter of 1997. Real per capita money income, which declined by 4.3 percent annually on average between 1992 and 1995, grew by 13 percent in 1996. Whereas real average wages grew 6 percent in the first quarter of 1997 (year-on-year), overall real incomes of households grew by 21 percent during this period. Nonwage income is becoming an increasingly important component in the incomes of the population, much of it under "unaccounted business and other activities" (Table 23). At the same time, the saving rate of households has declined since 1995 and real consumption, as noted, has grown dramatically.

Employment

35. After the unemployment rate¹³ rose from 2.1 percent in January 1995 to 3.9 percent in January 1997, the authorities became concerned that it would rise further. A presidential decree of March 17, 1997 set a ceiling of 130,000 for the number of people that should be unemployed by the end of 1997 (which is equivalent to a 2.8 percent unemployment rate). The unemployment rate stood at 3.7 percent at end-April (Table 21). Enterprises are expected to work closely with the local employment agencies and the local executive committees to find work for employees considered for layoffs, and the Employment Fund is to allocate money for retraining. As noted earlier, enterprises are very reluctant to shed workers in large numbers, given the concern about unemployment at the highest level.

36. Trends in employment by sectors have for the most part followed trends in growth. After declining annually by 3.2 percent on average between 1992 and 1995, employment continued to decline by 4 percent in 1996. In the five years ending in 1996, the

¹³The unemployment rate is defined as the number of registered unemployed as a percentage of the economically active population.

greatest percentage decline in employment occurred in construction and trade and related services. Employment in other service-related sectors of the economy (such as banks, insurance and administration) has grown the most since 1992. With the exception of activities dominated by the public sector—such as communal services and administration where employment has actually grown—the rate of decline in employment in all sectors of the economy has been considerably lower than that of GDP, suggesting the existence of labor hoarding by enterprises in the productive sector (Table 22). Preliminary employment data show that employment during the first four months increased in most sectors.

E. Financial Position of Enterprises

37. The financial situation of enterprises continued to worsen in 1996 and the first quarter of 1997, albeit at a slower pace than in 1993-95. The average profitability rate of profitable enterprises fell by 0.2 percentage point in 1996, after falling by 4 percentage points per year on average during the three previous years (Table 24). Average profitability¹⁴ rose by 1.6 percentage points in the first quarter of 1997 relative to the first quarter of 1996, to 8.8 percent, although this improvement could have been biased upward as a result of the higher inflation rate during that period.¹⁵ At the same time, the share of loss-making enterprises increased from 17.9 percent in 1995 to 18.4 percent in 1996, and continued to increase in the first quarter of 1997 (year-on-year).

38. The financial situation of industry presents a mixed picture. The average profitability of profitable industrial enterprises increased slightly in 1996 (from 10.1 percent in 1995, to 10.5 percent), although this figure is considerably lower than the average profitability of 27 percent during the 1992-94 period. Profitability in the first quarter of 1997, at 10.7 percent, was also somewhat higher than in the same period the previous year. Nevertheless, the share of industrial loss-making enterprises continued its steady increase in 1996, most notably in the construction materials industry and light industry, although this share declined in the first quarter of 1997. In general, the revival of output, at least in 1996, did not lead to any material strengthening of the financial situation of industrial enterprises.

39. The financial position of agricultural enterprises continued to deteriorate somewhat in 1996; 430 agricultural enterprises were making losses in 1996, up from 128 in 1993. Although the absolute number of agricultural enterprises making losses has increased, the share as a total of all loss-making enterprises, at less than 25 percent, had not changed much since 1993. The number of loss-making enterprises rose by 17 percent in the first quarter of 1997 relative to the same period in 1996, but the average profitability of profitable agricultural enterprises

¹⁴Profitability is defined as profits from sales as a percent of the cost of sold products, although certain marketing expenses are typically not counted as costs.

¹⁵Belarussian enterprises do not make adequate allowances for the impact of inflation on their cost accounting.

also rose somewhat in the first quarter of 1997 compared to the same period of 1996. The generally weak financial situation of agriculture is suggested by the large share of this sector in wage arrears, even though the average wage in agriculture is still the lowest of any sector of the economy.

40. Interenterprise arrears have changed very little as a percent of GDP since 1995, and amounted to around 15 percent at end-March 1997 (Table 26). Aggregate enterprise arrears owed to employees and the budget are reported to have actually declined from 5 percent of GDP at end-1995 to less than 1 percent of GDP at the end of the first quarter of 1997.¹⁶ Much of the general stabilization in arrears may have to do with the increasing practice of supplier enterprises demanding advance payments from customers before goods are delivered. The rapid expansion of credit since the second quarter of 1996 may also have helped stabilize the interenterprise arrears problem in the context of minimal enterprise restructuring.

41. Gas arrears continue to be a substantial problem for industrial enterprises (Table 27), and partly reflect the high prices the productive sector pays relative to the household sector, as discussed earlier. Gas arrears of domestic consumers to *Beltopgas* stood at Rbl 6.3 billion as of April 17, 1997, or about 63 percent of the value of gas consumed during January-April. This is a doubling (in rubel terms) of the arrears outstanding at the end of 1996, reflecting the increased prices of gas for enterprises as a result of the sizable depreciation of the rubel in early 1997. About three quarters of these arrears are owed by the Ministry of Energy. In turn, agricultural enterprises, as well as the industry sector, owed most of the arrears to the Ministry of Energy as of April 1997.

42. Concerned with the increasing stock of wage arrears in September 1996 (about 26 percent of the wage bill), the President ordered enterprises to make a concerted effort to reduce them. Enterprises could apply for financial assistance to the government for this purpose. In November 1996, the government issued credit to cover some wage arrears, which brought the stock down to 4.5 percent of the monthly wage bill in early December.¹⁷ Wage arrears stood at Rbl 472 billion at the end of 1996 (equivalent to about 0.2 percent of annual GDP). Most of the outstanding wage arrears (68 percent) at the end of 1996 were owed by the state and collective farms; industrial enterprises owed 10 percent and the construction sector owed 8 percent. The private sector accounted for only 0.1 percent of the total wage arrears. By law, an individual worker must be paid at least 60 percent of his or her wage within a month, even if enterprises are in financial straits. Whatever is paid late must be indexed to inflation.

¹⁶This figure, however, which is probably subject to measurement errors, may not be fully consistent with the reported level of tax arrears to the budget of about 1.2 percent of projected 1997 GDP (see Chapter III).

¹⁷By April 1997, however, wage arrears had risen again to about 13 percent of the monthly wage bill.

III. PUBLIC FINANCE

A. Overview of Public Finances in 1996 and Early 1997

43. The general government¹⁸ deficit declined slightly to 1.6 percent of GDP in 1996, compared to 1.9 percent in 1995 (Tables 28 and 29). For the first four months of 1997, general government operations were in surplus by 1.9 percent of estimated GDP for that period. In spite of a resurgence of inflation since late 1996, the balance on general government strengthened in early 1997 as the authorities were able to restrain cash expenditure while revenue grew a bit more rapidly. (General government revenues, as a percent of GDP, rose from 41.9 percent in 1996 to 44.4 percent in the first four months of 1997 (Figure 4).) However, this favorable trend also results partly from the continued shifting of budgetary outlays to quasi-fiscal expenditures carried out by the banking system. Thus the budget position presents an artificially favorable outcome, and the assessment of the fiscal performance would be less sanguine if the quasi-fiscal expenditures were to be incorporated in the budget. Had the quasi-fiscal deficit been combined with the formal fiscal surplus during the first four months of 1997, the overall fiscal position would have been roughly in balance.

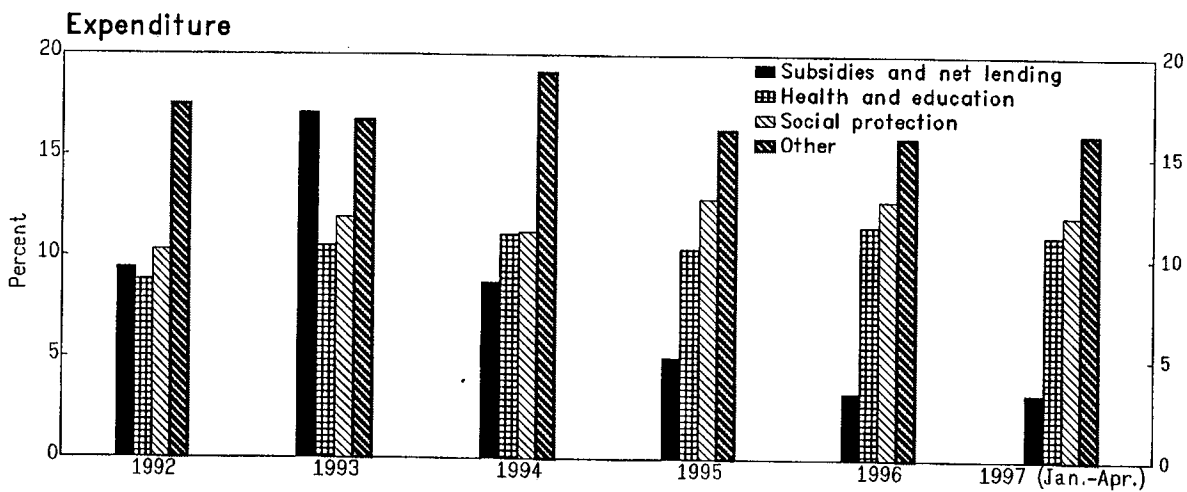
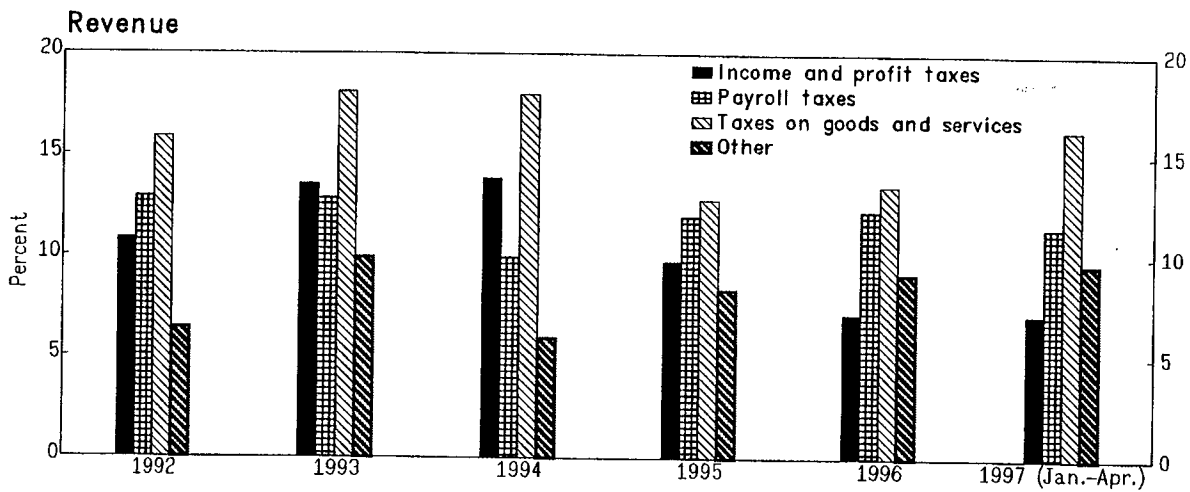
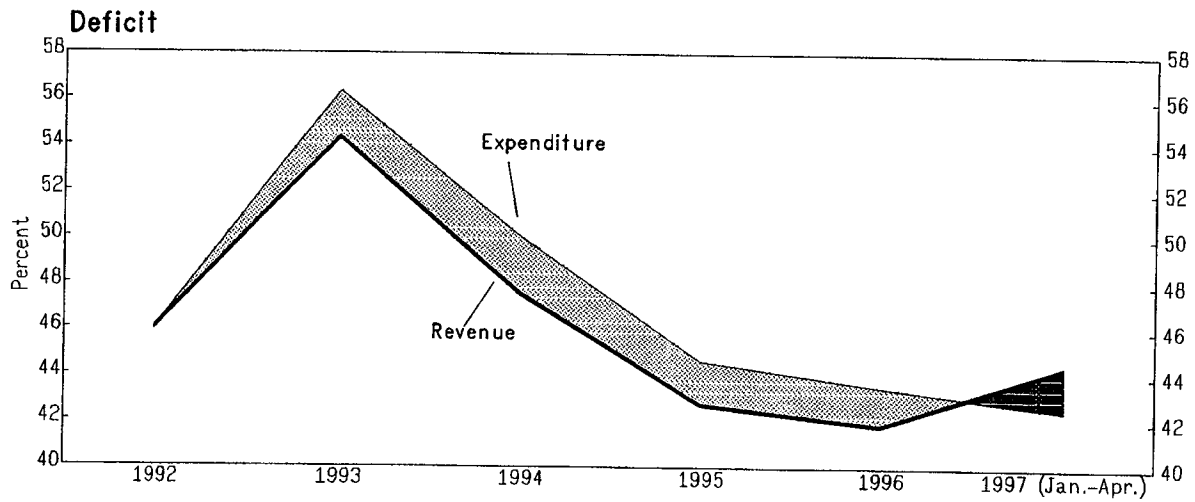
B. State Budget Revenue

44. Despite a small decline in 1996, Belarus' revenue performance in terms of GDP remains among the highest of the transition economies in the region (Figure 5). In Belarus' case this reflects both relatively strong compliance with tax regulations as well as the state's continued pervasive control over most aspects of economic activity and a lack of structural reform.

45. The ratio of state budget revenue to GDP fell from 29.2 percent in 1995 to 27.8 percent in 1996 partly due to a small decline in the average profitability of profitable enterprises and an increase in the proportion of loss-making firms, and consequently a decline in profit taxes, as well as to the introduction of a large number of new tax

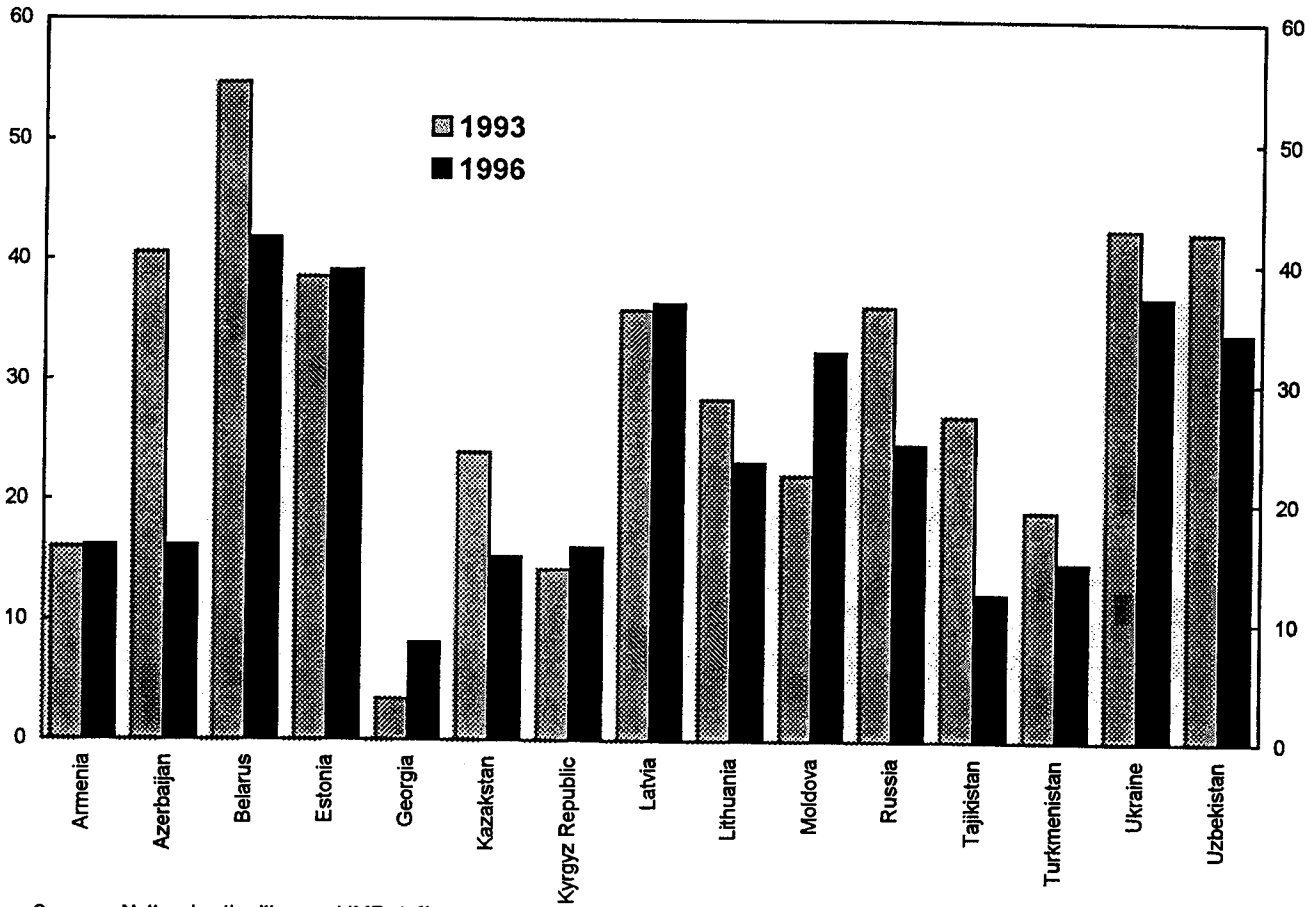
¹⁸General government operations include the state budget and extrabudgetary funds. The state budget is the principal component of government finances. It includes the budgetary operations of the republican (central) and local governments, the latter being constituted mainly of 6 *oblasts* (regional governments), the city of Minsk, 38 smaller cities, and 141 *rayons* (districts). There are several extrabudgetary funds, the most prominent being the Social Protection Fund, the Employment Fund, the Road Fund, and the Agricultural Support Fund.

Figure 4. Belarus: General Government Fiscal Indicators, 1992-97 (April)
(In percent of GDP)



Sources: Data provided by Belarussian authorities; and Fund staff estimates.

Figure 5. BCIS: General Government Revenue, 1993 and 1996
(In percent of GDP)



Sources: National authorities; and IMF staff estimates.

exemptions and deferments (Tables 30 and 31).¹⁹ ²⁰ At end-1996, 1,737 enterprises, or about every fifth enterprise in Belarus, was loss-making.²¹ During the same year, 143 public enterprises were granted ad hoc tax exemptions, notably from value-added tax (VAT)²² and customs duties; 155 enterprises benefitted from tax deferments; and several collective farms purchased oil and commodities from government stocks with payment postponed until 1997. Moreover, the planned re-valuation of fixed assets, the basis for real estate tax assessments, was deferred until the beginning of 1997. Profit tax revenue contracted by some 40 percent in real terms in 1996, and the total loss of revenue corresponding to the foregoing measures was estimated at 2.2 percent of GDP. The reduction in the fuel tax and the Chernobyl surcharge²³ rates and the elimination of export duties also played a significant role in the decline in revenue performance. Finally, the spread of barter transactions, accounting from one-half to virtually all sales in a number of enterprises, considerably hampered tax collection.

46. In early 1997, the revenue performance in terms of GDP recovered, notably as a result of the elimination of many tax exemptions and deferrals; payments of amounts that were due in 1996; changes in import taxation; and strengthened tax collection, particularly in customs. In February 1997, in response to a similar measure taken by Ukraine, imports from that country became subject to the VAT. In mid-March, import duty rates were changed to be similar to those in place in the Russian Federation, leading to their general increase. State government revenue at the end of the first quarter of 1997 represented 29.0 percent of GDP against 25.4 percent a year earlier, and the ratio rose to an estimated 30.1 percent for the four months to end-April.

47. Tax arrears increased slightly during 1996 to 2.2 percent of GDP from 2.1 percent in 1995 (Table 32), and tax deferments, virtually unknown in 1995, rose to 0.7 percent of GDP in 1996. In early 1997, however, tax arrears stabilized in nominal terms, and hence declined in real terms, while tax deferrals stabilized in real terms. The main categories of tax arrears relate to VAT payments and contributions to the Social Protection Fund. The government carried

¹⁹See Appendix I for a detailed description of Belarus' tax system.

²⁰Enterprises were allowed to retain 60 percent of profits for their working capital needs, with the remaining 40 percent to be allocated for all taxes.

²¹The total amount of their losses was estimated at 1.6 percent of GDP and their unsold stocks at 0.6 percent of GDP.

²²VAT is assessed by the subtraction method, which makes fraud easier; for a discussion of this method see Appendix I. In 1996, the ratio of VAT to GDP contracted by 0.4 percentage point.

²³A surcharge for eliminating the effects of the Chernobyl nuclear plant disaster has been levied since 1986 on all enterprises, except collective farms.

out a major cross-arrears clearance operation between the budget and enterprises in mid-1996, and chose to forgive large amounts of penalties on tax arrears in September 1996. At end-1996 arrears on loans extended by the budget to enterprises stood at 1.0 percent of GDP, as many enterprise managers considered that these loans were effectively a form of subsidy.

C. State Budget Expenditure and Net Lending

48. Faced with shrinking real revenue and a shortfall in budgetary financing in 1996, the authorities again had recourse to expenditure restraint to limit the budget deficit. State government expenditure was equal to 29.6 percent of GDP in 1996, down from 31.7 percent a year earlier. Only 87 percent of budgeted total expenditure in 1996 was actually spent. As in previous years, outlays for wages, pensions, scholarships, family allowances, essential goods for hospitals and schools, transfers to local governments, and debt servicing were given priority over other expenditure. Capital expenditure and other current expenditures, such as purchases of supplies and equipment as well as maintenance, were either postponed or foregone. Education, health, and defense²⁴ were the only categories for which expenditures increased as a proportion of GDP in 1996. Subsidies continued to be reduced in 1996 and represented 3.0 percent of GDP, versus 3.4 percent in 1995. Capital expenditure was only slightly reduced in terms of GDP but it represented less than half of capital expenditure in 1993 (in relation to GDP), thereby raising questions as to the sustainability of such a low level of public investment.²⁵

49. **Chernobyl-related expenditure** continued to weigh heavily on the budget as it represented 2.3 percent of GDP in 1996 and 2.6 percent in the first four months of 1997. This burden represented around 8 percent of total state budgetary outlays during the period under review. About 1.6 million people and one sixth of Belarus' territory had been contaminated by the Chernobyl disaster—70 percent of all contamination took place in Belarus.²⁶ The expenditure aiming at mitigating the effects of Chernobyl was distributed as follows:

- construction of infrastructure and housing for the relocated population (40 percent of total Chernobyl-related expenditure in 1997; 27 percent in 1997);

²⁴The vast majority of military outlays was composed of salary, food, and utility outlays.

²⁵However, a major infrastructure project, the construction of the *Brest-Minsk-Belarusian/Russian border highway*, continued as planned.

²⁶The contaminated area has been divided into four categories according to the radiation level. If radiation is greater than 40 curies (a *curie* is a unit of measure of radioactivity corresponding to 3.7×10^{10} radioactive disintegrations per second), the territory is considered unfit for humans and is evacuated; if radiation is between 15 and 40 curies, only those people who want to stay continue to live in the area; if radiation is between 5 and 15 curies, populations are closely monitored; below 5 curies, monitoring is less thorough.

- compensations and benefits for the population living in contaminated areas, with special emphasis on children (50 percent in 1996; 60 percent in 1997); and
- decontamination, liming of contaminated soils, fire protection of contaminated areas (a potential source of renewed radioactive pollution), environmental monitoring, scientific programs, etc. (10 percent in 1996; 13 percent in 1997).

50. Other environmental expenditure includes the following: forestry works, protection of fauna, protection of fish resources, monitoring of smoke-induced pollution and city waste disposal monitoring. There is currently no way to assess the total resources spent on environmental protection since most of these expenditures are carried out by local budgets. However, the new economic public expenditure classification according to *Government Finance Statistics* guidelines, which is under preparation for the 1998 budget, will allow a better monitoring of environment-related expenditure.

51. The structure of expenditure so far in 1997 mirrors that in 1996, except for a special emphasis on agricultural expenditure for the preparation of the sowing campaign. In spite of the higher-than-expected revenue, the authorities have decided so far to follow nominal budgetary appropriations and limit outlays accordingly. They expected, however, that this tightening of fiscal policy would need to be loosened in the second half of the year because of forthcoming wage increases and the necessity to keep up with inflation and delayed expenses.

Continuing a declining trend since 1994, net lending was nil in 1996, as repayments equaled gross lending. In the first four months of 1997, net lending became even negative as the government reined in gross lending and stepped up collection efforts.²⁷

52. Some of the expenditure cuts in 1996 led to a 0.3 percentage point of GDP increase in budgetary payments arrears, which at the end of 1996 amounted to 2.4 percent of GDP.²⁸ There were, however, no wage arrears at the end of 1996. Unlike in previous years, since republican transfers to local governments had been protected during 1996, republican budget arrears progressed faster than those of local governments and their share in total arrears doubled from 22 to 42 percent. Since the beginning of 1997, budgetary arrears have been

²⁷It should be noted, however, that while budgetary subsidies and net lending had fallen as a percent of GDP, between 1995 and early 1997, quasi-fiscal expenditures related to directed credits—mainly for housing construction and agriculture—had risen by roughly the same proportion (see Chapter IV).

²⁸These do not include external payments arrears of *Beltransgaz* on gas deliveries from Russia (\$203 million at end-1996) and on government-guaranteed debt (\$27.5 million at end-May 1997). See also Appendix I of SM/96/142 (6/18/96) for details on the \$1.4 billion mutual debt settlement agreement between Belarus and Russia that took place on February 27, 1996.

reduced by about 30 percent and it is the authorities' intention to further reduce them during the course of the year.

D. Budget Financing

53. As a result of the continued tightening of fiscal policy, as measured by the budgetary accounts, the state government deficit, on a cash basis, was reduced from 2.5 percent of GDP in 1995 to 1.8 percent of GDP in 1996 and turned into an estimated surplus of 1.4 percent for the first four months of 1997. Taking into account the consolidated surplus of the extrabudgetary funds (see section E), the general government balance, on a cash basis, posted a deficit of 1.6 percent of GDP in 1996 and an estimated surplus of 1.9 percent of GDP at end-April 1997. Of course, as indicated earlier, this improvement was partly made possible by the transfer of sizable outlays from the budget into the banking system in the form of subsidized directed credits. As noted earlier, the true fiscal performance, once these quasi-fiscal expenditures are considered, would be significantly less favorable.²⁹

54. Virtually all of the financing of the budget deficit in 1996 came from the domestic banking system. Gross foreign financing has considerably ebbed since the beginning of 1996 as multilateral organizations scaled down their disbursements (Table 35). Privatization of public enterprises came to a virtual standstill and only a negligible amount of divestiture money entered the state's coffers. The main source of domestic financing therefore was net credit from the NBB, for which the government pays interest at the refinance rate.

55. Government securities issue during 1996 almost doubled in nominal terms compared to the year before and represented a total net amount of Rbl 1.3 trillion (\$97 million or 0.7 percent of GDP). The NBB is the central depository of state securities. Auctions are normally held twice a month. As a result of an unsuccessful attempt in 1996 to place long-term securities, only short-term securities have been issued since then. Accordingly, the securities' maturity is usually six months (30 percent of total emission) or nine months (70 percent). Securities are bought by the NBB and 16 approved banks (two approvals are pending) which then sell them to institutional investors, or use the securities as collateral to secure financing from the NBB. There is an active secondary market for securities in Minsk.

56. Although since the beginning of 1997 the budget has been in surplus, the government continued to have recourse to modest borrowing from the NBB and to continue to issue securities. During the first five months of 1997, new NBB gross credit to the government amounted to Rbl 600 billion (\$25 million). The government sold Rbl 535 billion worth of securities in net terms since the beginning of the year, out of an authorized total of Rbl 2.1 trillion in the 1997 budget. The most recent issue took place on June 3, 1997: Rbl 350 billion

²⁹The assessment of the quasi-fiscal deficit stemming from subsidized directed credit is complicated by the fact that because of such credits, the NBB in subsequent periods transfers smaller amounts to the budget from its profits (taxed at 50 percent).

were offered and Rbl 318 billion were bought for Rbl 247 billion. Since the middle of 1996, the securities' nominal annual yield has been broadly in line with the refinance rate of the NBB.

57. The government has been running a growing overall deposit position with the banking system because of institutional constraints. Specifically, the current treasury system can only operate with permanent surpluses at all levels since it is not possible to move around positive balances from one to another of the some 3,000 budgetary organizations. As a result, since the beginning of the year the government has had to continue to borrow from the NBB, albeit at a significantly reduced rate, although it has more than Rbl 4 trillion in local currency deposits. This situation was of particular concern for the Ministry of Finance until recently because the government borrowed at the refinance rate but received until recently an annual interest rate of only 12 percent on its deposits. The ongoing treasury project, once implemented, will help to reduce this problem, as the need for positive bank balances for each organization will be reduced and therefore there will be a lesser need to borrow. The government has indicated that it expects the project to be operational at the republican level by end-1997. The envisaged integration of some extrabudgetary funds into the budget will also alleviate the need to borrow (see below).

E. Operations of the Extrabudgetary Funds

58. There are several extrabudgetary funds operating in Belarus at all institutional levels. The four largest funds are closely monitored by the Ministry of Finance, which regularly transfers resources to the two largest funds—the Social Protection Fund and the Employment Fund—and overviews their operations (Tables 33 and 34).³⁰ The Social Protection Fund (SPF) pays pensions and provides a host of other universal benefits, and the Employment Fund (EF) provides unemployment benefits as well as training and job placement services.³¹ In spite of the difficult financial situation of enterprises, both social funds managed to post a small accounting surplus in 1996 and in the first four months of 1997.³² All obligations of the SPF were paid on time in 1996; it has no arrears and pays benefits on the 25th day of each month. However, it has no reserves and the revenue it collects is almost immediately used for payments. The total nominal transfer from the budget to the SPF, equivalent to the pensions of former state employees remained virtually unchanged in 1996 compared to 1995. The SPF also borrowed money from the EF in 1996; the loan was fully repaid by April 1997 although

³⁰Appendix I provides a description of the funds' revenue structure.

³¹Appendix II contains a detailed description of the various benefits provided by the social funds.

³²Contribution arrears to the SPF at end-March 1997 amounted to Rbl 1.8 trillion (1 percent of GDP) but represented a real decline compared to arrears a year earlier. Contribution arrears to the EF in 1996 represented 11 percent of contributions due (about Rbl 75 billion).

with only a 6.5 percent annual interest rate. Because of its aging population, Belarus' pay-as-you-go pension system could encounter serious financial imbalances in the years ahead. Appendix II discusses this issue in some detail.

59. Theoretically the EF could receive budgetary transfers but has not since 1995, as it has been running a small surplus. The EF's main expenditure item is the payment of unemployment benefits, which are uniformly twice the minimum wage, irrespective of previous salary, during a period of six months. Officially registered unemployment declined by around 10,000, to a level of 172,903, between end-1996 and end-April 1997. Of these unemployed, 81,390 (47 percent) were receiving unemployment benefits from the EF. The unemployed who do not receive benefits include those who have exhausted the period during which such benefits are granted and those who have lost their jobs for disciplinary reasons. As of May 1, 1997 some 11,000 unemployed were on training paid for by the EF.

60. Another important extrabudgetary fund is the Road Fund (RF), the main revenue of which is a 1 percent payroll deduction paid by enterprises (the RF does not receive budgetary transfers) and which provides road construction and maintenance services. The RF's budget was virtually in balance in 1996 and had a small surplus in the first four months of 1997. The Agricultural Support Fund, the aim of which is to subsidize agriculture, is mainly financed by a 1 percent turnover tax but it also receives transfers from the republican budget. The government also established a short-lived Export Support Fund in 1996 to cross-subsidize exports from selected imports.

F. The 1997 Budget

61. The 1997 budget proposal was submitted to parliament on December 1, 1996 and signed by the President on February 21, 1997. It calls for a deficit of Rbl 7.5 trillion, or 3.3 percent of GDP as estimated at the time of the budget submission. The financing of the budget would come from Rbl 3.4 trillion of net credit from the NBB, sales of government securities in the amount of Rbl 2.1 trillion, the drawing down of government deposits of Rbl 1.5 trillion, and proceeds from privatization of Rbl 0.5 trillion. No foreign financing is provided for in the budget.

62. The budget included only relatively minor changes in fiscal legislation. The Chernobyl payroll tax rate was reduced from 10 percent to 8 percent (the Government had initially suggested 7 percent to Parliament)³³; the fire service tax was eliminated; a new levy was introduced on vehicle owners to accrue to the RF; and the individual tax base was unified to encompass all gross annual income. It was also decided that arrears to the budget paid by the domestic gas company *Beltopgaz* would be used to repay frozen foreign exchange accounts at Belvnesheconombank since 1992 and that 50 percent of privatization proceeds would be used

³³ On April 1, 1996, this payroll tax had been previously reduced from 12 percent to 10 percent.

to compensate depositors for losses incurred in their savings accounts at the Belarusbank. The budget also states that starting from January 1, 1997 all resources, including foreign exchange resources, received by any budgetary organization from sales, fines, and licenses, shall be paid in full to the budget.

63. The initial budget law was established on the basis of an inflation scenario that was soon overtaken by much higher actual inflation. Accordingly, the authorities have begun to prepare a revised budget, which was expected to be submitted to Parliament by August 1, 1997 and which they indicated would target the same nominal deficit as the current budget.

G. Tax Harmonization with the Russian Federation

64. In the context of a customs union encompassing Belarus, Kazakhstan, the Kyrgyz Republic, and the Russian Federation, customs borders between Belarus and Russia were abolished in mid-May 1995. At the same time, Belarus adopted Russia's import duty system. Belarus and Russia have since been working closely to adopt harmonized tax codes as well. However, and despite the signing of the Union Treaty in April 1997 and the Union Charter in May 1997, tax harmonization with Russia has been progressing more slowly than originally expected. The first part of the harmonized tax code dealing with general fiscal definitions and concepts has been approved by both parties. In the case of Belarus, it was forwarded to parliament through the Council of Ministers on May 2, 1997. The second and third points, containing specific aspects of tax legislation, would need to be adopted by the Belarussian government before the end of 1997 in order to become effective for the 1998 budget. The introduction by the Russian government of a new tax code to the Russian parliament for approval could have a bearing on the pace of harmonization of the two countries' tax codes.

H. Institutional Developments

65. The State Tax Inspectorate (a separate government agency outside the Ministry of Finance) has implemented a major upgrading of its computer systems and has developed a series of new software to better track tax payments and monitor tax fraud. Similarly, in the context of the ongoing treasury project at the Ministry of Finance, the computerization of treasury transactions has continued; computerization began in January 1996 and by year-end two ministries had been included in the treasury accounts. The speed of implementation has picked up in 1997, and currently 21 ministries out of a total of 43 have been integrated into the treasury network. In the ministries in which the project is operating, transactions are now carried out in electronic form by the Treasury, while in the other ministries all operations continue to be carried out on paper. The current stage of the project provides for the setting up of two or three territorial offices in Minsk, because 70 percent of all budget entities are in the capital. Tax revenue collected at the republican level by the Treasury is reported to the Ministry of Finance daily. Currently, payment orders are sent by the Ministry to banks for execution. Once the project is completed, the Treasury will be in a position to monitor closely budget execution and proceed directly with payments.

IV. MONETARY POLICY AND BANKING SECTOR DEVELOPMENTS

A. Overall Monetary Policy Environment

66. Monetary and credit policies in 1996 and early 1997 reflected the dominance of the presidential administration and the government in financial policy-making. During this period the National Bank of Belarus (NBB) lost most of its autonomy in the conduct of credit policy as major decisions on the quantity and the cost of central bank financing were taken by the government and, frequently, were enforced by presidential decrees.

67. Following a period of restraint in the early months of 1996, both money and credit expanded rapidly with net domestic credit of the NBB rising by 36 percent and reserve money by 23 percent within the second quarter. Throughout the rest of 1996, monetary and credit policies remained generally lax; and while the rates of growth for the monetary aggregates were lower than in 1995, they were substantially higher than those envisaged under the authorities' economic and financial program supported under a Fund stand-by arrangement approved in September 1995.³⁴ The main source of liquidity expansion was the increase in net domestic credit of the NBB. Net credit to banks swelled by Rbl 4.4 trillion, or 188 percent, while net credit to government from the NBB rose by about Rbl 3 trillion, an increase of 65 percent. The rapid growth of credit to banks was related to demands for financing the agricultural sector (the NBB extended credits to banks which in turn were on-lent to agricultural enterprises in connection with the sowing and harvest campaigns), but it also made possible the rapid expansion of bank credit to enterprises and to finance housing construction. Overall, around 90 percent of the credit extended by the NBB to banks was in the form of directed credits at interest rates substantially below the refinance rate and ranging from 2 percent (annual rate) for housing construction to an average of 17 percent for other directed credit.

68. The monetary program of the NBB for 1997 (prepared in October 1996) was described in the NBB's program for Basic Monetary Trends of the Republic of Belarus for 1997. The planned expansion of NBB domestic credit during 1997 was 41 percent, with a target of broad rubel money growth of 45 percent and forecasted average monthly inflation of 2 percent. In the first five months of 1997, credit policy diverted substantially from the NBB's plan and continued to be dedicated to the promotion of economic activity. As a result, overall net domestic credit of the NBB increased by 38 percent during this period, despite the relative restraint of the operations of the general government which registered a small surplus in the first four months of 1997. Rubel broad money increased by 29 percent and inflation averaged over 6 percent a month during the first five months of 1997.

³⁴As this program went off track soon after approval of the stand-by arrangement, only the initial Fund disbursement was made. The rate of growth of net domestic credit of the NBB in 1996 was 105 percent (1995: 154 percent), and reserve money in 1996 grew by 78 percent (1995: 286 percent).

B. Credit and Monetary Developments

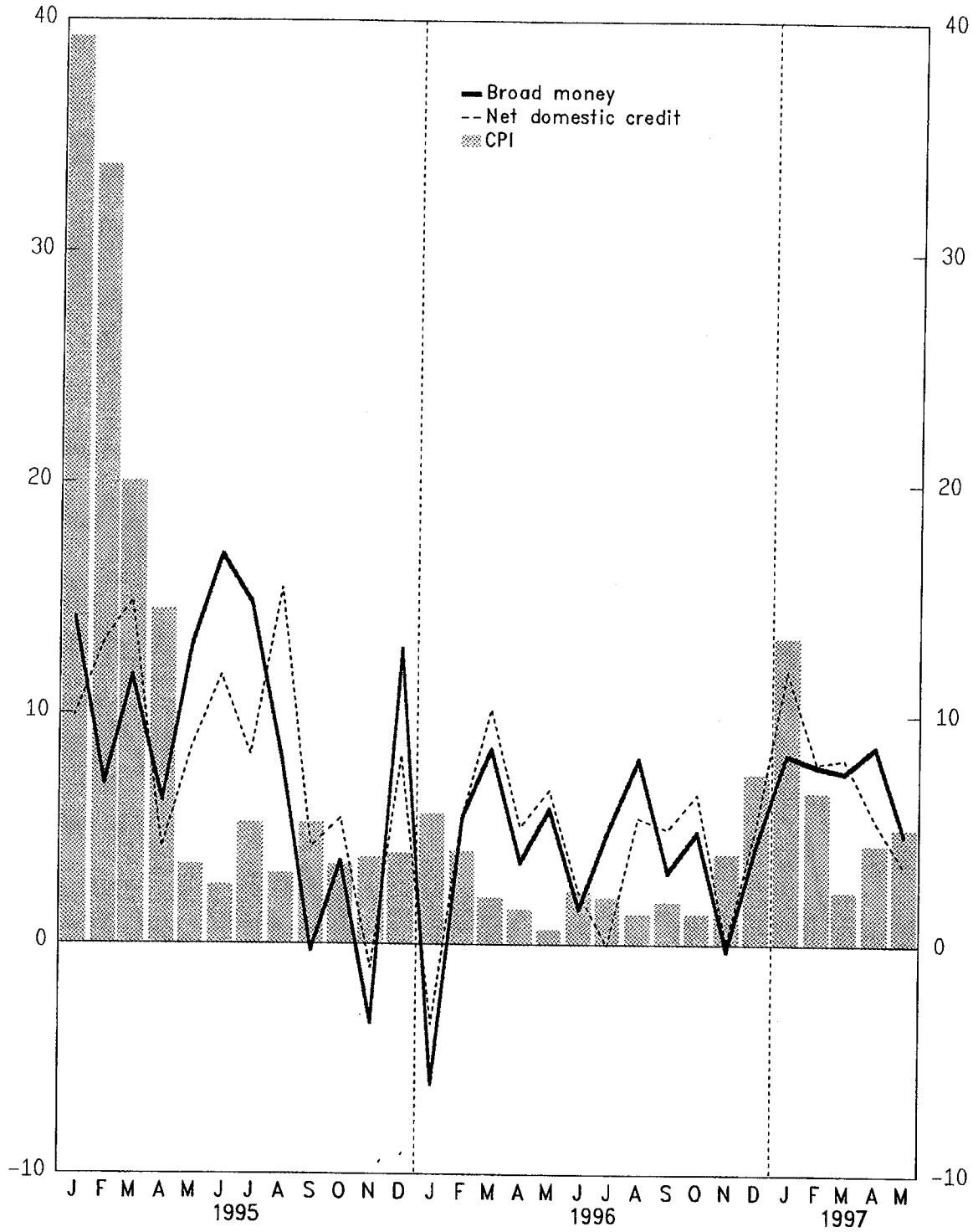
Developments in 1996

69. Credit policy was relatively restrained in the first quarter of 1996, as net domestic credit (NDC) of the NBB increased by around 4½ percent. With monetary policy having generally loosened during the second half of 1995 relative to that envisaged in the authorities' financial program, pressures on the external accounts had mounted. With only negligible capital inflows in the first quarter of 1996, and gross foreign exchange reserves of the NBB continuing at well below one month's level of imports, the authorities introduced various restrictions to the exchange system, including a 100 percent export surrender requirement in late January. For the first quarter as a whole, net foreign assets (NFA) of the NBB increased by \$15 million. Reserve money in the first quarter of 1996 grew by about 4 percent and rubel broad money increased by 14 percent (Tables 36-39).

70. In April-May 1996, the NBB began a rapid credit expansion tied largely to the provision of directed credits to finance the spring sowing campaign as well as financing of the budget. During the second quarter of 1996, NDC of the NBB grew by 37 percent, while NDC of the banking system as a whole increased by 15 percent. The sharp increase in demand pressures fostered by this credit expansion, combined with the loss in competitiveness following the significant cumulative real appreciation vis-à-vis the U.S. dollar during 1995 and early 1996, led to increased pressures on the external accounts during the second quarter, and a loss of NFA by the NBB of over \$50 million. Despite this decline in NFA, however, reserve money growth during the second quarter exceeded 22 percent, while rubel broad money increased by 13 percent.

71. Although there were month-to-month variations, the expansionary credit policy of the NBB continued for the rest of 1996, albeit at a reduced rate from that of the second quarter. NDC of the NBB increased by 20 percent in both the third and fourth quarters, with directed credits at subsidized rates, for both the agricultural harvesting season and, increasingly, housing construction, accounting for most of this credit increase. In the third quarter, due to seasonal factors associated with the build up of foreign exchange reserves in anticipation of expanded energy imports in connection with winter heating needs, but also to a tightening of surrender requirements, the NBB increased its holdings of foreign exchange and NFA increased by over \$40 million. This was followed, however, by a decline in NFA by \$45 million in the fourth quarter of 1996. For the second half as a whole, reserve money increased by 40 percent (roughly equal to the cumulative second half growth of NDC of the NBB). Rubel broad money, which had increased by 30 percent in the first half of 1996, rose by 29 percent in the second half. Foreign currency deposits, meanwhile, declined in 1996 by around \$50 million. The income velocity of rubel broad money rose from 10.0 at end-1995 to 11.7 at end-1996 although interpretation of changes in velocity is complicated by the existence of pervasive—and, in the course of the third quarter of 1996, tightened—price controls in Belarus.

Figure 6. Belarus: Monetary Aggregates, 1995-97 (May)
(Percent change from previous month)



Source: National Bank of Belarus.

Developments in January-May 1997

72. In November 1996, the government approved the NBB's monetary program for 1997, which envisaged a slowdown in the growth rate of NDC to 41 percent and of rubel broad money to 45 percent, and average monthly inflation as decreed by the President of 2 percent (or 27 percent for the year as a whole). This plan soon became outdated, as in the early months of 1997 credit was expanded at an annual rate far above that in the plan, and the pressures on the foreign currency markets and price level were correspondingly greater than forecast.

73. The first five months of 1997 were characterized by continued rapid growth of directed credits by the NBB for housing construction and agriculture. Although the monthly average rate of growth of NDC of the NBB in this period, at 6.5 percent, was lower than that for the last three quarters of 1996 (7.8 percent), average monthly growth of NDC of the banking system as a whole accelerated from 4 to 7 percent. These high rates of growth were attained despite the fact that the budget ran a small surplus during the first four months of 1997.

74. In early March 1997, the board of the NBB revised its monetary plan and financial targets for 1997.³⁵ However, developments were already outrunning the new targets, which called for an expansion for the year of NDC of the NBB by 23 percent and rubel broad money growth of 32-33 percent. During the first five months of 1997 alone, NDC of the NBB increased by 38 percent and rubel broad money rose by 29 percent. Meanwhile, NFA of the NBB declined by a further \$15 million and stood at only \$35 million at end-May.

C. Directed Credits

75. In the period from March 1996 to December 1996, directed credits played a major role in the conduct of NBB's policies (Tables 40 and 41). Auctions of NBB credit, which in the last quarter of 1995 had accounted for about 80 percent of total credit, were significantly reduced. The last credit auction took place in July 1996 and the share of auctioned credit to total credit dropped in 1996 as a whole to below 12 percent (Table 42). During the same period, about Rbl 6.5 trillion (about 3.6 percent of GDP) was extended from the NBB through banks to finance "socially important projects." Various presidential decrees determined the amount and the terms of credits: (a) a decree in December 1995 instructed the NBB to allocate Rbl 2 trillion during 1996 to housing construction (eventually about 1.3 trillion was disbursed within 1996); (b) several decrees in 1996 provided for about Rbl 3 trillion to be extended to agriculture, to finance the sowing and harvest campaigns; (c) presidential decree No. 168 instructed the NBB to arrange for the compensation of deposits of the population (about Rbl 800 billion was disbursed); (d) other decrees ordered the support of enterprises (about Rbl 250 billion were disbursed); and (e) a decree was issued to repay

³⁵Basic Monetary Policy Trends of the Republic of Belarus for 1997 (March 2, 1997).

salary arrears (about Rbl 1 trillion was disbursed). Most of these credits were extended from the NBB to banks at rates significantly below the refinance rate and ranged from 2 percent for housing, 6 percent for agriculture, and the refinance rate for the repayment of arrears. The average interest rate on directed credits in 1996 is estimated to have been just above 10 percent.

76. In the first five months of 1997, roughly 93 percent of total NBB credits took the form of directed credits. The presidential decree of February 11, 1997 (on preparation for spring field work), instructed the NBB and commercial banks to extend directed credits during the period February to May to the agro-industrial sector (collectives and state farms) in order to finance the spring sowing campaign. Subsequently, the Cabinet of Ministers issued a resolution specifying the amounts that the banks had to make available. The NBB was instructed to extend Rbl 2 trillion to Agroprombank, which would provide the actual loans to the collectives and the state farms. The loans were offered at one-half the refinance rate and were to be repaid by December 1, 1997. To make certain that these credits would reach the farmers, Agroprombank had first to contract the loans and then, after the NBB had confirmed the transaction, it reimbursed the bank. Eventually, Rbl 1.8 trillion were extended in this way during the first five months of 1997.

77. Two additional banks were instructed to participate in the finance of agriculture. The Belarus Bank, which at the end of 1996 had significant excess reserves, was instructed to extend Rbl 3 trillion and Agroprombank to extend Rbl 0.6 trillion credits to agriculture from their own resources. These credits were at the same terms as the NBB credits. In order to cover some of the implicit losses that these transactions would impose on the Belarus Bank, the NBB made direct compensation payments to the bank. These loans were provided to enterprises at half the refinance rate, and the NBB compensated the Belarus Bank monthly for the difference between the rate at which the loans were extended and the refinance rate.

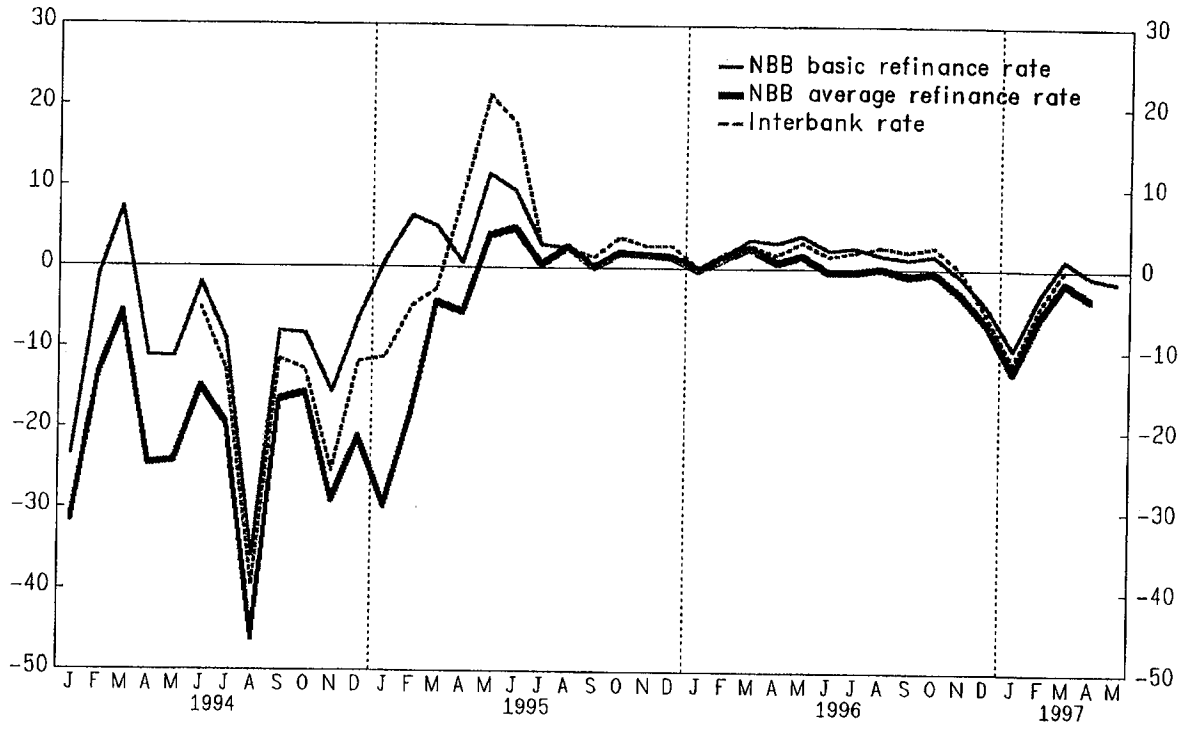
78. The financing of the housing construction plan was carried out in the same way as in 1996. After instructions had been issued, the NBB disbursed to the Belarus Bank Rbl 1.8 trillion during the first five months of 1997. The Belarus Bank extended the loans at an annual rate of 5 percent for 40 years and the Belarus Bank received an equal amount of refinance credits from the NBB at an annual rate of 2 percent.

79. In total, and including the compensation provided to the Belarus bank, around Rbl 5.8 trillion of directed credits were actually extended in the first five months of 1997 at an average interest rate of about 9 percent.

D. Indirect Policy Instruments and Interest Rates

80. In 1996 and early 1997, the NBB did not make any significant progress in increasing its reliance on indirect monetary instruments. Given the direction of policies and the decision to finance "socially important projects," the directed credits discussed above constituted the bulk of NBB credit expansion. The NBB attempted, to some extent, to intensify in 1997 the

Figure 7. Belarus: Real Interest Rates, 1994-97 (May)
(In percent per month)



Source: National Bank of Belarus.

use of indirect instruments such as repo-operations with purchases and sales of government and NBB securities, but the amounts were too small to offset the inflationary effects of the large credit expansion. As regards the primary securities market, there were 23 auctions of government securities and 6 auctions of NBB securities in 1996, and 9 auctions of government securities and 3 auctions of NBB securities in the first five months of 1997 (Table 43). The development of the securities market continued to be constrained by the incomplete legal basis for regulating relations between participants in the securities market, the restricted access of households to the market, and the absence of a rating system for evaluating and quoting corporate securities in the stock market.

81. Since August 1, 1996, the NBB has implemented a new reserve requirement policy. Instead of the flat 12 percent required reserve on all deposits, the new policy set the reserve ratios at 15 percent for demand deposits and time deposits with maturities of less than one month, 10 percent on time deposits with maturities of one to three months, and 5 percent for time deposits with maturities of more than three months (Table 44). These reserve ratios apply to both domestic currency and foreign currency deposits. Banks were allowed to keep their required reserves in either domestic or foreign currencies, and the reserves were to be kept on the basis of weekly average balances. They are remunerated on their reserves at a rate of 1 percent a month, but can also maintain up to 10 percent of their reserves in treasury bills.

82. The refinance rate continued to be the key reference rate for the NBB during 1996 and early 1997. The central bank lowered the refinance rate from 66 percent to 55 percent in April 1996 and further to 35 percent in September 1996, as seasonal influence and price controls kept the rapid expansion of credit during this period from being fully reflected in the inflation rate. By the last quarter of 1996, however, the refinance rate was clearly negative in real terms, given the pick-up in open inflation, and at the beginning of March 1997 the refinance rate was raised to 42 percent (which happened to be equal to that of the Central Bank of Russia at that time), with a view to making it once more positive in real terms. However, with monthly inflation in April and May averaging close to 5 percent, the refinance rate again quickly became negative in real terms (Table 45).

83. As discussed above, over 90 percent of NBB credits to the banking system in 1996 and early 1997 were extended at interest rates at only a fraction of the refinance rate. Other interest rates, although generally not subject to explicit controls of the NBB, have nevertheless tended to be negative in real terms throughout 1996 and the early months of 1997. The annual yield on NBB securities, which were auctioned nine times during this period, ranged from 21 to 66 percent, with no discernable trend. Government securities, which were sold at auction considerably more frequently, carried at auction annual yields in the range of 32 to 65 percent. The NBB and the commercial banks were the main purchasers of government securities, while households are not allowed to participate. Some Rbl 5 trillion of government securities were placed in the primary market in 1996 and Rbl 2 trillion in the first five months of 1997.

84. Nominal interest rates tended to decline for commercial banks in the course of 1996 and early 1997, despite the acceleration of inflation. For example, on new loans of between one and three months' maturity, average interest rates declined from 88 percent in the first five months of 1996 to 52 percent in the comparable period of 1997. Average interest rates on new rubel deposits, meanwhile, fell from 65 percent in the five months ending in May 1996 to 36 percent in the same period of 1997 (Tables 46 and 47). As a result, nominal annualized interest rate spreads in this maturity range dropped from an average of 23 to 16 percent. With a view to encouraging saving in an increasingly inflationary environment, the NBB instituted minimum interest rates on new bank deposits in April 1997. In early June 1997, these rates were 50 percent on rubel deposits and 12 percent for foreign currency deposits.

85. Nominal bank interest rates on foreign currency loans and deposits were significantly lower than rubel interest rates throughout this period, and the lending spreads tended to be roughly one-half or less those characterizing operations in rubels (Table 48). Due to the severe external payments constraints however, the authorities have discouraged bank operations in foreign currencies. Foreign currency deposits, in U.S. dollar terms, were broadly unchanged at end-May 1997 from their level of end-1995, and gross foreign currency loans by banks actually declined by around 30 percent in U.S. dollar terms during this period.

E. Monetary Relations with Russia

86. The Central Bank of Russia and the NBB signed a cooperation agreement on March 7, 1997, and the Russian and Belarussian presidents signed on April 2, 1997, a Treaty on the Union of the two countries and on May 23, 1997 a longer Union Charter. The charter calls for expanded economic cooperation between the two countries and envisions their union. Furthermore, it calls for the coordination of monetary policies, the harmonization of regulations, and the creation of the necessary conditions for mutual convertibility of their currencies, with the ultimate goal of the unification of the two monetary systems and the creation of conditions for the introduction of a single currency. In the few months since March 1997, little progress has been achieved on the actual coordination of monetary policies. However, there has been increased cooperation between the two central banks and the regular exchange of statistical data. A three-month currency swap between the NBB and the Central Bank of Russia, of the equivalent Rub 100 billion, took place in April 1997.

F. Banking Sector Developments

87. During 1996 and early 1997, the Belarussian banking system remained in a weak financial condition. The absence of appropriate legislation on banking activity in the years 1992-94 and the easy licensing regulations had contributed to a rapidly increasing number of banks, reaching a peak of 52 banks in 1994. This rapid growth, combined with weak lending skills and large amounts of politically directed lending, had led to the formation of an undercapitalized banking system with a large number of nonperforming loans. While the National Bank has made some progress in improving banking practices, the extent of effective implementation of banking supervision and prudential regulations remains unclear. In 1995,

the authorities began to address the continuing deterioration of the financial position of banks by encouraging mergers between banks and, commencing in 1996, the liquidation of several banks. In 1996, the NBB suspended the operations of three banks while one new licence was issued. The number of commercial banks progressively declined to 37 at end-May 1997, of which 28 were active and 9 were in the process of liquidation.

Text Box 2. Belarus: Commercial Bank Liquidation and Restructuring Procedures

At end-May 1997, nine banks were under liquidation. These were small-scale banks and accounted for less than 7 percent of total assets of banks. There are two liquidation procedures. The first is self liquidation, in which a bank initiates the procedure. After the NBB's approval, a liquidation committee is appointed; the NBB does not participate in the committee. The second approach is imposed liquidation, under which the NBB requires the liquidation in case of banks with no prospects of recovery. In these cases, the liquidation committee includes representatives from the NBB and the Ministry of Finance. If shareholders do not accept the decision of the liquidation committee they can appeal to the Economic Court, in which case the Court forms a liquidation committee. Of the nine banks, three are under self-liquidation. The absence of a law on bankruptcy makes the liquidation procedure more lengthy and complicated. A draft law on bankruptcy of banks has been with the parliament since early 1996.

The NBB's Resolution No. 804 on Temporary Management in Banks, sets out procedures for cases in which banks experience losses for more than three consecutive months and have problems meeting their obligations to clients. The NBB has the right to appoint a temporary management which can decide whether financial recovery is feasible or recommend initiation of the liquidation procedure.

88. Since January 1996, the minimum statutory capital requirement has been increased to ECU 2 million for domestic banks and ECU 5 million for foreign and joint venture banks. At end-May 1997, however, only nine banks were in compliance with this regulation. Fifteen banks had a capital between ECU 1 and 2 million, and 12 banks had statutory capital less than ECU 1 million. The devaluation in the exchange rate in early 1997 contributed to the decline in the number of banks that met the requirement, since in 1996 the NBB had required all banks to keep their capital in domestic currency. The NBB lifted this regulation, however, in March 1997.

89. Despite some progress achieved in 1996 in the area of the regulatory framework, the proper evaluation of the health of the banks and the enforcement of prudential regulations continued to be hampered by the deficiencies of Belarussian accounting standards and the banks' reporting system. The prudential regulations in 1996 called on banks to meet a capital adequacy ratio of 5 percent of risk-weighted assets; maximum risk per borrower (lending to

single borrower) to be less than 20 percent of regulatory capital; maximum lending to a single shareholder not to exceed 100 percent of own capital; and the ratio of current assets to current liabilities not to be less than one.

90. The program for bank restructuring also involved a significant increase in state intervention. According to presidential decree No. 209 of May 24, 1996, commercial banks were required to increase the share of the state and other state-legal entities in statutory capital, in order to restore the shares of the primary owners³⁶ and government in banks. As a result, the government increased its shares in the major commercial banks. For example, the share of the state in the ownership of Priorbank increased from 18 percent to 48 percent, in Belpromstroibank from 17 percent to 39 percent, and in Poisk bank from 1 percent to 20 percent, while in Belvnesheconbank it declined from 64 percent to 53 percent. Out of the 37 banks at end-May 1997, Belarusbank remained a 100 percent state-owned bank, 31 were joint stock companies, three were limited liability companies, one bank was a fully private bank and two were affiliates of foreign banks. Further, according to the above decree, an examination of the performance of management of banks was also undertaken and managers and chief accountants of banks had to be recertified. In mid-1996, banks were re-registered with a view to bringing their operations into conformity with this decree.

91. This process was accompanied by increased concentration in the banking system in the course of 1996 and early 1997 (Table 49). The former four specialized banks³⁷ at end-May 1997 accounted for 87 percent of all domestic currency deposits (up from 74 percent at end-December 1995), and provided 81 percent of loans (compared to 66 percent at end-December 1995). Two banks (Belagroprombank and Belarusbank) together had received 94 percent of all refinance credit from the NBB by end-May 1997. These were the two banks most closely associated with "socially oriented programs," as decree No. 209 had determined the banks that would be eligible for servicing state programs. The high concentration of deposits and refinance credits to these banks together with the administratively influenced interest rates, created problems for the rest of the banking system in finding resources.

92. During 1996, a number of regulations on banking activity, related mainly to the fragile external payments situation, increased the uncertainty of the environment in which most banks operated. In early 1996, an NBB resolution prohibited banks from lending in foreign currency, although this regulation was later repealed in August 1996. At end-October the NBB, pursuant to a presidential decree of June 28, 1996, was actively considering requiring all foreign exchange transactions to be carried out through the NBB and requiring the commercial banks to close their foreign corresponding accounts. Effective November 19, 1996 the NBB allowed commercial banks to sell foreign currency to customers only up to a

³⁶As of December 1991.

³⁷Belagroprombank, Belpromstroibank, Belvnesheconombank, and Belarusbank.

certain limit (\$30,000) and only provided that it was to repay loans in foreign currency. Some small steps in freeing some of the restrictions on banking activity were taken, however, in the first quarter of 1997.

93. The increasing volume of nonperforming loans led the NBB to intensify in the summer of 1996 its oversight functions. This resulted in a more realistic calculation of the amount of nonperforming loans. The NBB also required commercial banks to establish compensatory reserves for illiquid assets. The NBB's monetary program of March 1997 envisages a restructuring of nonperforming loans to banks, the basis of which would include the repayment of debts with the shares of the indebted enterprises and the transfer to the banks of management of insolvent debtors.

94. Despite all the above measures, the negative trends which continued in many sectors of the economy during 1996, the lack of effective bankruptcy legislation for enterprises which would hold debtors liable for the repayments of loans, as well as the slow adaptation of banks to a post-hyperinflation environment, negatively influenced the financial position of banks. Profits of commercial banks in 1996 amounted to around Rbl 675 billion against slightly over Rbl 1 trillion at the end of 1995 (Table 50). In real terms, profits declined by about 52 percent. However, the true financial position continued to be obscured by weak accounting practices.

95. The deterioration in the financial position of the banking system continued into early 1997. Nominal profits of the banking system during the first five months of 1997 fell on an annualized basis by a further 15 percent from 1996 as a whole. The measured capital adequacy ratio for the banking system declined from a little under 18 percent at end-1995 to 16 percent at end-1996, and to under 11 percent at end-April 1997³⁸. Arrears on principal to banks increased in real terms by 16 percent in 1996 and by another 13 percent in the first four months of 1997. The NBB estimated that at end-April 1997, nonperforming loans in the banking system remained at about the same proportion in relation to total bank loans as at end-December 1996, at about 15 percent. As the amount of net credit from the banking system increased very rapidly in early 1997, this implied an equally rapid increase in the volume of problem loans. Additionally, these figures may underestimate the true problem as banks have tended to classify bad loans in more favorable categories than warranted, thus applying lower provision percentages. Moreover, the actual provisioning that banks had applied against bad loans declined steadily as a percentage of the required provisioning, from 89 percent at end-1995, to 75 percent at end-1996 and, at the end of April 1997, to 66 percent (Tables 51 and 52).

³⁸ Although the measured capital adequacy ratio is still above the 8 percent recommended by the Basle Committee, accounting standards in Belarus still may not account properly for the underlying risks.

V. EXTERNAL SECTOR

96. Belarus' external position deteriorated in 1996, as the authorities allowed the rubel to appreciate significantly, on average, in real terms, the trade and current account deficits widened, the accumulation of new external arrears increased, and gross official reserves fell to a level equal to three weeks of total imports. Pressures grew in the foreign exchange market, and it was subjected to tight restrictions, contrasted with the virtually complete liberalization that had been achieved by mid-1995. These trends generally continued in the early months of 1997, although the preliminary first quarter outcome for the balance of payments was difficult to interpret given the extraordinarily large figure for errors and omissions. The authorities sought to improve the current account and relieve pressures in the exchange market by permitting a large real depreciation in the first four months, but this was followed by a reversion to real appreciation in May and June. Several small steps were taken toward liberalization of the exchange system, but it remained subject to significant restrictions.

A. Exchange and Payments System

97. By mid-1995, virtually all exchange restrictions and controls had been eliminated. As financial policies began to be relaxed in the second half of 1995, however, and the exchange rate was held fixed, at Rbl 11,500 per U.S. dollar, restrictions began to be reimposed (Table 52). In early 1996, several presidential decrees were issued that reimposed greater regulation over the exchange system. These changes included: (i) restrictions on the purchase of foreign exchange from nonresident ("N") accounts at Belarussian commercial banks; (ii) the effective closing of the interbank market in foreign exchange through imposition of ceilings on transaction values in off-auction interbank trading; and (iii) the rejection of certain bids for foreign exchange in the auction market,³⁹ based on a list of priority imports.

98. On January 25, 1996 the authorities reintroduced the 100 percent mandatory surrender requirement which had only been eliminated in mid-1995.⁴⁰ At the same time, a 10 percent fee on the acquisition of foreign exchange in the auction market was also introduced. All foreign exchange supplied under the surrender scheme was required to move through the daily auction market. In the auction market an initial rate, based on the previous day's fixing, is set and bids and offers are declared. In principle, the rate that finally clears the market is the official rate for that day. The bids for foreign exchange, which are received by the end of the previous day, are first screened on the basis of the priority list of imports (involving mostly energy imports). The demand for such imports usually far exceeds the supply of foreign

³⁹This market, the Interbank Currency Exchange, was effectively nationalized and placed under the direct control of the NBB in April 1996.

⁴⁰Numerous exemptions applied to the surrender requirement, and since enterprises were allowed to use their foreign exchange earnings to purchase raw materials during a 60-day period prior to surrender, the effective surrender requirement was less.

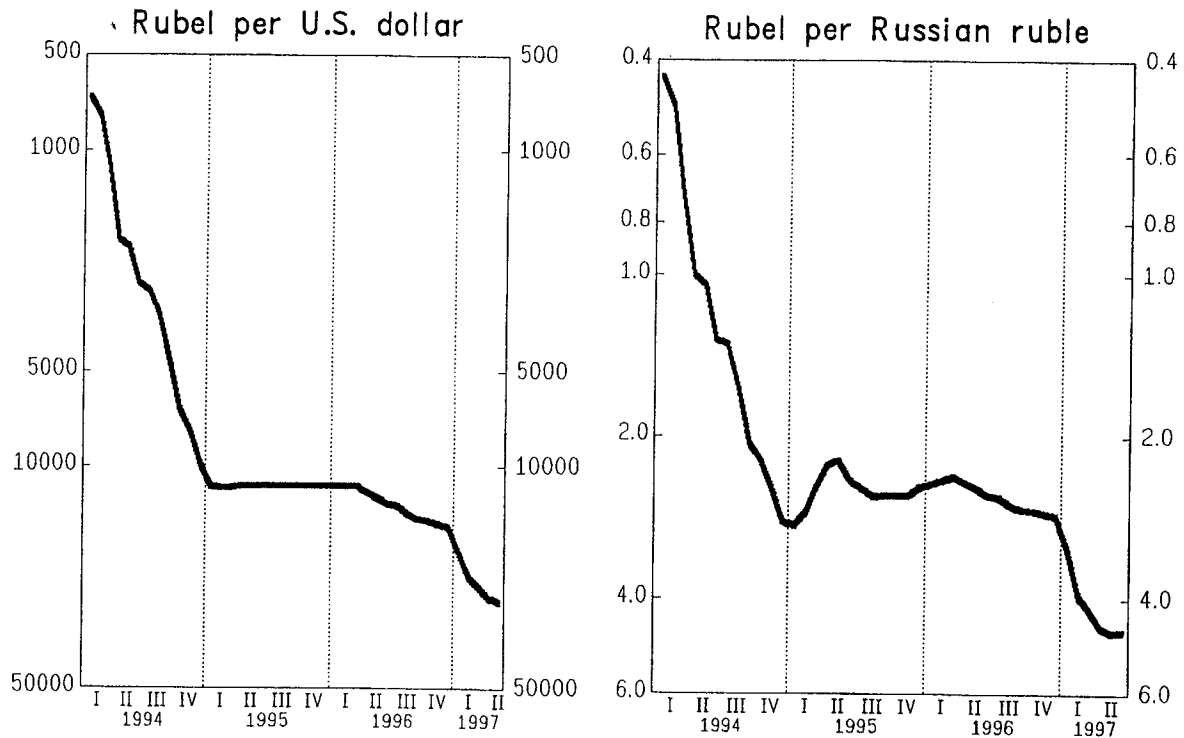
exchange which comes into the auction market under the surrender requirement. Since energy imports are paid for in U.S. dollars and Russian rubles, surrendered deutsche marks are typically used to import medicines and for other priority imports, including those specified by the President.

99. On July 1, 1996, the surrender requirement was reduced to 50 percent and the 10 percent fee for purchase of foreign exchange was also eliminated. Once the surrender requirement had been lowered (but also with a shortening of the grace period to five days), the authorities estimated that the effective surrender requirement was about 15 to 17 percent. The interbank market was reopened toward the end of 1996. Any foreign exchange not required to be surrendered to the auction market could now be sold in the interbank market, but at a rate that could not exceed the auction market rate by more than 1 percent. Effective June 4, 1997, the mandatory surrender requirement was further reduced from 50 percent to 30 percent, but all the applicable exemptions were in principle to have been eliminated. If these exemptions are eliminated, the new system would actually raise the effective surrender requirement. Prior to the latest change in the statutory surrender requirement, the volume in the interbank market (excluding transactions that did not involve final users of foreign exchange) was equal to about one half that on the auction market. In effect, about 25 percent of foreign exchange receipts moved through the auction and interbank markets and the rest (75 percent) was being used directly or being held by enterprises.

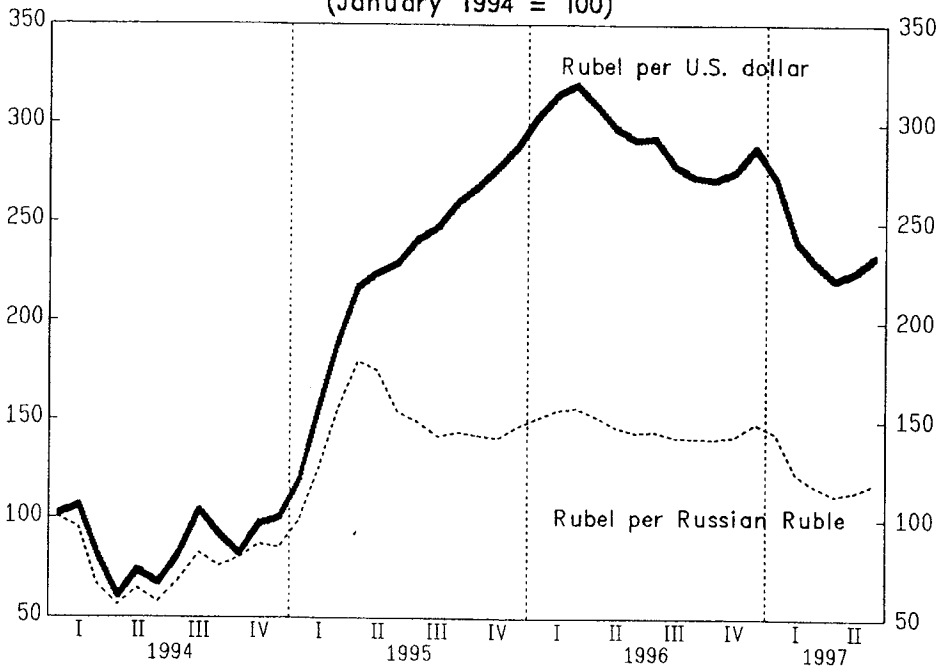
100. In January 1996, the authorities established a maximum exchange rate for the rubel for mid-1996 of Rbl 13,100 per U.S. dollar and an upper limit of Rbl 15,500 per U.S. dollar for end-1996. Depreciation of the rubel within these limits was permitted by the authorities in 1996, but this was not sufficient to alleviate pressures in the foreign exchange market. In January 1997, in recognition of the very significant real appreciation of the rubel that had occurred since 1994, and with a view to lessening pressures on the exchange market and current account, the authorities permitted the rubel to depreciate rapidly to Rbl 22,800 per U.S. dollar by end-February. Subsequently, the rate of depreciation was slowed, however, and beginning in May the rubel was once again allowed to appreciate in real terms. As of end-June, the official auction rate was Rbl 26,980 per U.S. dollar, compared to Rbl 32,100 on the Moscow parallel market. It was estimated that about \$5 million a day was exchanged for rubels on the Moscow interbank market, including interbank transactions. This compared with the market in Minsk of some \$12 million per day, about half of which (two-thirds on the auction market) was considered by the authorities to be made available for the direct use of enterprises.

101. On March 7, 1997, the NBB signed an agreement with the Central Bank of Russia (CBR) on monetary and exchange rate policy. In this context, the two parties agreed to carry out a coordinated foreign exchange policy beginning April 1, based on transactions in the foreign exchange market and the free convertibility of current account transactions. While the authorities have already implemented some of the articles of the agreement (e.g., both countries can now participate in one another's interbank market), the Belarussian authorities

Figure 8. Belarus: Exchange Rates, 1994-97 (May)



Real exchange rates 1/
(January 1994 = 100)



Source: Belarussian authorities.

1/ Calculated as the ratio of relative prices in Belarus and abroad, and corresponding exchange rate in rubels. Decline indicates real depreciation.

have not yet moved to introduce a market-determined exchange rate. In April 1997, a three-month Rub 100 billion currency swap was arranged between the two central banks.

102. In 1996, Belarus continued to move away from settlements using official correspondent accounts and clearing arrangements, and currently no clearing arrangements are in place.

B. Trade System

103. Since 1995, the major changes in the Belarussian trade regime have been made in the context of the customs union established along with Russia, Kazakhstan and the Kyrgyz Republic.⁴¹ Belarus and Russia signed a protocol in May 1995 which was meant to signal completion on a bilateral basis of: (i) complete harmonization of external import and export duties; (ii) establishment of uniform regulations on trade with third parties; (iii) adoption of a new schedule of excise tax rates on goods imported into Belarus, to conform with those in use in Russia; and (iv) harmonization of nontariff regulations.

104. In March 1997, about 40 percent of tariff rates were raised so as to conform with changes made by Russia, but at the same time the maximum tariff rate was also reduced from 100 percent to 30 percent in line with the policy of reducing the degree of tariff dispersion. Complete harmonization, however, is yet to be achieved. Import duty rates still differ between the two countries for various chemicals, paper and cardboard (and articles thereof), equipment utilized in nuclear reactors, and electronic equipment and components. The authorities estimated the weighted average tariff rate in 1996 at around 12½ percent.

105. Several types of nontariff restrictions are in place. Aside from export controls on weapons, nonmedicinal drugs, radioactive or toxic wastes and various other sensitive goods, Belarus also maintains export quotas on all kinds of fertilizers, for which maximum prices are set for sales to domestic agricultural consumers of these inputs. Other products subject to export quotas include nonferrous metal waste materials and certain types of unprocessed timber. Quotas on textile exports to the European Union have been imposed in accordance with a 1993 agreement on textile trade. Exports of grain, considered a "strategic product" are registered but reportedly are not constrained by this procedure. Exports of precious metals and stones are subject to licensing but not to quantitative restriction.

106. Since April 1997, the authorities have required importers to obtain a licence in order to apply for an import quota for ethyl alcohol and alcoholic beverages. The quota regime was said by the authorities to differ from that of Russia, which had only administrative procedures

⁴¹The customs union agreement with Russia was signed on January 6, 1995. Kazakhstan joined on January 20, 1995 and the Kyrgyz Republic has been a member since March 29, 1996.

in place. There are no regulations designed to limit the re-export of allowed imports of alcohol or alcoholic beverages to Russia, in line with the free trade principles of the customs union.

107. Progress on trade policy harmonization is less advanced with the other two members of customs union, Kazakhstan and the Kyrgyz Republic. Virtually all internal tariffs, however, have been abolished, so effectively a free trade area among the four countries is in place. The first round of discussions between Belarus and the World Trade Organization took place on June 5–6, 1997. A second round of talks is tentatively scheduled for the end of 1997.

C. Balance of Payments Developments

108. While improvements continue to be made to Belarus' balance of payments statistics, problems of coverage and consistency remain. Moreover, fully reliable data as yet do not exist for trade volumes and prices, making interpretation of changes in trade values difficult.

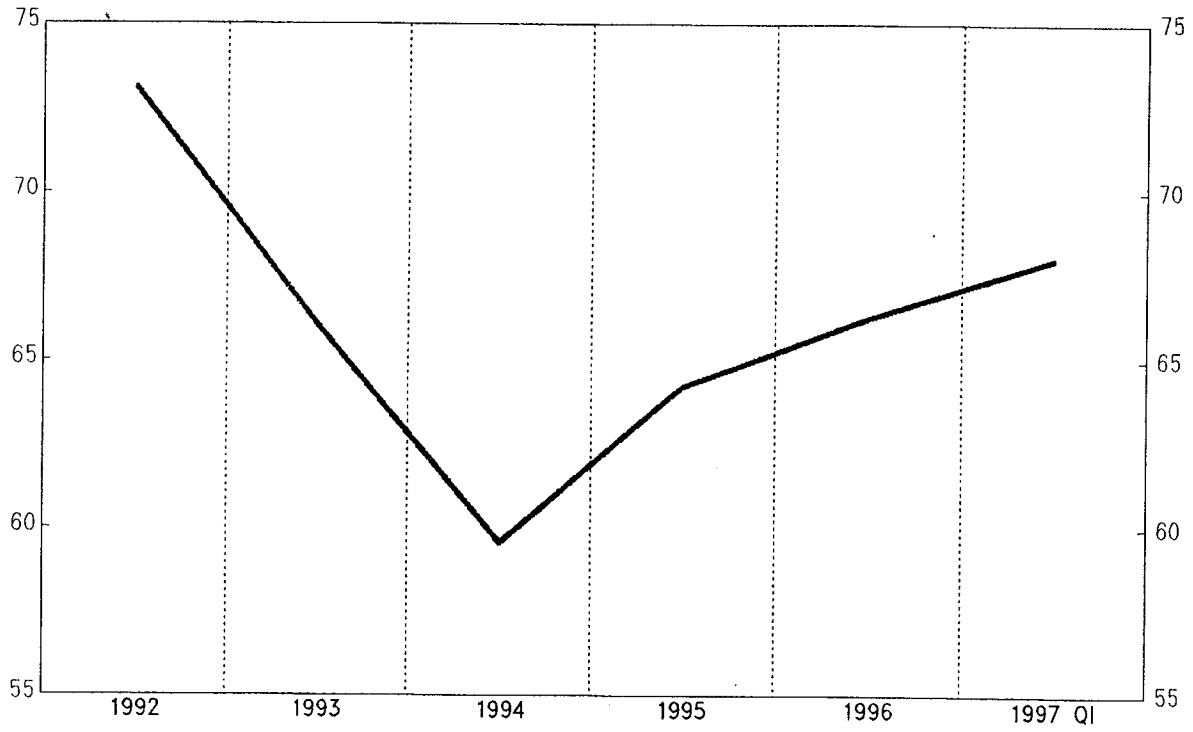
Direction and composition of trade

109. After declining during the years immediately following independence, the share of Belarus' foreign trade carried out with CIS countries rose in 1996 to 66 percent for exports and 65 percent for imports (Table 53). Exports to Russia as a percent of total exports also increased in 1996 (from 44 percent in 1995) to 53 percent, but the proportion of Belarus' total imports coming from Russia remained broadly unchanged in 1996, at around 50 percent. After Russia, the largest trade partner of Belarus among CIS countries is Ukraine, which accounted for 9 percent of total exports and 13 percent of imports. The higher share for imports likely reflects in part significant re-exports to Russia using the possibilities created by the customs union and less than full harmonization of various tax rates with Russia in 1996.⁴²

110. Preliminary data for the first four months of 1997 indicate a slight decline in the CIS share of Belarus' exports, to 66 percent (from 69 percent in the comparable period of 1996). At the same time, the CIS import share rose to 69 percent (from 64 percent) during the first four months of 1996. For this same period, Russia's share of total exports remained unchanged at 56 percent, while its share of Belarus' imports rose slightly from 52 to 54 percent. Among non-CIS countries, Belarus' main trade partners in 1996 continued to be Germany (4 percent of total exports and 9 percent of total imports) and Poland (6 percent of exports and 3 percent of imports).

⁴²Prior to February 1997, Belarussian imports such as grain and alcoholic beverages from Ukraine were not subject to the VAT, although Russia had already imposed the VAT on imports from Ukraine in 1996. This is considered to be a major factor stimulating the re-export of Ukrainian exports of such products through Belarus during 1996. Belarus' trade surplus of \$85 million with Ukraine in 1995 turned into a deficit of \$390 million in 1996.

Figure 9. Belarus: Share of CIS Countries in Total Trade, 1992-97 (Q1)
(In percent)



Sources: Belarussian authorities; and Fund staff estimates.

111. Products of the metallurgical and machine-building branches accounted for some 40 percent of Belarussian exports in 1996, while an additional 20 percent of exports were composed of chemicals and chemical products (Table 54). In 1996, and in a reversal of the pattern of previous years, metallurgical and machinery imports, accounting for around 31 percent of the total, comprised a higher proportion of imports than energy deliveries (28 percent) (Table 55). The latter, almost exclusively from Russia, were dominated by oil and oil products (15 percent) and natural gas (11 percent). Other major categories of imports were chemicals and chemical products (17 percent) and food products (14 percent). Automobile imports are reported as having declined by 91 percent in volume in 1996 after having increased by some 600 times in 1995.

112. In trade with the CIS countries, Belarus in 1996 incurred a Rbl 20 trillion deficit in the petroleum and gas sector and a Rbl 5.8 trillion deficit in metallurgical products (Table 57). Its largest surplus with these countries was in the machine building and metal processing branches (Rbl 10.3 trillion) and it had smaller, but still sizable surpluses in light industry (Rbl 2.1 trillion) and the wood and paper industries (Rbl 1.9 trillion). Sectoral imbalances were generally smaller in trade with non-CIS countries in 1996. While incurring deficits of Rbl 3.9 trillion in processed food products and Rbl 1.4 trillion in agriculture, Belarus ran a surplus in the petroleum and gas sector (Rbl 3.1 trillion) and Rbl 0.7 trillion in chemicals and petrochemicals (Table 58).

Trade developments

113. Although the overall trade deficit had declined by some \$180 million in 1995, continued real appreciation of the rubel in 1996 and increasingly expansionary financial policies caused the trade balance to deteriorate by over \$800 million in 1996, as import growth of \$1.6 billion significantly outstripped the increase in exports (Table 59). In trade with the non-CIS countries, exports in U.S. dollar terms increased by only 2 percent in 1996, contrasted with growth in exports to the CIS area of 26 percent. Nevertheless, the trade balance with the CIS countries still deteriorated by \$365 million to almost \$800 million in 1996.⁴³

114. This general deterioration continued into the early months of 1997. Preliminary data indicate an overall deficit of over \$700 million for the first four months of 1997, compared to \$550 million for the same period of 1996. But thus far in 1997 the pattern of trade developments had been somewhat different from that in 1996. In the four months ending in April, imports in U.S. dollar terms from non-CIS countries were 3 percent below year-earlier levels, while exports had increased by 16 percent. As a result, the four-month deficit with non-CIS countries declined by some \$100 million. It was unclear to what extent the improved

⁴³These trade figures for 1996 have been adjusted by the statistical experts in Belarus to attempt to take into account the underrecording of re-exports to Russia, but it is unknown whether this adjustment is complete.

trade performance vis-à-vis non-CIS countries was due to the 25 percent real depreciation of the rubel during the first four months of 1997.

115. With CIS countries, the situation was quite different, as imports (in U.S. dollar terms) in the first four months were up over 20 percent from a year earlier, while exports rose by only 4 percent. Part of the increase was attributed by the authorities to increased imports of supplies and foodstuffs from Russia in connection with construction of the Yamal pipeline (see Chapter II). Barter trade with CIS countries was up sharply in the first few months of 1997, which presumably reflected the tightening of an already fragile external payments position. In the first five months of 1997, some 80 percent of payments for gas deliveries from Russia were in the form of in-kind provision of Belarussian goods and services, including deliveries to Gazprom affiliates and directly to local authorities in gas-producing regions of Russia as payment of tax arrears owed by Gazprom subsidiaries, and the transportation of the pipes imported from Germany for construction of the Yamal pipeline, from the Polish border to the building site (see Chapter II, Box 1).

Other balance of payments developments

116. The current account deficit deteriorated in 1996 by less (\$650 million) than the merchandise trade balance. This was due to an increase in the surplus on services (mainly railway and road transport charges and oil pipeline transit fees⁴⁴) from around \$200 million in 1995 to over \$360 million in 1996. Notable increases in receipts were also recorded for construction services. Net interest payments in 1996 were unchanged at around \$65 million. Almost 90 percent of these payments were made to Germany, Austria, Switzerland, Japan, the EBRD and the World Bank.

117. Net transfer receipts amounted to \$62 million in 1996, down from almost \$80 million in 1995. On the receipt side, the largest item was humanitarian aid, accounting for slightly more than half of the total. Of the \$54 million in humanitarian aid received from non-CIS countries in 1996, Belarus received some \$22 million from Germany, \$20 million from the United States, about \$5 million from Ireland, and \$7 million from other sources. Cash transfers to the country amounted to \$23 million. The outflow of cash transfers (composed mainly of pension payments to former Belarussian residents, and contributions to international organizations) totaled \$17 million.

118. Even though net inflows of medium- and long-term capital fell by almost half in 1996, as disbursements continued to decline and more rapidly than amortization, the capital account improved in 1996. This was largely due to a \$280 million improvement in the net short-term capital position, which may have reflected a sharp increase in short-term credits to Belarussian

⁴⁴Transit fees for shipment of Russian natural gas through Belarus to the West are netted against the price paid for Belarussian gas imports, and are therefore not included in the services account.

enterprises from other CIS countries. Foreign direct investments also increased substantially, to \$75 million, largely reflecting inflows related to the construction of the Yamal natural gas pipeline through Belarussian territory. Despite this project, foreign direct investment in Belarus still remains very low by BCIS standards. In 1995, Belarus ranked fourteenth out of these fifteen countries in foreign direct investment, and even with the Gazprom investments in 1996 it still ranked only eleventh (see Figure 10), as the growing macroeconomic imbalances and lack of structural reform tend to discourage investors from other countries.

119. The recorded overall balance of payments deficit for 1996 of almost \$300 million (up some \$80 million from 1995) was financed by a further decline in the NFA of the banking system (largely matching that for the NBB, as discussed in Chapter IV), but also by a significant buildup in arrears. Arrears of over \$200 million were accumulated relating to 1996 gas deliveries from Russia, and somewhat over \$25 million of arrears were incurred on trade credits extended by several West European countries. Gross international reserves of the NBB, when adjusted for exceptional financial transactions, declined by only about \$10 million in 1996, but with the very rapid increase in imports, coverage fell from 0.9 month of imports at end-1995 to 0.7 month at end-1996.

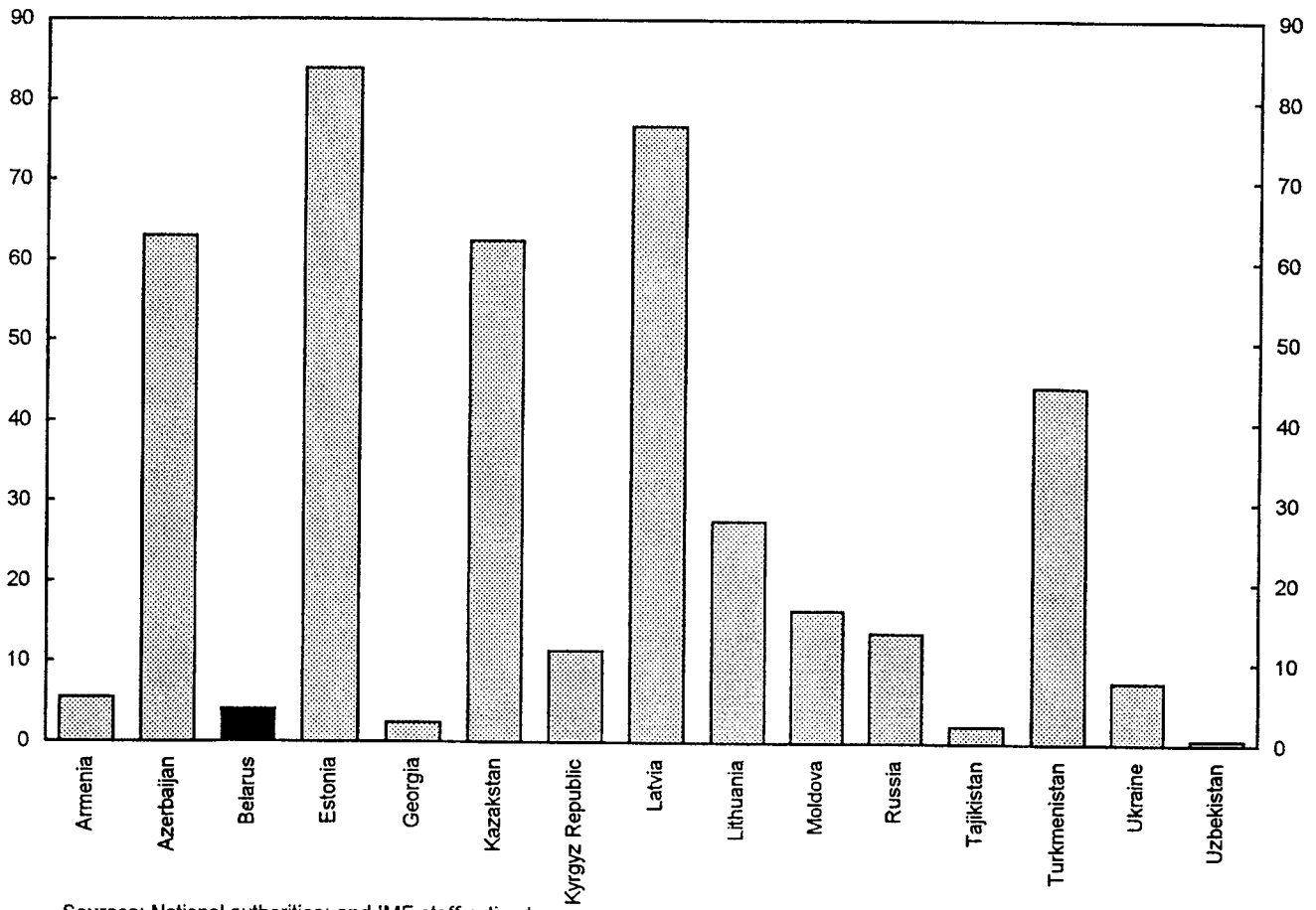
120. The balance of payments for the first quarter of 1997 contains a very large errors and omissions figure. This is based on preliminary data, and the authorities expected the discrepancy to be smaller in the revised balance of payments. Gross official reserves declined in the first five months of 1997 by around \$25 million after adjustments for exceptional financial transactions.

External debt and debt service

121. Belarus' medium- and long-term public and publicly-guaranteed external debt fell by \$634 million in 1996, mainly due to the cancellation, effective January 1, 1996 of outstanding technical credits from Russia amounting to \$471 million (Table 60).⁴⁵ At year-end, the ratio of total external debt to GDP stood at 6.5 percent, and debt service in 1996 amounted to 3.2 percent of exports of goods and nonfactor services. Further debt service had reduced the total debt stock to \$843 by end-March 1997. The main external creditors at end-March 1997 were the Fund (\$262 million), Germany (\$253 million) and the World Bank (\$129 million).

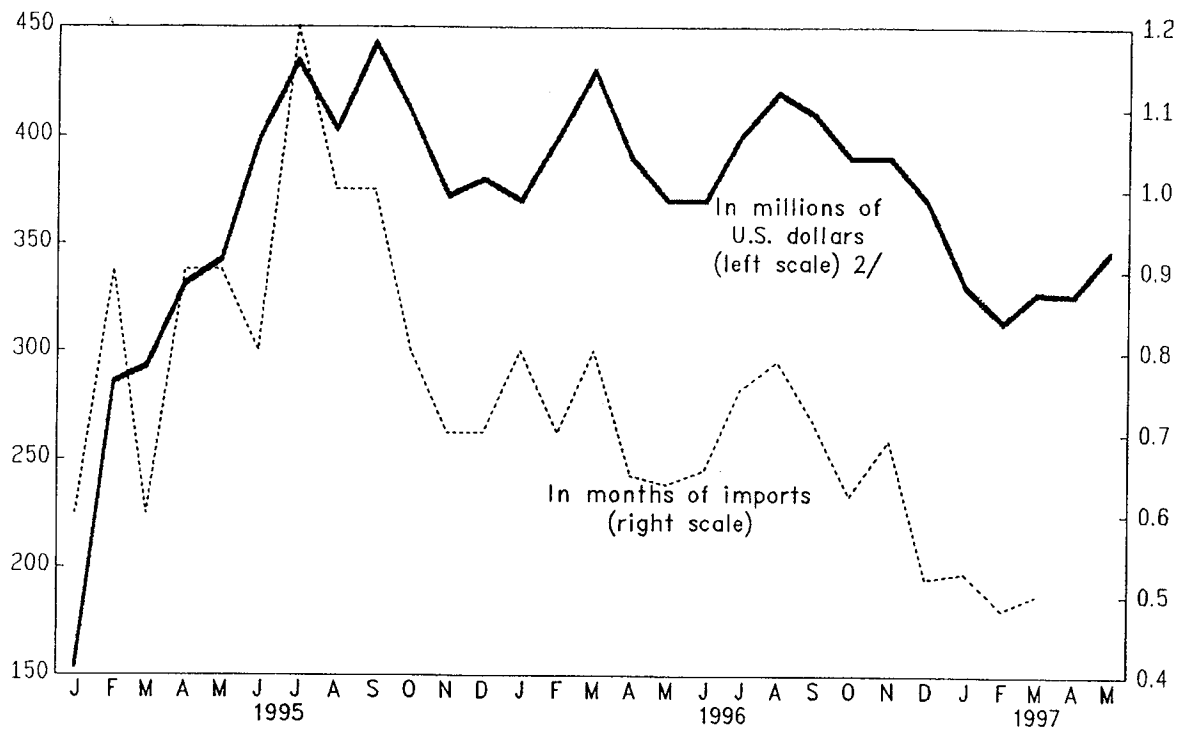
⁴⁵On February 27, 1996, an agreement between Belarus and Russia effectively canceled some \$1.4 billion of debts to Russia, in return for a mutual offset of claims by Belarus. This agreement is described in detail in SM/96/142 (6/18/96), p. 43.

Figure 10. BCIS: Average Foreign Direct Investment, 1995-96
(U.S. dollars per capita)



Sources: National authorities; and IMF staff estimates.

Figure 11. Belarus: Gross Reserves of the NBB, 1995-97 (May) 1/



Source: National Bank of Belarus.

1/ Excluding holdings of Russian rubles.

2/ Adjusted for exceptional financial transactions during the period December 1996 to March 1997.

VI. STRUCTURAL POLICY

122. Following independence in 1991, some structural reforms were implemented immediately, including enterprise privatization. This process was accelerated and intensified in 1994 and early 1995, especially with respect to price liberalization and foreign trade. However, beginning in mid-1995, there was growing opposition to significant reform and a weakened commitment to follow through on earlier initiatives, especially in the area of privatization. On balance, the achievements in terms of structural reforms have been very modest over the past two years, and in some areas there has been backsliding. Much of the Belarussian economy remains subject to a significant amount of state control, both de jure and de facto, in the production and distribution of output. The private sector is relatively small and is largely limited to subsistence agriculture and retail trade, despite the strong performance by most of the firms that are privately owned. Enterprise restructuring is by its very nature something that is difficult to quantify. But an indicator that has been suggested in the literature is enterprise profitability.⁴⁶ By this standard, rigidities in the enterprise sector are a continuing problem; the number of unprofitable firms in Belarus continued to increase in 1996 and the average profitability of those that were profitable continued to decline (see Chapter II).

A. The Institutional and Legal Environment

123. Economic and commercial activities in Belarus are, at present, regulated by a number of laws, presidential decrees, directives and regulations that are frequently contradictory and often invoked retroactively. Often these measures have been introduced in an ad hoc manner in response to very specific problems. In the event, they are often difficult to interpret and are not they always observed. Nonobservance of existing legislation is a serious problem and has resulted in an unstable legal system which, in turn, is reflected in the economic system. Property rights are not always clearly defined and are frequently restricted. As a result, banks find it almost impossible to secure loans.

124. All laws, decrees and resolutions are required to be published in three official papers, but this often involves a three-to-four-month lag that can seriously complicate economic decision making. Enterprises often see the relevant legislation only after contracts have been signed. Supplementary documents, important in the implementation of the law, are frequently not published. The constitution prohibits retroactive laws, but not retroactive decrees or regulations. The dispute resolution mechanism does not function well and problems of due process remain.

125. In 1996 all enterprises were, by presidential decree No. 208, required to re-register. The process began in February 1996 and was called to a halt, effective April 14, 1997, by presidential decree No. 373 which was issued on July 7, 1997 and enforced retroactively. All

⁴⁶See World Bank technical paper no. 368, *Privatization and Restructuring in Central and Eastern Europe*, Washington, 1997.

firms that had applied for registration after April 14 were left unregistered. Some of the firms that ceased to exist as legal entities used the occasion to leave an undetermined amount of uncollectible debts with banks and other creditors. Official data have not yet been released, but early indications are that only about half of the foreign firms and joint ventures were re-registered by the Ministry of Foreign Economic Relations. Those firms that were not re-registered could be divided into roughly equal groups: those that did not apply and those that were denied re-registration. This process gave the government the ability to close enterprises, a function previously reserved to the economic courts. The re-registration campaign was time consuming, disruptive and created considerable uncertainty.

126. Re-registration could be, and was, denied for a number of reasons, the most important of which were: inactivity for the past six months; a single instance—either intentional or not—of failure to pay taxes; the failure to submit statistical reports; or being a loss-making firm at the end of the year. With respect to the latter criterion, most state-owned firms were de facto exempted. Inactivity was the most common reason given in cases where re-registration was denied and many dormant firms were removed from the registration rolls. The above-cited criteria did not oblige the authorities to deny re-registration, but rather gave them the right to do so if they chose.

127. Virtually all land in the country is state owned; there are no plans for land reform at present. At the moment only around one percent of land is privately owned by farmers and dacha owners. Private ownership of land is limited to one hectare and its use is restricted to housing, farming, and gardening. This property cannot be sold freely, but only for its original use, although it can be sold back to the state at an administered price. In principle, this property can be used as collateral for a bank loan, but if the bank forecloses on the property, it is subject to the same resale conditions. In any event, using land as collateral is virtually unknown. The President has announced that he will authorize the sale of land to foreigners if he approves of the proposed investment project but, to date, this has not occurred.

128. Separate, identifiable parcels of land can be transferred from state and collective farms to individual farmers, but only on the basis of leases. Private farmers are allowed to lease up to 50 hectares; the average plot is 18 hectares and, in total, leased farm land accounts for less than three-quarters of one percent of the land under cultivation and less than one percent of agricultural output. These leases can be inherited, but not sold or mortgaged, nor can the land be purchased. In the past several years there has also been some nationalization of urban property which, while limited in scope, has been high profile.

129. The absence of a law on bankruptcy continues to be a problem. An effective bankruptcy process is necessary to allow for the orderly liquidation of unprofitable firms and to protect and encourage creditors. It is an integral and necessary part of a market economy. Existing bankruptcy legislation is ineffective and has not been implemented. At the moment there are several draft laws in the parliament, some of which have had a first reading, but to date none have been enacted.

B. Privatization

130. In the transformation process, there are essentially two paths that can be taken in instituting the private ownership of the means of production and distribution: on one hand, state-owned enterprises can be privatized and, on the other, an environment can be established that fosters the establishment of new firms. Both approaches are necessary and should be viewed as complimentary; one is not a substitute for the other. They are proven means of establishing the hard budget constraints in the system necessary for efficient production and distribution. The accomplishments in Belarus in 1996 and early 1997 were, in either case, modest.

131. With respect to **enterprise privatization**, 136 enterprises at the republican level began the privatization process in 1996 (Table 61), almost all of them in the last quarter. With respect to communal property, 390 enterprises were privatized in 1996. As a reference point, the privatization program for 1996, adopted in December 1995, called for the privatization of 516 republican and nearly 1,000 communal properties. As of mid-July 1997, no formal privatization program for 1997 had been publicly announced, although the Ministry of Agriculture has stated its intention to resume the privatization of food processing and servicing enterprises, and the Ministry for the Management of State Property and Privatization had informally indicated the existence of a program to privatize 300 Republican level enterprises. If privatized firms are defined to include only those firms for which state ownership has been reduced below 50 percent, progress in privatization is even less evident. On this basis, as of the end of May 1997, around 10 percent of the 4,423 republican enterprises selected for privatization in early 1994 had, in fact, been privatized (Table 62).

132. Republican property that was privatized was, with the exception of services and trade and catering, distributed relatively uniformly over different activities. Most communal privatization took place in agro-processing, services, and trade and catering (Table 63). Joint stock conversion has been the most common means of privatizing republican property, while auctions and buy-outs have also been major approaches to the preferred privatization of communal property (Table 64). As of end-May 1997, a little less than 10 percent of the labor force was employed by privatized enterprises⁴⁷ when they were defined as those with less than 50 percent state ownership (Table 66); including enterprises with more than 50 percent state ownership raises the share to around 16 percent (Table 65).

133. The privatization process begins when the labor collective of the concerned enterprise petitions the relevant authority—the Ministry of Management of State Property and Privatization for enterprises with more than 1,000 employees, the local privatization committees for enterprises with fewer employees—to initiate the process. According to the procedures as revised for 1996, the labor collective notifies the relevant line ministry and the local authorities. If there is no opposition, the proposal is then forwarded to the Ministry of

⁴⁷Data are not available for employment in newly organized private entities.

Management of State Property and Privatization, and, subsequently, to the President for a final decision. A number of industries—approximately 1,000, primarily defense related—are not eligible for privatization, and the privatization of another group of about 200 enterprises would require approval of the Council of Ministers. (Although the law calls for these lists to be published, this has not yet taken place.) In the event of disagreement about the desirability of privatization, a decision is to be taken by the President based on material presented by the Ministry. Privatization can also be initiated by the Ministry in collaboration with the relevant line ministry and the local authorities. However, this process can only proceed if the relevant labor collective agrees.

134. In the first stage of privatization, the enterprise is “corporatized” by the issuance of shares which are still owned 100 percent by the state. At this point there is no necessary change in corporate governance; rather, the legal preconditions for true privatization required by Belarussian law have been satisfied.⁴⁸ The employees then have five months to reverse the process, if they so choose, and revert back to a noncorporatized enterprise. In the next stage, employees and managers can exercise their right to acquire equity by using their own and their relatives’ vouchers and the enterprise then becomes a joint-stock company. Any remaining shares can be sold through the Belarusbank to Belarussian citizens in exchange for vouchers and cash in equal proportions.

135. Under the voucher program established in 1994 to aid in the privatization program, each citizen could apply for vouchers and establish a voucher account at the Belarusbank (the former Sberbank, the state savings bank). The face value of the property vouchers was set equal to what was then estimated to be the value of about one-third of the republican property to be privatized. Each person was eligible for an amount of vouchers determined by age, years worked, and number of children. Interest in the scheme was initially low and the period citizens could apply for vouchers was extended to May 1, 1996, and the deadline for issuing them to July 1, 1997. As of that date, 84 percent of the eligible population had applied for vouchers, but only 11 percent of the total outstanding stock had been redeemed for shares in corporatized enterprises. The law requires that state property and vouchers be indexed against inflation at the same time, but in June 1997 state property alone was indexed. In principle, citizens can exchange their vouchers for shares in individual enterprises or in shares of investment funds. In practice investment funds have all but ceased to exist. The slow pace of privatization has meant that there are relatively few shares—and those are often of loss-making enterprises—for which the population can trade its vouchers, at an administered price. The re-registration process, described above, may well have introduced more uncertainty into the system.

⁴⁸Enterprises that have only been corporatized, but not truly privatized, are included in tables 62 and 64 but not tables 63 and 65. The authorities define privatization as having taken place when state ownership has fallen to less than 50 percent.

136. The government can also sell equity it owns to “strategic” investors, but only if they have a business plan vetted by the Ministry and other relevant state organizations. An investment fund can acquire blocks of shares at voucher auctions, but only if the Ministry agrees to hold the auction. The projected unemployment consequences of the privatization scheme are an important consideration in gaining approval in these cases. Presidential intervention in the privatization process may also occur. In the banking sector, the government re-assessed in 1996 the state property that had earlier been transferred to the newly privatized banks and unilaterally increased its capital share in most banks (see Chapter IV).

137. Much of the small-scale privatization of communal property in Belarus has been undertaken with the help of the International Finance Corporation. Most small enterprises are eligible except for those engaged in timber and woodworking, construction, and transport, as well as gas stations and pharmacies. As of June 1997, 1,109 objects, or 38 percent of the initial stock of eligible entities, had been successfully privatized. Approximately \$10.5 million had been raised in the process. The properties were either auctioned off, sold by direct buy-out, or sold by tender. Selling by auction involves setting a minimum price according to a formula, by which the minimum price is not necessarily related to prevailing market prices. Some 40 percent of the offers for properties have not met the minimum price and were subsequently re-offered at a reduction of 20 percent of the initial minimum price or, if that was not successful, at half the initial price. Employees cannot be laid off for two years and typically the new enterprise is constrained in its activities to those of its state-owned predecessor. Buy-outs are used in cases in which the new owner has previously leased space and equipment from the state and re-invested his earnings in the enterprise. Tenders are a more restrictive form of auction, usually carried out at the request of the labor collective; they typically require a commitment of additional investment.

138. **Housing privatization** began in Belarus in 1989, before independence, when it was part of the former Soviet Union, but less than 3 percent of the housing stock was privatized before 1991 owing to a legal system not well equipped for the task. Beginning with the Law on Housing enacted in 1993, the process of privatization accelerated. With respect to housing privatization, less was accomplished in 1996—when approximately 75,000 units were privatized—than in any year since 1992 (Table 67). At the end of 1996, about 39 percent of the eligible housing stock had been privatized. Housing privatization has been slowed by poorly defined property rights, especially early on, cumbersome procedures, and the lack of effective credit markets that could provide potential homeowners access to funds required for costly repairs.

139. The process for privatizing an apartment in Belarus is as follows. First the tenant must obtain a certificate from his or her employer, which is then presented to the housing department of the concerned locality. An application is then made to the regional executive committee which, in the absence of protest from family members, will allow the process to continue. At this point a document drawn up by a state committee is issued which describes

the property. The last step is acceptance of a document which describes the financial obligations of the owner for various housing services and establishes a monthly fee schedule. The price is administratively set and is usually well below the secondary market price. Subsequent real estate transactions by the buyer require registration with the state, and all real estate transactions require the submission of complete income and wealth statements, which may have an inhibiting effect. Only the structure is privatized; land continues to be owned by the state.

140. Presidential decree No. 302, issued on August 21, 1996, established the minimum rents to be charged for state property in leases. The rates are the same for domestic and foreign leases. Separate rates are set for office, production, and mixed usage for Minsk and regional centers. Additional coefficients are applied to adjust for location and comfort. As an example, the minimum base for office space in Minsk is set as the Belarussian rubel equivalent of \$10 per square meter per month.

C. Enterprise and Labor Market Policy

141. While managers of state-owned enterprises since independence have been held more accountable for the performance of their firms, and given more autonomy in day-to-day operations, they still lack the authority to independently lay off workers and dispose of assets as they see fit. This has carried over to many private firms and joint ventures. Government intervention continues to exist in investment decisions and, in some cases, in pricing and production. It is common for line ministers to be assigned personal responsibility for some of the largest enterprises. As in the past, directed credits have been allocated to priority sectors, usually at below market rates.⁴⁹ Tax and duty exemptions, usually by presidential decree or resolution of the Council of Ministers, continued in 1996, but were decreased somewhat in the early months of 1997.

142. Prior to independence, there were strong incentives for managers to hoard labor and few costs for so doing. During the transformation process there are meant to be incentives to shed that labor which is no longer economically justifiable. In large measure, this is not permitted in Belarus and this thwarts the transformation process. The reaction of the authorities has generally been to resist unemployment with various directives and regulations. Managers of state-owned enterprises (which cover the majority of employees) continue to be constrained in their ability to shed labor. This decision requires the agreement of the local executive committee, and the Employment Service of the Ministry of Labor. By a presidential decree No. 7 of March 17, 1997, enterprises are required to follow guidelines designed to reduce aggregate employment to below 130,000 persons by end-1997.

⁴⁹See Chapter IV for further details.

143. On March 27, 1997, presidential decree No. 10 set out several conditions on wages in Belarus. It established a new minimum wage of Rbl 150,000 per month⁴⁹ and established inter-grade wage differentials for employees in the state sector. It also set maximum bonuses that could be charged against labor costs (rather than against profits). Resolution 276 of the Council of Ministers (April 2, 1997) introduced obligatory work assignments for the graduates of higher and specialized secondary educational institutions who had not paid their own tuition. The resolution calls for the first assignments to be drawn up by September 1, 1997, to cover students graduating in 1998.

D. Price Regulation and Demonopolization

144. Following considerable progress in liberalizing prices in 1995,⁵⁰ new price regulations—both de jure and de facto—were reinstated in the third quarter of 1996. In August 1996, the government decided to set ceilings and retail markups on “socially important” goods. This list included certain types of bread, dairy products, and meat as well as children’s clothing and shoes. The authorities estimate that about five percent of prices are covered by the natural monopoly regulation with another five percent covered by the additional direct measures. (These estimates are made using prevailing prices and volumes.) The procedure calls for regional authorities to set ceilings and retail markups subject to a binding republican ceiling; in general the margin on these goods cannot exceed 15 percent. The government briefly instituted a maximum markup of 25 percent on the prices of imports at the end of April 1997, but repealed it a month later.

145. The Ministry of Entrepreneurship and Investments now oversees the government’s efforts in demonopolization; previously a separate ministry had been charged with this task. In June 1996, the list of economic entities that were considered as taking up a “dominant position” in the economy (i.e., being monopolistic) was reduced from 745 entities to 410, including 47 natural monopolies. Nevertheless, the structure of the economy remained relatively uncompetitive, largely as a result of the very modest progress in breaking up the large state enterprises inherited from the Soviet system, and because of locally imposed restrictions on inter-regional trade and distribution which tend to create geographic monopolies. A pilot project undertaken by the authorities with World Bank assistance to demonopolize one large trading organization, Gomeltorg, continues at a slow pace. In large measure, the speed at which demonopolization has proceeded has been dictated by the slow rate of privatization.

⁴⁹In Belarus the minimum wage is used throughout the economy as a benchmark in a wide variety of functions, ranging from traffic fines to the minimum size of a firm requiring ministry approval for privatization.

⁵⁰By mid-1995 formal price regulation had been limited to natural monopolies (55 enterprises providing energy, transportation, and communications) and some restrictions on the margins of basic agricultural products.

146. A considerable, but unquantifiable, amount of moral suasion and telephonic direction in the price formation process has been evident since the third quarter of 1996. In 1997, enterprise managers have effectively been under considerable pressure not to exceed the 2 percent a month inflation target announced by the President.

Table 1. Belarus: Gross Domestic Product by Sector, 1992-96
(In billions of rubels)

	1992	1993	1994	1995	1996 1/
GDP at market prices	91.7	985.9	17,814.5	119,813.1	179,819.0
GDP, at factor cost	87.3	924.8	16,140.5	108,036.6	160,363.0
Industry	35.3	286.1	4,977.9	33,921.5	56,635.7
Agriculture and Forestry	20.8	169.1	2,417.8	19,103.6	25,437.0
Construction	6.4	77.7	992.5	6,562.8	8,879.3
Transport and Communications	7.5	121.2	2,116.8	14,867.3	20,449.2
Trade and Catering	4.5	86.5	1,798.1	9,191.1	13,843.6
Material Supply and Procurement	1.5	24.4	830.9	3,713.9	3,820.6
Housing and Public Utilities	1.8	37.5	733.7	4,701.0	6,474.8
Health Care	2.3	30.9	507.7	3,583.8	5,509.7
Education, Culture and Science	4.6	55.2	827.1	5,707.8	9,319.9
Other	2.6	36.2	941.0	6,683.8	9,993.8
(In percent of nominal GDP at factor cost)					
Industry	40.4	30.9	30.8	31.4	35.3
Agriculture and Forestry	23.8	18.3	15.0	17.7	15.9
Construction	7.3	8.4	6.1	6.1	5.5
Transport and Communications	8.5	13.1	13.1	13.8	12.8
Trade and Catering	5.2	9.4	11.1	8.5	8.6
Material Supply and Procurement	1.8	2.6	5.1	3.4	2.4
Housing and Public Utilities	2.1	4.1	4.5	4.4	4.0
Health Care	2.6	3.3	3.1	3.3	3.4
Education, Culture and Science	5.3	6.0	5.1	5.3	5.8
Other	3.0	3.9	5.8	6.2	6.2
Total	100.0	100.0	100.0	100.0	100.0

Source: Data provided by the Ministry of Statistics and Analysis.

1/ Provisional estimates currently under revision.

Table 2. Belarus: Gross Domestic Product by Expenditure, 1992-96
(At current prices)

	1992	1993	1994	1995	1996 1/
(In billions of rubels)					
GDP at market prices	91.7	985.9	17,814.5	119,813.1	179,819.0
Total consumption of goods and services	61.0	747.4	14,298.1	95,512.6	148,463.1
Household consumption	44.3	547.9	10,135.2	68,635.4	...
Public consumption	16.7	199.5	4,192.9	26,877.2	...
General government	14.2	175.1	3,581.5	23,156.6	...
Consumption of public organizations	2.5	24.4	581.4	3,720.6	...
Gross capital formation	29.4	404.3	5,860.4	30,047.4	44,269.7
Gross fixed capital formation 1/	23.3	334.0	5,918.1	29,984.2	...
Changes in inventories	6.1	70.3	-57.7	63.2	...
Balance of exports and imports	1.3	-165.8	-2,344.0	-5,746.9	-12,913.2
(In percent of nominal GDP at market prices)					
Total consumption of goods and services	66.5	75.8	80.3	79.7	82.6
Household consumption	48.3	55.6	56.9	57.3	...
Public consumption	18.2	20.2	23.5	22.4	...
Government consumption	15.5	17.8	20.1	19.3	...
Consumption of public organizations	2.8	2.5	3.3	3.1	...
Gross capital formation	32.1	41.0	32.9	25.1	24.6
Gross fixed capital formation 1/	25.4	33.9	33.2	25.0	...
Changes in inventories	6.6	7.1	-0.3	0.1	...
Balance of exports and imports	1.5	-16.8	-13.2	-4.8	-7.2

Sources: Data provided by the Ministry of Statistics and Analysis; and staff estimates.

1/ Includes residential investment and business fixed investment.

Table 3. Belarus: Growth of Gross Domestic Product by Expenditure, 1992-96

	1992	1993	1994	1995	1996 1/ 2/
	Percent Change in Comparable Prices 1/				
Gross Domestic Product	-9.6	-7.6	-12.6	-10.4	2.6
Total consumption of goods and services	-10.1	-2.3	-12.1	-9.5	5.0
Household consumption	-7.6	-1.5	-14.5	-12.3	...
Public consumption					
General government	-15.9	-4.8	-5.5	-2.9	...
Consumption of public organizations	-5.2	-1.9	-6.6	-0.6	...
Gross capital formation	-16.1	-6.3	-29.4	-28.7	-4.0
Gross fixed capital formation 3/	-18.6	-7.6	-13.7	-29.6	...
Changes in inventories	-8.3	-1.2	...	...	...
Balance of Trade	...	...	22.0	-17.0	-11.0
	Contribution to Growth				
Total consumption of goods and services	-6.7	-1.7	-9.7	-7.6	4.1
Household consumption	-3.7	-0.8	-8.2	-7.0	...
Public consumption	-2.6	-0.9	-1.3	-0.6	...
General government	-2.5	-0.9	-1.1	-0.6	...
Consumption of public organizations	-0.1	0.0	-0.2	0.0	...
Gross capital formation	-5.2	-2.6	-9.7	-7.2	-1.0
Gross fixed capital formation 3/	-4.7	-2.6	-4.6	-7.4	...
Changes in inventories	-0.5	-0.1	...	...	...
Balance of exports and imports	...	...	...	...	-0.8

Source: Data provided by the Ministry of Statistics and Analysis.

1/ The use of comparable prices denotes the comparison of output of the current period with output of a previous period on the basis of prices of January of the current period.

2/ Balance of trade figure in 1996 calculated by staff as remainder, given complete information on shares of GDP.

3/ Includes residential investment and business fixed investment.

Table 4. Belarus: Growth of Gross Domestic Product by Sector, 1992-96

	1992	1993	1994	1995	1996	1996 level (1991=100)
(Percentage change at comparable prices) 1/						
Total GDP at market prices	-9.6	-7.6	-12.6	-10.4	2.6	67.1
Industry	-5.7	-9.9	-19.2	-10.2	3.0	63.5
Agriculture	-14.5	1.5	-15.3	-2.5	2.0	73.1
Forestry	-5.7	0.3	0.5	-5.1	-0.3	89.9
Construction	-7.1	-22.7	-21.7	-33.2	-13.4	32.5
Transport	-19.7	-11.4	-17.5	-9.4	-2.0	52.1
Communications	-27.3	-20.8	-3.5	-13.3	-0.9	47.7
Trade and catering	-17.0	-13.1	-8.6	-24.0	23.0	61.6
Material supply	-14.7	-9.9	77.0	-19.5	-6.8	102.1
Procurement	-15.6	-10.9	-19.0	-22.7	-2.7	45.8
Housing	4.3	1.4	0.5	-0.3	0.0	106.0
Public utilities	-9.4	-2.8	-1.0	-5.6	-5.1	78.1
Health care	1.8	2.9	1.0	-0.6	0.9	106.1
Education	-3.6	-2.6	0.0	-1.5	3.9	96.1
Culture and science	-21.5	-18.3	-8.2	-9.2	-1.9	52.4
Banks and insurance	5.8	13.4	24.4	17.0	3.9	181.4
Public administration and defense	-29.0	-6.3	-6.7	-2.0	-3.4	58.8
FISIM 2/	6.0	15.2	24.8	17.5	2.4	183.4
(Contribution to growth)						
Industry	-2.3	-3.1	-5.9	-3.2	1.1	
Agriculture	-3.4	0.3	-2.2	-0.4	0.3	
Construction	-0.5	-1.9	-1.3	-2.0	-0.7	
Transport	-1.5	-1.4	-2.1	-1.1	-0.2	
Trade and catering	-0.9	-1.2	-1.0	-2.0	2.0	
Material supply	-0.2	-0.2	3.5	-0.6	-0.1	
Other	-1.2	0.6	1.8	0.2	0.0	
Adjustments and price markup 3/	0.4	-0.7	-5.5	-1.2	0.3	

Sources: Data provided by the Ministry of Statistics and Analysis; and Fund staff estimates.

1/ See footnote 1, table 3.

2/ Undistributed imputed payments to financial intermediaries.

3/ Growth of GDP by sectors is expressed at market prices, whereas shares (See table 1) are expressed in terms of factor costs.

Table 5. Belarus: Capital Investment by Sectors in Comparable Prices, 1992-97 (Q1) 1/

	1992	1993	1994	1995	1996	1997 (Q1) percent change 2/
(1990=100)						
Total	74.2	63.4	56.5	39.2	32.3	12.8
Industry	74.8	66.3	74.5	47.4	40.4	-6.0
Agriculture	46.8	32.5	17.4	11.6	8.4	11.0
Transport and Communication	88.5	97.2	75.9	85.1	89.7	-0.3
Construction	58.6	51.5	41.2	21.6	11.5	-15.0
Residential construction	97.8	79.1	70.9	40.0	34.5	54.0
Other	89.3	81.5	75.6	56.4	38.3	...
(Share of total)						
Industry	24.6	25.5	32.1	29.7	30.4	26.7
Agriculture	18.2	14.8	8.9	8.5	7.5	6.8
Transport and communication	8.8	11.3	9.9	16.0	20.4	15.8
Construction	2.5	2.6	2.3	1.7	1.1	0.8
Residential construction	25.9	24.5	24.6	20.0	20.9	31.2
Other	20.0	21.3	22.2	24.1	19.7	18.7
of which:						
Trade and Catering	...	...	...	...	1.4	1.5
Total	100.0	100.0	100.0	100.0	100.0	100.0
(1990=100)						
Memorandum items:						
Real gross investment (1991=100) 3/	94.8	92.8	83.4	77.5	76.7	...
Fixed capital	95.3	92.8	88.6	82.0	81.0	...
Stock building	99.5	99.4	...	...	...	...
Gross investment						
in percent of GDP 3/	32.0	41.0	32.9	25.1	24.6	...

Source: Data provided by the Ministry of Statistics and Analysis; and staff estimates.

1/ The figures in the top part of the table may be inconsistent with the national accounts tables, since the data are based on surveys of industrial projects by branches of the economy.

2/ Refers to the percent change in investment relative to the same period of the previous year.

3/ According to national accounts.

Table 6. Belarus: Industrial Production, 1992-97 (Q1)

	1993 weight (in percent)	1992	1993	1994	1995	1996	1997 Q1 1/ (1991=100)	1996 level (1991=100)
Total	100.0	-9.4	-10.0	-17.1	-11.7	3.5	9.8	61.8
Of which:								
Power generation	14.6	-3.1	-10.9	-11.3	-15.8	-1.6	-8.9	63.5
Refineries	6.8	-47.1	-39.2	-48.9	12.3	-5.2	-17.8	17.5
Chemicals and petrochemicals	12.4	-14.7	-12.3	-16.8	8.9	7.2	10.5	72.7
Ferrous metallurgy	1.9	-13.7	-13.9	-12.5	-1.4	23.4	27.1	79.1
Machine building	22.1	-7.4	2.8	-14.1	-20.5	1.6	23.0	66.0
Wood and paper	4.5	-7.2	-3.4	-12.7	-9.6	14.2	29.5	80.8
Construction materials	5.7	-10.6	-23.9	-28.8	-21.2	-4.0	33.4	36.6
Light industry	11.3	0.7	1.7	-23.0	-34.1	11.9	30.8	58.2
Food processing industries	13.1	-17.6	0.1	-5.5	-12.7	5.5	12.4	71.8

(Percentage change in comparable prices)

Source: Data provided by the Ministry of Statistics and Analysis.

1/ Compared to the first quarter of 1996.

Table 7. Belarus: Inventories of Ready-Made Products in the Warehouses of Industrial Enterprises by Branches of the Economy, January 1996 to April 1997 1/

	January 1996	June 1996	December 1996	April 1997
(in billions of rubels)				
Total	8,514	10,794	9,514	12,310
Of which:				
Fuel	76	112
Ferrous metallurgy	66	115
Non-ferrous metallurgy	10	15
Chemicals and Petrochemicals	1,063	1,451
Machine building and metal-working	5,446	6,721
Forestry, wood and paper products	451	767
Construction materials industry	329	452
Light industry	783	1,254
Food processing industries	730	853
(As a percent of monthly output)				
Total	75.2	85.0	52.2	44.9
Of which:				
Fuel	12.6	11.0
Ferrous metallurgy	13.5	12.6
Non-ferrous metallurgy	55.6
Chemicals and Petrochemicals	51.7	32.2
Machine building and metal-working	138.6	92.5
Forestry, wood and paper products	52.3	50.0
Construction materials industry	58.6	44.8
Light industry	47.5	60.7
Food processing industries	26.2	22.1

Sources: Data provided by the Ministry of Statistics and Analysis.

1/ End-of-period stocks.

Table 8. Belarus: Selected Indicators of Industrial
Production, 1992-97 (January - April)
Quantity Index: 1992=100

	1992	1993	1994	1995	1996	1997 Jan-Apr 1/
Industrial Sector						
Wood and Paper						
Timber	100	95	86	85	78	88
Plywood	100	81	66	60	66	86
Cardboard	100	79	73	71	75	74
Paper	100	50	19	23	25	31
Construction Material						
Lime	100	89	56	43	43	40
Mineral fertilizers	100	61	73	80	83	95
Cement	100	84	66	55	65	67
Window glass	100	85	66	54	48	--
Chemicals						
Chemical fibers	100	76	56	54	47	55
Power generation						
Electricity	100	89	84	66	63	71
Ferrous Metallurgy						
Steel	100	86	80	67	80	93
Machine building						
Tractors	100	86	45	29	28	35
Feed Harvest Combines	100	78	25	20	18	16
Elevators	100	45	30	22	21	17
Electric motors	100	109	44	39	37	41
Transformers	100	94	46	61	36	0
Light Industry and textiles						
Electric bulbs	100	65	51	47	45	47
Motorcycles	100	78	33	25	18	11
Bicycles	100	83	53	37	39	33
Radio sets	100	107	76	38	19	22
T.V. sets	100	76	59	31	38	58
Refrigerators and Freezers	100	100	100	101	102	105
Cameras	100	52	13	4	4	3
Cotton yarn	100	78	29	22	25	15
Wool yarn	100	93	73	39	42	52
Linen yarn	100	76	56	59	59	72

Source: Data provided by the Ministry of Statistics and Analysis.

1/ Annualized.

Table 9. Belarus: Share of Total Exports in Production of Selected Industrial Products, 1992-97 (April) 1/

	1992	1993	1994	1995	1996	1997 Jan-Apr
Wood and Paper						
Particle boards	...	...	...	41.6	26.7	23.3
Wood fiber	25.5	44.4	57.9	...	...	...
Wood particles	7.6	9	14	...	...	...
Chemicals						
Potassium fertilizers	54.4	83.5	86.4	93	82.7	81.3
Nitrogen fertilizers 2/	17.2	39.8	7.4	111	66	52.9
Refined Fuel						
Diesel fuel	28.2	8.3	40.3	49.4	44.5	17.9
Machine building						
Metal-cutting machinery	51.3	51.8	42.8	85.1	74.8	65.2
Forge presses	8.1	19.8	27.9	...	...	...
Light Industry and textiles						
Tractors	75.2	72	71.6	89.3	71.2	47.2
Trucks	66.9	68.2	69.9	73.7	71.9	91.3
Motorcycles	75.4	73.3	59.2	83.1	91.5	95.2
Refrigerators	84.8	70.9	71.9	67.7	72.2	81.4
Watches and clocks	61.3	75	75.1	66.1	46.4	25.1
Cameras 2/	40.4	48.5	66.1	193.3	111.2	30.8
T.V. sets	54.6	52.2	59.8	72.5	50.3	33.3
Radios	54.8	54.8	49.5	28.8	44.7	32.8
Synthetic fibers	61.5	70.8	78.3	82.8	77.3	76.5
Cotton and cotton-type textiles	16.4	10.5	26.7	...	...	...
Silk and silk-type textiles (incl. synthetics)	35.9	34.2	29.5	...	...	...

Source: Data provided by the Ministry of Statistics and Analysis.

1/ In volume terms.

2/ 1995 and 1996 figures in some cases represented sales from inventories.

Table 10. Belarus: Agricultural Production, 1992-96

	1992	1993	1994	1995	1996
(In thousands of tons, unless otherwise indicated)					
Grain	7,230	7,508	6,095	5,502	5,792
Potatoes	8,984	11,644	8,241	9,504	10,881
Flax	61	57	49	60	49
Sugar beets	1,120	1,569	1,078	1,172	1,011
Meat	1,441	1,242	1,138	995	937
Milk	5,885	5,584	5,510	5,070	4,908
Eggs	3,502	3,514	3,400	3,373	3,441
Live animals (1,000 heads) 1/					
Cattle	6,221	5,851	5,403	5,054	4,855
Pigs	4,308	4,181	4,005	3,895	3,715
Sheep	336	271	230	204	155
Horses	215	215	220	229	232
(Percent change from previous year)					
Grain	14.8	3.8	-18.8	-9.7	5.3
Potatoes	0.3	29.6	-29.2	15.3	14.5
Flax	-20.1	-6.4	-14.0	22.4	-18.3
Sugar beets	-2.4	40.1	-31.3	8.7	-13.7
Meat	-9.3	-13.9	-8.4	-12.6	-5.8
Milk	-13.6	-5.1	-1.3	-8.0	-3.2
Eggs	-5.8	0.4	-3.3	-0.8	2.0
Live animals 1/					
Cattle	-5.4	-5.9	-7.7	-6.5	-3.9
Pigs	-8.4	-2.9	-4.2	-2.7	-4.6
Sheep	-11.6	-19.3	-15.1	-11.3	-24.0
Horses	1.4	--	2.3	4.1	1.3

Source: Data provided by the Ministry of Statistics and Analysis.

1/ End of period stocks.

Table 11. Belarus: Share of Private Sector in Agriculture, 1992-96 1/

	1992	1993	1994	1995	1996
	(In percent of total output)				
Gross agricultural output 2/	33.6	38.6	39.6	44.0	45.2
Crops	40.9	47.8	49.0	53.0	54.0
Livestock	27.7	29.6	32.2	35.9	36.8
In physical volumes:					
Potatoes	72.4	74.6	85.4	86.9	84.1
Vegetables	70.3	73.0	76.1	77.3	80.6
Fruits and berries	92.5	92.6	94.7	94.8	86.6
Grain	3.9	5.5	6.5	6.5	8.0
Sugarbeets	0.2	0.4	0.6	0.4	0.6
Meat	15.3	18.0	20.2	23.7	25.5
Milk	31.7	34.7	35.8	39.6	40.9
Eggs	40.8	40.7	42.6	41.6	39.7
	(In percent of end-of-period stocks)				
Live animals					
Cattle	13.0	13.9	15.1	16.2	16.3
Pigs	34.1	36.4	38.6	40.1	40.2
Sheep	59.5	69.7	74.8	82.5	87.3
Horses	13.5	20.3	24.7	29.9	34.9

Source: Data provided by the Ministry of Statistics and Analysis.

1/ Private sector refers to land plots owned or leased by individuals and farms transferred to farmers on the basis of leases.

2/ At comparable 1983 prices.

Table 12. Belarus: Distribution of Agricultural Land by Ownership, 1990 and 1993-96

	1990	1993	1994	1995	1996
(In thousands of hectares)					
Agricultural land	9,414.8	9,353.6	9,346.3	9,338.8	9,332.7
Collective farms	5,594.3	5,693.7	5,665.0	5,657.3	5,664.1
State farms	3,121.7	2,089.3	2,067.4	2,057.3	2,053.8
Of which:					
Sovkhozoes	3,020.8	1,972.6	1,948.3	1,921.6	1,895.3
Land plots utilized by individuals 1/	573.0	927.9	973.5	971.4	975.1
Collective gardens and orchards	27.9	70.2	72.0	79.3	81.9
Private farms 2/	1.3	47.7	52.1	53.1	52.4
Other	96.6	524.8	516.3	520.4	505.4
(As percent of total agricultural land)					
Agricultural land	100.0	100.0	100.0	100.0	100.0
Collective farms	59.4	60.9	60.6	60.6	60.7
State farms	33.2	22.3	22.1	22.0	22.0
Of which:					
Sovkhozoes	32.1	21.1	20.8	20.6	20.3
Land plots utilized by individuals 1/	6.1	9.9	10.4	10.4	10.4
Collective gardens and orchards	0.3	0.8	0.8	0.8	0.9
Private farms 2/	0.0	0.5	0.6	0.6	0.6
Other	1.0	5.6	5.5	5.6	5.4
(Number of units)					
Collective farms 3/	1,641	1,863	1,869	1,865	1,862
State farms 4/	1,705	1,769	1,761	1,771	1,757
Sovkhozoes	866	658	655	650	635
Mezkhoses	45	30	29	28	26
Other agroindustrial enterprises	794	1,081	1,077	1,093	1,096
Private farms 2/	71	2,768	2,961	3,029	2,980
(Average size of farms in hectares)					
Collective farms 3/	3,409	3,056	3,031	3,033	3,042
State farms 4/	1,831	1,181	1,174	1,162	1,069
Private farms	18	17	18	18	18

Source: Data provided by the Ministry of Statistics and Analysis.

1/ Small plots, gardens, and orchards generally smaller than 0.5 hectares, less than 10 percent of which are privately owned.

2/ Refers to property transferred from state and collective farms to individual farmers on the basis of leases. On April 1, 1996 and April 1, 1997, the number of registered private farmers were 3,029 and 2,904 respectively.

3/ Including new collective farming enterprises.

4/ Including agro-industrial enterprises.

Table 13. Belarus: Share of Agricultural Production Sold Through State Procurement Organizations, 1990 and 1993-96

	1990	1993	1994	1995	1996
(In percent of total production)					
Grain	17.6	24.7	30.5	31.4	30.2
Potatoes	16.1	6.1	3.3	1.8	1.7
Sugar beets	89.0	89.3	87.7	60.5	75.2
Vegetables	50.1	15.5	12.1	7.6	4.6
Meat 1/	93.1	81.2	73.9	56.1	55.3
Milk 1/	82.8	66.0	58.6	48.9	49.7
Eggs 1/	49.6	50.8	47.0	46.2	49.2

Source: Data provided by the Ministry of Statistics and Analysis.

1/ Excluding amounts used for catering or sold at farmers' markets.

Table 14. Belarus: Production and Consumption of Energy, 1992-97 (April)

	1992	1993	1994	1995	1996	1997 Jan.-Apr.
Production						
Electricity (million Kwh)	37,595	33,369	31,397	24,918	23,728	8,922
Natural gas (million m ³)	292	291	294	266	249	82
Crude Oil ('000 tons)	2,000	2,005	2,000	1,932	1,860	598
Gasoline ('000 tons)	2,222	1,687	1,744	1,849	1,816	623
Diesel ('000 tons)	4,499	3,316	3,053	3,465	3,170	1,002
Heavy fuel oil ('000 tons)	9,006	6,285	4,962	5,592	4,812	1,591
Import						
Electricity (million Kwh) 1/	9,909	9,610	7,764	10,066	11,144	3,176
Natural gas (million m ³)	17,978	16,305	14,297	13,531	14,345	6,462
Crude Oil ('000 tons)	19,747	12,378	11,300	11,555	10,645	3,385
Gasoline ('000 tons)	168	10	31	53	72	20
Diesel ('000 tons)	33	17	117	24	18	6
Heavy fuel oil ('000 tons)	635	920	614	36	16	10
Export						
Electricity (million Kwh) 1/	3,405	3,605	3,944	2,907	2,601	1
Natural gas (million m ³)	0	0	0	0	0	0
Crude Oil ('000 tons)	1,058	284	250	200	300	50
Gasoline ('000 tons)	317	117	720	551	682	167
Diesel ('000 tons)	1,869	276	1,231	1,711	1,467	180
Heavy fuel oil ('000 tons)	732	95	57	233	901	80
Change in stocks						
Natural gas (million m ³)	16	382	71	43	-7	62
Crude Oil ('000 tons)	18	183	-191	-25	250	-36
Gasoline ('000 tons)	162	-22	39	-82	100	...
Diesel ('000 tons)	230	-18	27	27	148	...
Heavy fuel oil ('000 tons)	118	-47	616	-217	189	-50
Consumption						
Electricity (million Kwh)	44,099	39,374	35,217	32,077	32,271	12,097
Of which:						
Industrial sector (million Kwh)	22,524	18,355	14,993	13,383	14,413	...
Natural gas (million m ³)	18,286	16,978	14,662	13,840	14,587	6,606
Of which:						
For production of heating and electricity (million m ³)	13,278	12,122	11,262	9,903	10,748	...
Crude Oil ('000 tons)	20,707	14,282	12,859	13,262	12,455	3,897
Gasoline ('000 tons) 2/	2,235	1,558	1,094	1,269	1,306	476
Diesel ('000 tons) 2/	2,893	3,039	1,966	1,805	1,869	828
Heavy fuel oil ('000 tons) 3/	9,027	7,063	6,135	5,178	4,116	1,471
Of which:						
For production of heating and electricity (million m ³)	7,434	5,714	5,113	4,238	4,073	...
Losses in distribution 4/						
Electricity (million Kwh)	4,125	4,047	3,837	3,636	3,757	1,459
Natural gas (million m ³)	102	103	126	139	155	...

Source: Data provided by the Ministry of Statistics Analysis.

1/ Data for 1997 do not account for energy overflows.

2/ Data for 1997 do not account for change in stocks.

3/ An additional 595 thousand tons of fuel oil of unknown origin was consumed in 1996.

4/ Included in consumption.

Table 15. Belarus: Sources and Uses of Energy, 1992-97 (April)

	1992	1993	1994	1995	1996	1997 Jan.-Apr.
Total energy (in kilocalories)						
Production	29,992	23,165	20,839	21,574	19,759	6,640
Import	51,345	38,932	34,612	33,471	33,244	12,705
Change in stocks	779	578	750	-367	932	-52
Consumption	75,953	58,195	52,466	50,428	50,160	18,612
Export	6,160	1,708	3,791	4,280	5,113	682
Production of different energy resources (as a percent of total production in kilocalories)						
Electricity	15	18	19	14	15	17
Natural gas	1	1	1	1	1	1
Crude Oil	10	12	14	13	13	13
Gasoline	11	11	12	13	14	13
Diesel	22	21	21	23	23	22
Heavy fuel oil	41	37	33	36	33	34
Imports of different energy resources (as a percent of total imports in kilocalories)						
Electricity 1/	2	3	3	4	4	3
Natural gas	40	48	48	46	50	58
Crude Oil	55	45	47	49	46	38
Gasoline	0	0	0	0	0	0
Diesel	0	0	0	0	0	0
Heavy fuel oil	2	3	2	0	0	0
Consumption of different energy resources (as a percent of total consumption in kilocalories)						
Electricity 1/	7	3	8	8	8	8
Natural gas	28	34	32	32	34	41
Crude Oil	39	35	35	38	36	30
Gasoline	4	4	3	4	4	4
Diesel	6	8	5	5	5	6
Heavy fuel oil	16	17	16	14	13	11
Exports of different energy resources (as a percent of total exports in kilocalories)						
Electricity 1/	7	26	13	8	6	0
Natural gas	0	0	0	0	0	0
Crude Oil	25	24	9	7	8	10
Gasoline	8	19	29	19	19	35
Diesel	44	23	47	58	41	38
Heavy fuel oil	17	8	2	8	25	17
Memorandum items:						
Share of imports in production of:						
Electricity	26	29	25	40	47	36
Share of exports in production of:						
Diesel fuel	42	8	40	49	45	18
Heavy fuel oil	8	2	1	4	20	5
Share of imports in consumption of:						
Electricity	22	64	22	31	35	26
Natural gas	98	96	98	98	96	98
Crude oil	96	87	88	87	85	87

Source: Data provided by the Ministry of Statistics Analysis and the Ministry of Fuel and Energy, and Fund staff estimates.

1/ Data for 1997 do not account for energy overflows.

2/ Data for 1997 do not account for change in stocks.

3/ An additional 595 thousand tons of fuel oil of unknown origin was consumed in 1996.

4/ Included in consumption.

Table 17. Belarus: Changes in Administered Prices of Household Services, 1996-97 (March)

	1996												1997			annual change		
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Dec. '94	Dec. '95	Dec. '96
	(Changes in percent)												Dec. '93	Dec. '94	Dec. '95			
Utilities																		
Rent					1.9	0.7	3.3	2.1		2.0	1.3	1.6				400.0	13,521.0	13.5
Water					1.9	0.7	3.3	2.1		2.0	1.3	1.6				300.0	5,090.0	13.5
Sewage					1.9	0.7	3.3	2.1		2.0	1.3	1.6				300.0	5,090.0	13.5
Heating					1.9	0.7	3.3	2.1		2.0	1.3	1.6				1,400.0	1,360.0	13.5
Hot water					1.9	0.7	3.3	2.1		2.0	1.3	1.6				1,400.0	1,360.0	13.5
Electricity																		
City dwellers																		
Rural dwellers																		
Urban transport	100.0															3,900.0	275.0	100.0
Commuter transport	25.0			11.0		18.0										1,017.0	404.0	87.0
Energy																		
Crude oil		7.0		5.0		5.1			14.1			18.7				1,314.0	33.0	59.7
Natural gas 1/	-9.0			4.4	4.1	7.9	1.0	6.0	2.1	1.8	4.1	5.4				1,178.0	32.0	32.8
Gasoline 2/																		
Unleaded AI-76				5.0		5.1			8.8			15.5				1,620.0	19.0	52.9
Leaded AI-93				5.0		5.1			8.8			14.7				1,767.0	19.0	55.3
Diesel fuel 2/	-8.0	4.0		5.0		5.1			8.8			12.3				1,774.0	18.0	40.0
Fuel oil 2/		7.0		5.0		5.1			14.1			16.7				1,563.0	12.0	56.8
Electricity (industrial tariff):																		
Use above 750 Kwa	-2.0				4.1	7.9	1.0	6.0	2.1	2.4	8.2	5.4				2,006.0	35.0	52.9
Use below 750 Kwa	-2.0				4.1	7.9	1.0	6.0	2.1	2.4	8.2	5.4				1,812.0	36.0	46.5
Heating (industrial users)	-1.0			-8.0	4.1	7.9	1.0	6.0	52.1	2.3	-2.5	5.4				1,149.0	78.0	18.5
Memorandum items:																		
Crude oil (1000 Rbl/ton)	863	920	920	968	977	1,017	1,017	1,017	1,160	1,160	1,160	1,377				1,314.0	33.0	59.7
Natural gas (Rbl/m ³)	814	814	814	850	884	954	964	1,021	1,043	1,062	1,105	1,164				1,178.0	32.0	32.8
Inflation rate (percent)	5.6	4.0	2.0	1.5	0.6	2.3	2.0	1.3	1.8	1.3	3.9	7.4				1,957.0	244.2	39.1

Source: Data provided by the Ministry of Economy, Price Department, and Fund staff estimates.

1/ Domestic resale.

2/ For preferred users.

Table 18. Belarus: Tariffs and Cost Coverage for Households
January 1, 1995 to April 1, 1997

	January 1, 1995			January 1, 1996			January 1, 1997			April 1, 1997		
	Unit Tariff 1/ (Rbl)	Tariff 2/ (Rbl)	Cost Coverage (percent)	Unit Tariff 1/ (Rbl)	Tariff 2/ (Rbl)	Cost Coverage (percent)	Unit Tariff 1/ (Rbl)	Tariff 2/ (Rbl)	Cost Coverage (percent)	Unit Tariff 1/ (Rbl)	Tariff 2/ (Rbl)	Cost Coverage (percent)
Rent 3/	7	198	2	899	26,970	36	1,155	34,638	47	1,020	30,600	30
Heating	213	6,380	4	3,105	93,150	68	3,993	119,784	61	4,057	121,710	28
Water	6	163	2	314	8,478	28	405	10,930	33	474	12,798	23
Sewage	6	160	2	309	8,343	32	398	10,743	40	466	12,582	27
Hot water	638	1,914	9	9,314	27,942	57	11,977	35,932	51	12,169	36,507	16
Radio	800	800	65	1,300	1,300	75	...	...	...	4,000	4,000	100
Telephone	5,000	5,000	53	24,000	24,000	100	...	...	...	30,000	30,000	83
TV antenna	140	140	50	1,300	1,300	70	...	...	...	2,800	2,800	85
Gas	660	1,980	9	3,569	10,707	54	4,222	12,666	72	7,275	21,825	50
Electricity	70	10,530	26	280	48,000	73	280	48,000	52	429	73,500	47
Total	...	27,265	9.2	...	250,190	59	...	...	...	...	346,322	31
Winter 4/	...	20,885	17.2	...	157,040	58	...	...	...	...	224,612	34
Summer 5/	...	24,075	11.5	...	203,615	59	...	...	...	...	285,467	32
Average	...	20,803	8	...	179,799	63	...	216,382	58	...	253,542	33
Memorandum Item:	...	20,803	8	...	179,799	63	...	216,382	58	...	253,542	33
Energy utilities 6/	...	20,803	8	...	179,799	63	...	216,382	58	...	253,542	33

Sources: Data provided by the Ministry of Housing and Communal Services and Ministry of Economy, Price Department, and Fund staff estimates.

- 1/ Per square meter for rent and heating; per cubic meter for water and sewage; per person for hot water and gas; per Kwh for electricity; and per household for radio, telephone and TV antenna.
- 2/ The following assumptions are made to calculate rent and tariffs: 1) the area of the two-bedroom apartment is 30 square meters; and 2) each person consumes 9 cubic meters of water and 50 kwh of electricity per month.
- 3/ On December 1, 1996, a garbage disposal fee was introduced and is reflected in the higher rent.
- 4/ Including all services.
- 5/ Excluding heating.
- 6/ Including heating, hot water, electricity, and gas.

Table 19. Belarus: Average Monthly Wages, 1992-96
(In rubels)

	1992	1993	1994	1995	1996
	(Annual survey) 1/				
Total	507	6,121	98,203	755,129	1,212,157
(Excluding collective farms)	529	6,369	104,275	803,141	1,287,374
Banks and insurance	906	12,902	214,865	1,612,084	2,206,532
Administration	552	7,587	124,837	1,192,259	1,749,663
Information and computing services	397	5,557	94,984	959,781	1,513,121
Construction	646	8,183	135,245	1,048,468	1,474,191
Transport	566	7,119	115,385	935,745	1,462,602
Industry	603	7,072	119,917	861,856	1,366,422
Science	449	5,876	96,880	815,598	1,353,925
Communication	482	6,076	94,679	919,400	1,351,527
Municipal housing authority	461	5,351	86,685	752,864	1,203,367
Health	423	4,871	80,105	651,907	1,117,562
Forestry	468	5,080	75,628	727,899	1,099,660
Trade and catering	393	5,410	86,301	607,429	1,070,314
Education	420	4,820	78,810	594,554	1,015,356
Culture	367	4,323	66,707	517,685	893,280
Arts	367	4,469	68,246	516,556	859,082
Agriculture 2/	395	4,750	82,780	468,313	757,694
Memorandum item:					
Collective farms	379	4,568	59,122	436,762	693,174
	(Increase from previous year)				
Total	838	1,107	1,504	669	61
(Excluding collective farms)	862	1,104	1,537	670	60
Banks and insurance	953	1,324	1,565	650	37
Administration	886	1,274	1,546	855	47
Information and computing services	635	1,300	1,609	910	58
Construction	1,049	1,167	1,553	675	41
Transport	893	1,158	1,521	711	56
Industry	905	1,073	1,596	619	59
Science	602	1,209	1,549	742	66
Communication	884	1,161	1,458	871	47
Municipal housing authority	948	1,061	1,520	769	60
Health	840	1,052	1,545	714	71
Forestry	940	985	1,389	862	51
Trade and catering	736	1,277	1,495	604	76
Education	900	1,048	1,535	654	71
Culture	795	1,078	1,443	676	73
Arts	620	1,118	1,427	657	66
Agriculture 2/	740	1,103	1,222	646	62
Memorandum item:					
inflation	971	1,190	2,221	709	53

Source: Data provided by the Ministry of Statistics.

1/ Average monthly wage of workers for 1992-95 provided the basic annual data observations for full-year accounting of enterprises; for 1996, basic monthly data observations are used from January to December, excluding very small businesses. Data calculated using full-year denominator. Wages are ranked by their level in 1996.

Table 20. Belarus: Price and Wage Developments, 1992-97 (January-April)
(Percentage change from previous period; period average unless otherwise indicated)

	1992	1993	1994	1995	1996				1997 Q1	1997 Jan-Apr 1/	
					Q1	Q2	Q3	Q4			Year
Consumer prices 2/ Change at end of period	969 1,559	1,188 1,996	2,220 1,960	709 244	13 12	5 5	5 5	8 13	53 39	27 26	55 31
Goods	1,553	1,979	1,936	220	12	5	6	9	51	22	28
Food	1,933	2,149	2,109	213	12	5	6	10	50	24	29
Nonfood	1,239	1,766	1,566	259	8	5	4	8	52	17	24
Services	1,630	2,206	2,241	477	14	7	5	4	67	27	37
Industrial producer prices 2/ 3/	2,327	1,536	2,171	499	8	3	8	8	37	37	69
Change end of period	3,275	2,316	1,867	140	6	5	9	10	32	41	49
Industrial goods	4,343	2,450	1,848	115	4	5	10	7	29	49	59
Consumer goods	1,937	2,006	1,921	194	9	4	6	15	39	26	30
Minimum wage (end of period)	1438	900	900	200					67		
Average monthly wage 2/ 4/	838	1,107	1,504	769	9	11	12	5	58	23	66
Real wage 2/ 4/	-12	-6	-31	-5	-4	6	6	4	13	-9	7
Memorandum items:											
Average monthly wage (in rubels)	507	6,121	98,203	755,129	1,010,933	1,127,000	1,261,733	1,327,250	1,181,729	1,632,767	1,699,250
Minimum wage (in rubels, end of period)	200	2,000	20,000	60,000	100,000	100,000	100,000	100,000	100,000	130,000	150,000
Real average monthly wage index (1992=100)	100	86	59	56	54	57	61	59	59	57	58

Sources: Data provided by the Ministry of Statistics and Analysis; and Fund staff estimates.

1/ End-of-period changes from end-December to end-April, unless otherwise indicated.

2/ For January-April 1997, first four months over the same period the previous year.

3/ Data for 1995 are based on a Laspeyres formula.

4/ Percent change relative to the previous period.

Table 21. Belarus: Labor Market Indicators, 1992-97 (Jan-April)
(In thousands of persons)

	1992	1993	1994	1995	1996	1997 Jan-Apr.
Employment 1/	4,887	4,824	4,696	4,405	4,360	4178
Job leavers	829	705	721	799	769	228
Jobs taken up	678	628	551	585	678	227
Number of unemployed at the end of the period 2/						
Officially recognized	24	66	101	131	182	173
Of which: benefit recipients	20	35	52	69	85	81
Activity of the Employment Bureau						
Applications from job seekers	37	158	173	192	256	81
Placements	8	76	81	82	111	46
Vacancies	18	13	18	11	16	22
Unemployment rate (in percent) 3/	0.5	1.4	2.1	2.7	3.9	3.7
Of which: benefit recipients (in percent)	0.4	0.7	1.1	1.4	1.8	1.7
Memorandum items:						
						(in percent)
Labor force participation rate 4/	50.3	49.8	48.6	45.9	44.7	...
Economically-active population as share of working age population 5/	90.6	89.9	87.5	82.4	79.8	...
Economically active population 6/	4,912	4,892	4,797	4,527	4,537	4,339
Share of women in the labor force 7/	51.1	51.0	51.6	52.3	...	...
Share of women in total number of unemployed	81.4	66.3	63.7	64.3	63.8	...

Sources: Data provided by the Belarussian authorities; and Fund staff calculations.

1/ Average employment during the year for annual data; end of period data for April 1997.

2/ Unemployed is any able-bodied person without a job other than: those engaged in business, those being educated at educational institutions or serving in the army. The definition was widened in 1993.

3/ Number of registered unemployed expressed as a percentage of the economically active population.

4/ Defined as the economically active population in percent of total population.

5/ Working-age population is any person fit to work older than 16 and younger than the retirement age.

6/ The economically active population is defined as the working-age population minus those not searching for employment because they are in the military, students, ministers, women taking maternity leave or caring for children of less than three years of age.

7/ Excluding collective farms.

Table 23. Belarus: Money Income and Expenditures of Population, 1995-97 (April)
(in billions of rubels)

	1995	1996	<u>1997</u> (Jan-Apr)
Money Incomes	76,487	131,755	60,992
Salaries and Wages of Workers and employees of collective farms	40,271	66,309	29,032
Remuneration from sales of agricultural products	1,800	2,812	732
Pensions, benefits and scholarships	13,015	21,224	10,430
Receipts from financial system	2,472	3,034	1,952
Revenues of population from officially unaccounted business and other activities	18,930	38,376	18,847
Expenditures	73,745	129,577	60,157
Consumption of Goods and Payments for Services	52,389	94,279	44,636
Taxes and other obligatory payments and voluntary contributions	4,598	8,240	3,850
Accumulation of savings in deposits, securities and foreign currency purchases	16,759	27,058	11,670
Unallocated Income	2,742	2,178	835
	(as a percent of income)		
Wages, salaries and other incomes	53	50	48
Unaccounted business and other activities	25	29	31
Savings rate 1/	23	22	20

Source: Data provided by the Ministry of Statistics, Ministry of Economy and staff estimates.

1/ Accumulation of savings, securities and foreign currency purchases as a percent of money income net of taxes and other obligatory and voluntary payments.

Table 24. Belarus: Enterprise Profits and Losses, 1992-97 (Q1)

	1992	1993	1994	1995	1996	1996 (Q1)	1997 (Q1)
Profitability of profitable enterprises 1/							
Total economy	22.1	17.4	20.7	9.9	9.7	7.2	8.8
Industry	29.1	22.7	29	10.1	10.5	8.5	10.7
Of which:							
Power generation	21.3	-1.3	3.9	-0.8	2.7	...	-2.8
Refineries	21.7	30.9	30.9	18.1	24.4	25.4	19.5
Ferrous metallurgy	62.2	31.1	38.6	8	11.9	10.5	7.5
Chemicals	45.2	39.1	40.2	13.9	10.4	7.0	12.5
Petrochemicals	23.4	22.9	14.6	1.7	9.4	8.4	18.3
Machine building	27.3	22.9	38.5	9.2	9.1	5.7	13.7
Wood and paper	34.6	33.1	40.7	16.9	13.1	11.8	18.8
Construction materials	21.7	16.4	17.9	11.4	6.4	0.5	2.6
Light industry	36.6	35.4	43.6	11.7	11.2	8.4	16.2
Food industry	16.7	13.8	14.6	11.7	12.5	9.6	10.9
Agriculture							
Collective farms	21.2	9.4	12.9	18.2	13.4	17.1	18.3
State farms	9.3	7.5	12.1	11.8	10.5	10.9	16.3
Number of loss-making enterprises 2/							
Total	379	502	618	1,571	1,737	2,677	2,667
of which:							
Industry	10	42	46	192	324	441	389
Agriculture 3/	65	128	179	380	430	550	641
Loss-making enterprises (shares - in percent of total within category)							
Total economy	4.8	6.2	7.3	17.9	18.4	29.4	31.5
Industry	0.7	2.9	3.1	11.6	17.6	25.1	19.7
Of which:							
Power generation	...	20.0	100.0	25.0	...	...	50.0
Refineries	...	...	...	...	...	7.3	12.2
Ferrous metallurgy	...	...	...	...	...	...	...
Chemicals	...	...	2.9	9.1	11.1	...	8.1
Petrochemicals	...	...	...	9.1	...	...	10.0
Machine building	...	0.6	1.8	10.2	13.4	22.5	15.5
Wood and paper	...	...	...	8.7	9.1	13.1	9.7
Construction materials	...	5.3	13.2	19.1	33.8	42.9	43.7
Light industry	...	9.7	0.9	18.5	39.0	41.5	28.9
Food industry	...	1.3	2.5	8.2	9.8	21.9	20.4

Source: Data provided by the Department of Statistics and Analysis, Ministry of Statistics.

1/ Profitability is defined as as profits from sales as percent of cost of sold products. With the exception of power generation, enterprises in this sample are those with a profitability greater than zero.

2/ Losses are taken from the financial balance sheets of enterprises, unlike profits, which are calculated in from aggregate-level enterprise data..

3/ Includes state farms and collective farms.

Table 26. Belarus: Interenterprise Arrears, 1992-97 (Q1)
(end-of-period stocks in actual current prices)

	1995	1996	1997 (Q1)	1995	1996	1997 (Q1)
	(in billions of rubels)			(in percent of GDP)		
Overdue accounts receivable						
Total	18,217	31,200	38,500	15.2	17.4	15.0
Industry	5,242	14,500	16,700	4.4	8.1	6.5
Agriculture	499	700	800	0.4	0.4	0.3
Construction	1,041	1,400	1,300	0.9	0.8	0.5
Transport	6,373	9,100	11,200	5.3	5.1	4.4
Communications	...	...	...	...	...	...
Trade and public catering	343	300	300	0.3	0.2	0.1
Supply and sales	497	600	600	0.4	0.3	0.2
Storage	...	...	...	...	...	...
Housing and communal services	4,212	4,400	7,200	3.5	2.4	2.8
Consumer goods	...	...	...	...	...	...
Overdue accounts payable 1/						
Total	24,327	33,600	40,100	20.3	18.7	15.6
Industry	8,032	18,900	20,500	6.7	10.5	8.0
Agriculture	1,649	4,000	4,600	1.4	2.2	1.8
Construction	848	1,200	1,300	0.7	0.7	0.5
Transport	6,575	3,500	4,700	5.5	1.9	1.8
Communications	...	...	...	...	...	...
Trade and public catering	808	1,000	1,100	0.7	0.6	0.4
Supply and sales	314	600	900	0.3	0.3	0.4
Storage	...	...	...	...	...	...
Housing and communal services	6,014	4,400	6,900	5.0	2.4	2.7
Consumer goods	...	...	...	...	...	...
Memorandum Item:						
GDP (billions of rubels) 2/	...	...	...	119,823	179,820	256,923

Source: Data provided by the Ministry of Statistics and Analysis; and staff estimates.

1/ Overdue accounts payable only include overdue payments to the republican and local governments, workers, and to other entities for goods and services.

2/ GDP for January-April 1997 is annualized.

Table 27. Belarus: Sectoral Distribution of Energy Debts^{1/} of Enterprises, 1995-97 (April)
(In billions of rubels)

	January 1, 1995			January 1, 1996			January 1, 1997			April 1, 1997							
	Total	Gas	Oil Electricity	Total	Gas	Oil Electricity	Total	Gas	Oil Electricity	Total	Gas	Oil Electricity					
Domestic debts	5,280	3,937	317	826	13,754	10,102	221	2,931	23,537	15,208	401	7,394	31,438	18,898	4	10,858	
Industry	3,293	2,171	209	745	7,841	5,380	29	2,315	13,805	7,829	32	5,823	18,992	10,111	4	8,295	
Agriculture	66	22	5	30	506	112	28	301	1,354	251	32	1,004	2,091	418	0	1,584	
Transportation, including pipelines	17	0	9	8	88	3	4	80	117	3	2	108	191	5	0	172	
Communications	2	0	0	1	0	0	0	0	2	0	0	2	1	0	0	1	
Construction	16	4	1	9	51	11	1	34	77	14	2	53	124	22	0	86	
Trade and public catering	3	0	0	3	7	1	1	5	65	0	0	63	16	0	0	13	
Supply and sale	103	4	92	0	429	9	154	11	519	3	320	11	778	4	0	17	
Housing and communal services	1,776	1,737	2	25	4,820	4,584	4	175	7,583	7,107	13	317	9,222	8,337	0	668	
Other	4	0	0	5	12	2	0	10	15	1	0	13					
Foreign debts	4,700	4,314	30	331	6,838	6,487	118	234	3,854	3,257	102	493	5,583	4,374	86	1,082	
Industry	366	4	26	331	352	1	117	234	593	0	90	492	1,189	0	86	1,082	
Agriculture	0	0	0	0	...	...	...	...	0	0	0	0	0	0	0	0
Transportation, including pipelines	4,309	4,309	0	0	6,486	6,486	0	0	3,257	3,257	0	0	4,374	4,374	0	0	
Communications	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Construction	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Trade and public catering	24	0	4	0	0	0	0	0	1	0	0	1	0	0	0	0	
Supply and sale	0	0	0	0	0	0	0	0	2	0	2	-	2	0	0	0	
Housing and communal services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Domestic debts by sector																	
					(as a percent of domestic debts, total and by type of energy)												
Industry	62	55	66	90	57	53	13	79	59	51	8	79	60	54	100	76	
Agriculture	1	1	1	4	4	1	13	10	6	2	8	14	7	2	0	15	
Foreign debts by sector																	
									(as a percent of foreign debts, total and by type of energy)								
Industry	8	0	87	100	5	0	99	100	15	0	88	100	21	0	100	100	
Transportation, including pipelines	92	100	0	0	95	100	0	0	85	100	0	0	78	100	0	0	
Memorandum Items:									(percent of GDP) 1/								
Domestic Energy debts	30	22	2	5	11	8	0	2	13	8	0	4	13	8	0	4	
Foreign Energy debts	26	24	0	2	6	5	0	0	2	2	0	0	2	2	0	0	

Source: Data provided by the Ministry of Statistics and Analysis.

1/ These debts are not necessarily overdue.

2/ January-April's GDP is annualized.

Table 28. Belarus: Summary of General Government Operations, 1992-97 (April)

	1992	1993	1994	1995	1996	1997		
						Budget	Q1 Estimate	Jan.-Apr. Estimate
(In billions of rubels)								
State Budget								
Revenue	30	361	6,493	35,018	50,074	59,744	17,716	25,792
Expenditure	32	395	7,244	37,957	53,265	67,196	16,930	24,570
Balance	-2	-34	-751	-2,939	-3,191	-7,452	786	1,221
Social Funds								
Revenue	9	109	1,708	13,023	20,275	27,223	7,046	9,393
Expenditure	8	109	1,562	12,944	19,976	27,518	6,717	8,951
Balance	1	-1	146	79	300	-296	330	442
Extrabudgetary Funds								
Revenue	3	70	486	4,411	6,351	7,747	2,433	3,428
Expenditure	2	57	447	4,057	6,519	8,848	2,042	2,993
Balance	1	13	40	354	-168	-1,101	391	435
General Government 1/								
Revenue	42	535	8,463	51,203	75,410	92,792	26,757	38,030
Taxes on income and profits	10	133	2,465	11,634	12,678	15,950	4,285	6,080
Social security and payroll taxes	12	126	1,737	14,219	21,985	27,642	7,354	9,766
Taxes on goods and services	15	178	3,209	15,350	24,259	29,245	9,582	13,959
Other revenue	6	97	1,052	9,999	16,488	19,956	5,535	8,226
Expenditure	42	554	8,916	53,440	78,370	100,244	25,675	36,438
Interest payments	1	8	77	961	1,252	2,351	390	658
Subsidies	8	156	1,131	4,078	5,379	4,537	1,726	2,537
Social protection	9	117	1,998	15,434	22,954	31,691	7,677	10,400
Education and health	8	104	1,973	12,415	20,601	25,726	6,502	9,495
Defense	2	26	302	1,734	2,875	2,707	872	1,519
Lending	...	12	416	1,928	599	...	28	252
Other expenditure and adjustment 2/	14	130	3,018	16,890	24,711	33,233	8,480	11,577
Balance (cash basis)	...	-18	-452	-2,237	-2,960	-7,452	1,082	1,592
Financing	...	18	452	2,237	2,960	7,452	-1,082	-1,592
Foreign financing, net	...	9	-154	-589	96	...	25	-12
Domestic financing	...	8	554	2,518	2,857	6,942	-1,132	-1,603
Banking system	...	8	554	2,518	2,857	4,400	-1,132	-1,603
Other domestic 3/	...	...	...	...	...	2,542	...	...
Privatization receipts	...	1	53	307	7	510	26	23
Memorandum item:								
Expenditure arrears (end-period)	...	...	...	2,510	4,237	...	...	...

Source: Data provided by the Belarussian authorities; and staff estimates.

1/ Total of State Budget, Social Funds, and Extrabudgetary Funds, excluding interbudgetary transfers.

2/ Adjustments include changes in expenditure arrears, cash adjustments for changes in deposits of budgetary organizations and extrabudgetary funds, and financing discrepancy between above-the-line and below-the-line items.

3/Consisting of government securities.

Table 29. Belarus: Summary of General Government Operations, 1992-97(April)
(in percent of GDP)

	1992	1993	1994	1995	1996	1997		
						Budget	Q1 Estimate	Jan.-Apr. Estimate
State Budget								
Revenue	32.2	36.6	36.4	29.2	27.8	26.6	29.0	30.1
Expenditure	34.4	40.0	40.7	31.7	29.6	29.9	27.7	28.7
Balance	-2.2	-3.4	-4.2	-2.5	-1.8	-3.3	1.3	1.4
Social Funds								
Revenue	10.4	11.1	9.6	10.9	11.3	12.1	11.5	11.0
Expenditure	8.9	11.1	8.8	10.8	11.1	12.2	11.0	10.5
Balance	1.5	-0.1	0.8	0.1	0.2	-0.1	0.5	0.5
Extrabudgetary Funds								
Revenue	3.4	7.1	2.7	3.7	3.5	3.4	4.0	4.0
Expenditure	2.7	5.7	2.5	3.4	3.6	3.9	3.3	3.5
Balance	0.7	1.3	0.2	0.3	-0.1	-0.5	0.6	0.5
General Government 1/								
Revenue	46.0	54.3	47.5	42.7	41.9	41.2	43.8	44.4
Taxes on income and profits	10.8	13.5	13.8	9.7	7.1	7.1	7.0	7.1
Social security and payroll taxes	12.9	12.8	9.8	11.9	12.2	12.3	12.0	11.4
Taxes on goods and services	15.9	18.1	18.0	12.8	13.5	13.0	15.7	16.3
Other revenue	6.4	9.9	5.9	8.3	9.2	8.9	9.1	9.6
Expenditure	46.0	56.2	50.0	44.6	43.6	44.6	42.0	42.5
Interest payments	0.7	0.8	0.4	0.8	0.7	1.0	0.6	0.8
Subsidies	9.2	15.8	6.3	3.4	3.0	2.0	2.8	3.0
Social protection	10.3	11.9	11.2	12.9	12.8	14.1	12.6	12.1
Education and health	8.8	10.5	11.1	10.4	11.5	11.4	10.6	11.1
Defense	1.6	2.6	1.7	1.4	1.6	1.2	1.4	1.8
Lending	0.2	1.2	2.3	1.6	0.3	...	...	0.3
Other expenditure	15.2	15.8	16.8	15.3	14.0	15.4	13.7	14.3
Other expenditure and adjustm. 2/	15.2	13.2	16.9	14.1	13.7	14.8	13.9	13.5
Balance (cash basis)	...	-1.9	-2.5	-1.9	-1.6	-3.3	1.8	1.9
Financing	...	1.9	2.5	1.9	1.6	3.3	-1.8	-1.9
Foreign financing, net	...	0.9	-0.9	-0.5	0.1	...	...	...
Domestic financing	...	0.9	3.1	2.1	1.6	3.1	-1.9	-1.9
Banking system	...	0.9	3.1	2.1	1.6	2.0	-1.9	-1.9
Other domestic	...	...	...	...	...	1.1	...	...
Privatization receipts	...	0.1	0.3	0.3	...	0.2	...	...
Memorandum items:								
Expenditure arrears (end-period)	...	...	...	2.1	2.4	...	...	...
Nominal GDP (Rbl. billion)	92	986	17,815	119,813	179,819	225,000	61,126	85,641

Source: Data provided by the Belarussian authorities; and staff estimates.

1/ Total of State Budget, Social Funds, and Extrabudgetary Funds, excluding interbudgetary transfers.

2/ Adjustments include changes in expenditure arrears, cash adjustments for changes in deposits of budgetary organizations and extrabudgetary funds, and financing discrepancy between above-the-line and below-the-line items.

Table 30. Belarus: State Budget, 1992-97 (April)
(In billions of rubels)

	1992	1993	1994	1995	1996	1997		
						Budget	Q1	Jan.-Apr.
Revenue	30	361	6493	35018	50074	59744	17716	25795
Taxes on income and profits	10	133	2465	11634	12678	15950	4285	6080
Individual income tax	2	26	473	3300	5297	6815	1884	2686
Profit taxes	8	108	1992	8334	7381	9135	2401	3394
Chernobyl surcharge	3	28	319	2753	3821	3883	1106	1444
Taxes on property	--	5	104	1202	1868	2509	800	1275
Domestic indirect taxes	14	153	2613	13337	20872	24951	8048	11672
VAT	11	100	1780	9934	14284	17775	5440	7867
Excises	3	44	688	2806	6336	7176	2606	3805
Fuel tax	1	9	145	597	252	--	1	-3
Taxes on international trade	--	25	596	2013	3387	4293	1535	2290
Other taxes	--	1	18	267	453	856	169	220
Nontax revenue	2	16	378	3812	6995	7301	1773	2814
Expenditure	32	395	7244	37957	53265	67196	17716	25795
Interest payments	1	8	77	961	1252	2351	390	658
Interest on domestic debt	1	3	15	180	840	1570	302	383
Interest on foreign debt	--	5	62	781	412	780	88	274
Subsidies	6	83	1131	4078	5379	4537	1726	2537
Price differentials	...	33	367	1219	1048	569	351	504
State subsidies	...	24	486	1476	1430	652	388	516
Agricultural subsidies	...	14	222	1264	2800	2783	908	1396
Other subsidies	...	12	55	119	101	533	78	121
Transfers to other budgets	...	5	224	1249	1178	1501	345	457
Transfers to households	4	54	436	2490	2978	4173	961	1449
Education	5	58	1038	6644	11199	14013	3638	5346
Health	3	46	935	5770	9402	11713	2864	4149
Expenditure related to Chernobyl	4	40	492	3002	4165	3633	1628	2215
Expenditure state reserves	...	5	134	835	668	670	489	573
Capital expenditure	2	24	310	1558	2135	6502	932	1598
Lending minus repayments	--	12	416	1928	4	-1,100	-245	-65
Other expenditure and adjust. 1/	6	59	2050	9440	14905	18103	4743	6814
Balance (cash basis)	2	-34	-751	-2,939	-3,191	7,452	786	--
Financing	2	34	751	3541	3191	7452	786	-1,221
Foreign financing, net	--	.9	-154	-589	96	--	25	-12
Domestic financing, net	2	24	853	3541	3095	7452	-811	-1,210
Banking system, net	2	24	853	3234	3088	4400	-836	-1,233
Monetary authorities	...	...	226	3234	2752	3400	-280	215
Of which: EU disbursements 2/	--	--	--	2	...	...	...	...
Banks	...	...	627	-14	336	1000	-557	-1,448
Of which: securities 3/	...	...	...	632	1310	2100	197	254
Other domestic financing 3/	--	--	--	--	--	2542	--	--
Privatization receipts	--	1	53	307	7	510	26	23

Sources: Data provided by the Belarussian authorities; and staff estimates.

1/ Adjustments include expenditure arrears and the discrepancy between above- and below-the-line items.

2/ European Union loans are to the NBB and become domestic credits to the budget.

3/ Nonbank holdings of government securities are included under bank financing.

Table 31. Belarus: State Budget, 1992-97 (April)
(In percent of GDP)

	1992	1993	1994	1995	1996	1997		
						Budget	Q1	Jan.-Apr.
Revenue	32.2	36.6	36.4	29.2	27.8	26.6	29.0	30.1
Taxes on income and profits	10.8	13.5	13.8	9.7	7.1	7.1	7.0	7.1
Individual income tax	2.4	2.6	2.7	2.8	2.9	3.0	3.1	3.1
Profit taxes	8.4	10.9	11.2	7.0	4.1	4.1	3.9	4.0
Chemobyl surcharge	2.7	2.8	1.8	2.3	2.1	1.7	1.8	1.7
Taxes on property	--	0.5	0.6	1.0	1.0	1.1	1.3	1.5
Domestic indirect taxes	15.6	15.6	14.7	11.1	11.6	11.1	13.2	13.6
VAT	12.0	10.1	10.0	8.3	7.9	7.9	8.9	9.2
Excises	2.8	4.5	3.9	2.3	3.5	3.2	4.3	4.4
Fuel tax	0.8	1.0	0.8	0.5	0.1	--	--	--
Taxes on international trade	--	2.5	3.3	1.7	1.9	1.9	2.5	2.7
Other taxes	--	0.1	0.1	0.2	0.3	0.4	0.3	0.3
Nontax revenue	2.4	1.6	2.1	3.2	3.9	3.2	2.9	3.3
Expenditure	34.4	40.0	40.7	31.7	29.6	29.9	29.0	30.1
Interest payments	0.7	0.8	0.4	0.8	0.7	1.0	0.6	0.8
Interest on domestic debt	0.7	0.3	0.1	0.2	0.5	0.7	0.5	0.4
Interest on foreign debt	--	0.5	0.3	0.7	0.2	0.3	0.1	0.3
Subsidies	7.0	8.4	6.3	3.4	3.0	2.0	2.8	3.0
Price differentials	--	3.3	2.1	1.0	0.6	0.3	0.6	0.6
State subsidies	--	2.5	2.7	1.2	0.8	0.3	0.6	0.6
Agricultural subsidies	--	1.4	1.2	1.1	1.6	1.2	1.5	1.6
Other subsidies	--	1.2	0.3	0.1	0.1	0.2	0.1	0.1
Transfers to other budgets	--	0.5	1.3	1.0	0.7	0.7	0.6	0.5
Transfers to households	4.4	5.5	2.4	2.1	1.7	1.9	1.6	1.7
Education	5.2	5.9	5.8	5.5	6.2	6.2	6.0	6.2
Health	3.6	4.7	5.2	4.8	5.2	5.2	4.7	4.8
Expenditure related to Chernobyl	4.4	4.1	2.8	2.5	2.3	1.6	2.7	2.6
Expenditure state reserves	--	0.5	0.8	0.7	0.4	0.3	0.8	0.7
Capital expenditure	2.2	2.5	1.7	1.3	1.2	2.9	1.5	1.9
Lending minus repayments	--	1.2	2.3	1.6	--	--	--	--
Other expenditure and adjust. 1/	6.8	6.0	11.5	7.9	8.3	8.0	7.8	8.0
Balance (Cash basis)	--	--	--	--	--	--	1.3	--
Financing	2.2	3.4	4.2	3.0	1.8	3.3	--	--
Foreign financing, net	--	0.9	-0.9	-0.5	0.1	--	--	--
Domestic financing, net	2.2	2.4	4.8	3.0	1.7	3.3	--	--
Banking system, net	2.2	2.4	4.8	2.7	1.7	2.0	--	--
Monetary authorities	--	--	1.3	2.7	1.5	1.5	--	0.3
Of which: EU disbursements 2/	--	--	--	--	--	--	--	--
Banks	--	--	3.5	--	0.2	0.4	--	--
of which: securities 3/	--	--	--	0.5	0.7	0.9	0.3	0.3
Other domestic financing 3/	--	--	--	--	--	1.1	--	--
Privatization receipts	--	0.1	0.3	0.3	--	0.2	--	--

Sources: Data provided by the Belarussian authorities; and staff estimates.

1/ Adjustments include expenditure arrears and the discrepancy between above- and below-the-line items.

2/ European Union loans are to the NBB and become domestic credits to the budget.

3/ Nonbank holdings of government securities are included under bank financing.

Table 32. Belarus: Tax Arrears, 1993-97 (Q1)
(In billions of rubels; end of period)

	1993	1994	1995	1996	<u>1997</u> Q1
Total tax arrears	7	180	2,509	3,923	3,969
State budget tax arrears 1/	7	119	1,364	1,722	1,672
Taxes on income and profits	3	62	339	231	346
Personal income tax	...	...	2	...	...
Profit tax	3	62	329	...	...
Enterprise income tax	...	...	7	...	...
Chernobyl tax	1	6	226	215	253
Taxes on property	...	2	126	443	221
Real estate tax	...	2	92	79	135
Land tax	...	...	34	364	86
Domestic taxes on goods and services	3	48	674	833	852
Value-added tax	3	39	531	546	711
Excises	1	7	73	40	45
Fuel tax	...	3	10	10	3
Natural resource tax	...	...	15	75	43
Forestry tax and other taxes	...	...	44	162	50
Taxes on international trade	...	...	...	...	...
Social Protection Fund	...	61	960	1,783	1,822
Fund for Support of Agricultural Producers	...	...	185	418	475
Memorandum items:					
Total tax arrears					
(In percent of GDP)	0.7	1.0	2.1	2.2	...
Deferred taxes 2/	...	...	1	1,419	1,888
Nominal GDP	986	17,815	119,813	179,819	...

Source: Ministry of Finance.

1/ Data are not available for arrears on custom duties and excises on imports.

2/ Tax deferments may be granted by the Ministry of Finance (Republican taxes) or by oblasts and Minsk city (local taxes). Tax deferments carry a penalty of 50 percent of the refinance rate of the National Bank of Belarus (instead of the usual penalty of 150 percent of the refinance rate for tax arrears).

Table 33. Belarus: Social Funds, 1992-97 (April)
(In billions of rubels)

	1992	1993	1994	1995	1996	1997		Jan.-Apr. Estimate
						Budget	Q1	
(In billions of rubels)								
Social Protection Fund								
Revenue	9	105	1,658	12,622	19,687	26,217	6,738	8,962
Expenditure	8	106	1,512	12,679	19,528	26,467	6,593	8,769
Pensions	5	75	991	8,940	15,164	19,685	5,165	6,869
Child allowances	2	10	100	524	914	2,859	329	438
Other expenditure	1	21	421	3,215	3,451	3,923	1,099	1,462
Balance	1	--	146	-57	159	-250	145	193
Employment Fund								
Revenue	--	4	50	401	588	1,006	308	431
Employment fund contributions	--	2	35	278	440	649	151	212
Transfers from state budget	--	--	--	--	--	--	--	--
Other revenue	--	1	15	122	148	357	157	219
Expenditure	--	4	50	265	447	1,051	123	182
Unemployment benefits	--	--	6	61	170	396	53	72
Other expenditure	--	4	44	204	277	655	70	109
Balance	--	--	1	135	141	-46	185	250
Consolidated Social Funds								
Revenue	9	109	1,708	13,023	20,275	27,223	7,046	9,393
Expenditure	8	109	1,562	12,944	19,976	27,518	6,717	8,951
Balance	1	-1	146	79	-300	-296	330	442
Financing	-1	1	-146	-79	-300	--	-330	-442
Domestic	-1	-3	-82	-79	-300	--	-330	-442
Foreign	--	--	--	--	--	--	--	--
<i>Memorandum items:</i>								
Average pension (Rbl '000 per month)	2.7	60.4	86.4	387.2	565.6	...	712.3	718.4
Average wage (Rbl '000 per month)	5.3	63.7	104.3	803.1	1,287.4	...	1,868.5	2,047.1
Average pension/Average wage	0.5	0.9	0.8	0.5	0.4	...	0.4	0.4
(In percent of GDP)								
Social Protection Fund								
Revenue	10.0	10.7	9.3	10.5	10.9	11.7	11.0	10.5
Expenditure	8.7	10.7	8.5	10.6	10.9	11.8	10.8	10.2
Balance	1.4	--	0.8	--	0.1	--	0.2	0.2
Employment Fund								
Revenue	--	0.4	0.3	0.3	0.3	0.4	0.5	0.5
Expenditure	--	0.4	0.3	0.2	0.2	0.5	0.2	0.2
Balance	--	--	--	0.1	0.1	--	0.3	0.3
Consolidated Social Funds								
Revenue	10.4	11.1	9.6	10.9	11.3	12.1	11.5	11.0
Expenditure	8.9	11.1	8.8	10.8	11.1	12.2	11.0	10.5
Balance	1.5	--	0.8	0.1	0.2	--	0.5	0.5

Sources: Data provided by the Belarussian authorities; and staff estimates.

Table 34. Belarus: Extrabudgetary Funds, 1992-97 (April)

	1992	1993	1994	1995	1996	1997		
						Budget	Q1	Jan.-Apr.
							Estimate	
(In billions of rubels)								
State Foreign Exchange Fund								
Revenue	1	46	35	--	--	--	--	--
Expenditure	1	44	25	--	--	--	--	--
Balance	1	3	10	--	--	--	--	--
Price Regulation Fund								
Revenue	--	37	17	--	--	--	--	--
Expenditure	--	33	19	--	--	--	--	--
Balance	--	5	-2	--	--	--	--	--
Road Fund								
Revenue	2	23	434	2,944	3,680	4,647	1,355	1,964
Expenditure	2	25	378	3,059	3,700	5,448	965	1,494
Balance	--	-2	57	-115	-20	-801	390	471
Agricultural Support Fund								
Revenue	--	--	--	1,467	2,470	3,100	1,078	1,464
Expenditure	--	--	--	1,258	2,618	3,400	1,077	1,499
Balance	--	--	--	209	-149	-300	1	-35
Export Support Fund 1/								
Revenue	--	--	--	--	201	--	--	--
Expenditure	--	--	--	--	201	--	--	--
Balance	--	--	--	--	--	--	--	--
Other extrabudgetary funds 2/								
Net expenditure	...	-12	25	116	--	--	--	--
Balance	...	12	-25	-116	--	--	--	--
Consolidated extrabudgetary funds								
Revenue	3	70	486	4,411	6,351	7,747	2,433	3,428
Net expenditure	2	57	447	4,433	6,519	8,848	2,042	2,993
Balance	1	13	40	-22	-168	-1,101	391	435
(In percent of GDP)								
State Foreign Exchange Fund								
Revenue	1.4	4.7	--	--	--	--	--	--
Expenditure	0.8	4.4	--	--	--	--	--	--
Balance	0.6	--	--	--	--	--	--	--
Price Regulation Fund								
Revenue	--	3.8	--	--	--	--	--	--
Expenditure	--	3.3	--	--	--	--	--	--
Balance	--	--	--	--	--	--	--	--
Road Fund								
Revenue	2.1	2.4	2.4	2.5	2.0	2.1	2.2	2.3
Expenditure	1.9	2.5	2.1	2.6	2.1	2.4	1.6	1.7
Balance	--	--	--	--	--	-0.4	0.6	0.5
Agricultural Support Fund								
Revenue	--	--	--	1.2	1.4	1.4	1.8	1.7
Expenditure	--	--	--	1.1	1.5	1.5	1.8	1.8
Balance	--	--	--	0.2	-0.1	-0.1	--	--
Export Support Fund 1/								
Revenue	--	--	--	--	0.1	--	--	--
Expenditure	--	--	--	--	0.1	--	--	--
Balance	--	--	--	--	--	--	--	--
Other extrabudgetary funds 2/								
Net expenditure	...	--	0.1	--	--	--	--	--
Balance	...	1.2	--	--	--	--	--	--
Consolidated extrabudgetary funds								
Revenue	3.4	7.1	2.7	3.7	3.5	3.4	4.0	4.0
Net expenditure	2.7	5.7	2.5	3.7	3.6	3.9	3.3	3.5
Balance	0.7	1.3	0.2	--	--	--	0.6	0.5

Sources: Data provided by the Belarussian authorities; and staff estimates.

1/ The fund operated only in 1996.

2/ Estimates based on balances recorded in banking account data; revenue and expenditure of these funds may have accounted for about 5 percent of GDP.

Table 35. Belarus: General Government Debt, 1992-97 (May)
(In billions of rubels, unless otherwise indicated; end of period)

	1992	1993	1994	1995	1996	1997 May
Total debt, net	290	6,774	16,653	18,576	17,745	24,533
Domestic debt, net 1/	-1	-26	-219	1,223	3,066	316
Republican government	3	-2	242	2,598	6,228	5,862
Local governments	-1	-7	-146	-535	-892	-2,032
Extrabudgetary accounts 2/	-3	-17	-129	-136	-367	-1,129
Budgetary organizations 3/	-	-	-187	-704	-1,903	-2,385
Foreign debt	291	6,800	16,872	17,354	14,679	24,217
<i>Memorandum items:</i>						
Domestic debt (in percent of GDP)	-1.0	-2.6	-1.2	1.0	1.7	...
Foreign debt (millions of U.S. dollars) 4/	570	987	1,592	1,509	947	906
Exchange rate (Rbl/U.S. dollars)	511	6,890	10,600	11,500	15,500	26,730
Nominal GDP	92	986	17,815	119,813	179,819	...

Sources: Data provided by the Belarussian authorities; and staff estimates.

1/ The data are derived from NBB balance sheets; a break in the series occurs in December 1995.

2/ Including social funds.

3/ Cash balances at end of period.

4/ As recorded in the balance of payments; includes IMF. Enterprise debt is generally government guaranteed.

Table 36. Belarus: Monetary Survey, 1995-97 (May)
(in billions of rubels)

	1995	1996				1997		
	Dec.	March	June	Sept.	Dec.	March	April	May
Net Foreign Assets	3,160	2,593	2,798	4,431	3,823	5,810	7,706	7,832
Net Foreign Assets (convertible)1/	3,017	2,516	2,426	3,693	3,312	4,757	5,897	5,693
Foreign Assets	7,345	7,151	7,636	9,330	11,096	17,263	16,630	16,819
Foreign Liabilities	-4,329	-4,635	-5,210	-5,637	-7,785	-12,506	-10,733	-11,126
Net Foreign Assets (nonconvertible)	143	77	372	738	511	1,053	1,809	2,138
Foreign Assets	579	642	867	1,208	1,425	2,175	2,952	3,171
Foreign Liabilities	-436	-565	-495	-471	-914	-1,122	-1,144	-1,033
Net Domestic Assets	14,775	16,676	18,651	20,629	23,514	28,460	29,522	31,172
Net Domestic Credit	18,227	20,254	23,213	25,843	28,896	37,772	39,809	41,158
Net Claims on General Government	4,170	4,020	5,434	5,821	6,914	7,871	7,842	7,304
Net Claims on Central Government	4,170	4,020	5,434	5,813	6,909	7,849	7,817	7,290
Net Claims on Central Government (LC)	1,757	2,247	3,788	3,762	3,958	3,336	3,219	2,347
Net Claims on Central Government (FC)	2,413	1,773	1,647	2,050	2,952	4,513	4,598	4,942
Gross Claims on Local Government (LC)	0	0	0	8	4	21	25	15
Claims on Nonfinancial Public Enterprises	6,659	6,733	7,452	8,611	9,344	12,145	12,958	12,991
Claims on NFPEs (LC)	5,351	5,827	6,106	6,998	7,258	8,700	9,393	9,184
Claims on NFPEs (FC)	1,308	906	1,346	1,612	2,087	3,445	3,565	3,807
Claims on Private Sector	7,398	9,262	10,093	11,172	12,335	17,427	18,626	20,461
Claims on Private Sector (FC)	3,771	4,480	4,650	4,842	4,647	7,066	7,362	7,114
Claims on Nonbank Financial Institutions	0	239	233	240	302	329	383	401
Claims on Nonbank Financial Instit. (LC)	0	195	178	201	272	314	342	367
Claims on Nonbank Financial Instit. (FC)	0	44	55	40	30	15	40	34
Other Items Net	-3,453	-3,577	-4,562	-5,214	-5,381	-9,311	-10,287	-9,985
Restricted Deposits	-407	0	0	0	...	0	0	0
Capital Account	-5,257	-5,093	-5,442	-5,897	-6,678	-7,700	-8,376	-8,375
Interbank Net (Float)	127	-509	-344	-20	252	118	-460	-450
Monetary Authorities Net Claim on DMB	-593	-349	621	612	1,044	3,104	2,649	3,298
Net Claims on DMBS (LC)	-1,102	-943	-117	-279	197	1,565	1,299	2,046
Net Claims on DMBS (FC)	509	594	738	891	847	1,539	1,349	1,252
DMBS' Net Claims on NBB	720	-160	-965	-632	-792	-2,987	-3,108	-3,748
Net Claims on NBB (LC)	960	439	-224	191	-121	-1,674	-2,111	-2,874
Net Claims on NBB (FC)	-240	-599	-741	-822	-670	-1,312	-997	-874
Revaluation Account	-980	-752	-1,268	-1,802	-1,842	-4,671	-4,591	-4,485
Other Items Net (Other)	3,065	2,777	2,491	2,504	2,888	2,943	3,140	3,325
Other Items Net (Other) (NBB)	332	390	397	231	86	392	46	158
Other Items Net (Other) (DMB)	2,733	2,387	2,094	2,273	2,802	2,550	3,094	3,168
Broad Money	17,934	19,270	21,448	25,060	27,337	34,271	37,228	39,004
Currency Outside Banks	3,779	3,989	5,515	5,701	6,199	7,031	7,127	7,898
Domestic Currency Deposits	8,651	0,205	10,590	13,410	14,526	16,368	17,865	18,776
Demand Deposits	6,248	5,880	5,987	8,081	9,509	10,964	12,315	12,844
Time and Savings Deposits	2,404	4,324	4,603	5,329	5,017	5,404	5,550	5,931
Foreign Currency Deposits	5,504	5,076	5,343	5,950	6,612	10,872	12,236	12,330

Source: Data provided by the National Bank of Belarus (NBB).

1/ Excludes Russian rubles.

Table 37. Belarus: Accounts of the National Bank of Belarus, 1995-97(May)
(in billions of rubels)

	1995	1996				1997		
	Dec.	March	June	Sept.	Dec.	March	April	May
Net Foreign Assets	1,206	1,215	681	1,577	925	577	1,277	1,427
Net Foreign Assets (Convertible)1/	1,020	1,191	652	1,355	793	484	639	936
Foreign Assets (Convertible)	4,336	4,889	4,823	6,016	7,272	10,535	8,743	9,258
Foreign Liabilities (Convertible)	-3,316	-3,698	-4,171	-4,661	-6,479	-10,051	-8,105	-8,323
Net Foreign Assets (Nonconvertible)	186	23	29	222	132	93	639	492
Foreign Assets (Nonconvertible)	259	96	102	228	139	100	646	499
Foreign Liabilities (Nonconvertible)	-72	-73	-74	-6	-7	-7	-7	-8
Net Domestic Assets	5,630	5,882	8,014	9,097	11,238	11,912	12,371	13,439
Net Domestic Credit	6,985	7,293	9,962	11,958	14,348	17,737	19,004	19,780
Net Credit to General Government	4,530	4,583	6,251	6,551	7,484	9,351	10,025	9,913
Net Credit to Central Government	4,530	4,583	6,251	6,543	7,484	9,351	10,025	9,913
Net Credit to Central Government (LC)	1,758	1,782	3,052	3,402	3,305	3,272	3,724	3,435
Claims on Central Government (LC)	2,036	2,586	3,746	4,127	4,367	4,717	5,113	5,527
Deposits of Central Government (LC)	-278	-804	-694	-725	-1,062	-1,445	-1,389	-2,092
Net Credit to Central Government (FC)	2,772	2,802	3,198	3,141	4,179	6,079	6,301	6,478
Claims on Central Government (FC)	2,783	2,813	3,212	3,156	4,194	6,394	6,740	7,018
Deposits of Central Government (FC)	-11	-12	-13	-15	-15	-315	-439	-540
Gross Credit to Local Government (LC)	0	0	0	8	0	0	0	0
Claims on Local Government (LC)	0	0	0	8	0	0	0	0
Claims on Nonfinancial Pub. Enterp.	88	65	39	34	112	105	104	103
Claims on NFPE (LC)	67	61	34	28	106	105	104	103
Claims on NFPE (FC)	21	5	5	6	6	0	0	0
Claims on Private Sector	38	3	20	23	32	33	32	31
Claims on Private Sector (LC)	24	3	20	23	32	33	32	31
Claims on Private Sector (FC)	14	0	0	0	0	0	0	0
Claims on Banks	2,329	2,642	3,651	5,350	6,719	8,247	8,843	9,732
Claims on Banks (LC)	1,486	1,827	2,615	3,999	5,278	5,846	6,494	7,261
Claims on Banks (FC)	843	814	1,036	1,351	1,441	2,401	2,350	2,471
Other Items (Net)	-1,355	-1,411	-1,949	-2,861	-3,110	-5,825	-6,633	-6,341
Capital	-637	-1,037	-1,074	-1,219	-1,402	-1,816	-2,367	-2,292
Revaluation Counterpart	-875	-764	-1,272	-1,872	-1,794	-4,401	-4,312	-4,206
Fixed Assets	316	362	401	361	543	724	744	752
Unaccounted Counterpart of UFC	0	0	0	0	0	0	0	0
Restricted Deposits	-174	0	0	0	0	0	0	0
IMF Adjustment Account	-10	-10	-10	-10	-10	-22	-22	-22
Interbank Settlements	-1	41	52	63	0	-2	-13	-7
Intermediation of Securities	0	0	0	0	2,214	2,410	2,490	2,502
Other Assets (Net)	27	-3	-46	-183	-2,660	-2,719	-3,154	-3,066
Reserve Money	6,836	7,097	8,694	10,674	12,163	12,489	13,649	14,867
Currency Issue Outside Banks	3,779	3,989	5,515	5,701	6,199	7,031	7,127	7,898
Currency Outside NBB	4,004	4,515	5,878	6,327	6,702	7,532	7,734	8,447
Counterpart of Cash of DMBS	-225	-526	-363	-626	-503	-502	-606	-549
Due to Banks (including cash holdings of banks)	2,922	2,991	3,030	4,737	5,675	5,143	6,195	6,434
Required Reserves	1,376	1,581	1,887	2,714	2,942	3,737	4,060	4,710
On Domestic Currency Deposits	1,159	1,422	1,725	2,334	2,418	2,890	3,083	3,729
On Foreign Currency Deposits	217	159	162	380	524	847	977	981
Excess Reserves	1,546	1,410	1,143	2,023	2,733	1,406	2,134	1,724
Dep. of Other Sectors (excl. Central Govt.)	135	116	149	236	288	316	327	534

Source: Data provided by the National Bank of Belarus (NBB).

1/ Excludes Russian rubles.

Table 39. Belarus: Factors Contributing to the Growth of Monetary Aggregates 1995-97 (May)

	1995	1996				1997		
	Dec.	March	June	Sept.	Dec.	Mar.	Apr.	May
National Bank of Belarus								
	(In percent of previous period reserve money)							
Net Foreign Assets	-11.4	0.1	-7.5	10.3	-6.1	-2.9	5.6	1.1
Net Foreign Assets (Convertible)	-11.2	2.5	-7.6	8.1	-5.3	-2.5	1.2	2.2
Foreign Assets (Convertible)	-11.3	8.1	-0.9	13.7	11.8	26.8	-14.3	3.8
Foreign Liabilities (Convertible)	0.2	-5.6	-6.7	-5.6	-17.0	-29.4	15.6	-1.6
Net Foreign Assets (Non-Convertible)	-0.2	-2.4	0.1	2.2	-0.8	-0.3	4.4	-1.1
Net Domestic Assets	14.0	3.7	30.0	12.5	20.1	5.5	3.7	7.8
Net Domestic Credit	14.0	4.5	37.6	23.0	22.4	27.9	10.2	5.7
Net Credit To General Government	11.5	0.8	23.5	3.5	8.7	15.3	5.4	-0.8
Claims On Nonfinancial Public								
Enterprise	0.1	-0.3	-0.4	-0.1	0.7	...	...	...
Claims On Private Sector	-0.3	-0.5	0.2	0.0	0.1	...	...	...
Claims On Banks	2.8	4.6	14.2	19.5	12.8	12.6	4.8	6.5
Other Items (Net)	0.0	-0.8	-7.6	-10.5	-2.3	-22.3	-6.5	2.1
Reserve Money	2.6	3.8	22.5	22.8	13.9	2.7	9.3	8.9
Currency Issue Outside Banks	9.0	3.1	21.5	2.1	4.7	6.8	0.8	5.6
Required Reserves	-2.8	3.0	4.3	9.5	2.1	6.5	2.6	4.8
Excess Reserves	-3.0	-2.0	-3.8	10.1	6.6	-10.9	5.8	-3.0
Dep. Of Oth. Sectors (Excl. Central Go	-0.6	-0.3	0.5	1.0	0.5	0.2	0.1	1.5
Banking System								
	(In percent of previous period broad money)							
Net Foreign Assets	-3.1	-3.2	1.1	7.6	-2.4	7.3	5.5	0.3
Net Foreign Assets (Convertible)	-2.8	-2.8	-0.5	5.9	-1.5	5.3	3.3	-0.5
Foreign Assets	-3.5	-1.1	2.5	7.9	7.0	22.6	-1.8	0.5
Foreign Liabilities	0.7	-1.7	-3.0	-2.0	-8.6	-17.3	5.2	-1.1
Net Foreign Assets (Non-Convertible)	-0.4	-0.4	1.5	1.7	-0.9	2.0	2.2	0.9
Net Domestic Assets	16.2	10.6	10.2	9.2	11.5	18.1	3.1	4.4
Net Domestic Credit	13.5	11.3	15.4	12.3	12.2	32.5	5.9	3.6
Net Claims On General Government	8.1	-0.8	7.3	1.8	4.4	3.5	-0.1	-1.4
Claims On Economy	5.4	12.1	8.0	10.5	7.8	29.0	6.0	5.1
Claims On Non-Financial Public E	2.1	0.4	3.7	5.4	2.9	...	...	...
Claims On Private Sector	3.4	10.4	4.3	5.0	4.6	...	...	...
Claims On Nonbank Financial Insti	0.0	1.3	0.0	0.0	0.2	...	...	...
Other Items Net	2.7	-0.7	-5.1	-3.0	-0.7	-14.4	-2.8	0.8
Broad Money	13.1	7.4	11.3	16.8	9.1	25.4	8.6	4.8
Currency Outside Banks	3.8	1.2	7.9	0.9	2.0	3.0	0.3	2.1
Domestic Currency Deposits	6.4	8.7	2.0	13.1	4.5	6.7	4.4	2.4
Demand Deposits	6.5	-2.0	0.6	9.8	5.7	...	...	...
Time And Savings Deposits	-0.1	10.7	1.4	3.4	-1.2	...	...	...
Foreign Currency Deposits	2.9	-2.4	1.4	2.8	2.6	15.6	4.0	0.3

Source: National Bank of Belarus (NBB).

Table 40. Belarus: National Bank Credit, 1995-97 (Q1)

(Gross credit in billion rubels; end of period balances)

	1995				1996				1997
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Directed credit	822.4	1,349.80	2,046.20	3,728.10	5,131.30				5,645.20
Agriculture	457.8	851.7	1,115.6	1,831.3	2,225.4				2,723.2
Trade	125.6	126.9	101.7	109.1	109.0				0.0
Industry	48.3	48.3	60.2	60.5	332.1				276.3
Housing	45.6	140.6	555.0	987.7	1,282.2				1,807.9
State emergency reserves	145.1	182.3	213.7	239.5	285.1				0.0
Other				500.0	897.5				837.8
Auctioned credit	663.5	436.2	517.8	222.8	64.1				114.2
Total credit	1,485.9	1,786.0	2,564.0	3,950.9	5,195.4				5,759.4
Memorandum item:									
Directed credit as a share of total credit (in percent)	55	76	80	94	99				98

Source: Data provided by the National Bank of Belarus (NBB).

Table 41. Belarus: Composition of Bank Lending by Type of Credit and Sector, 1992-96

	1992	1993	1994	1995	1996	1992	1993	1994	1995	1996
	(in billions of rubel)					(in percent of total)				
Total bank credit	40.2	230.3	3,176.8	8,771.8	21,488.5	100.0	100.0	100.0	100.0	100.0
Type of credit:										
Working capital	37.8	209.1	2,791.4	7,611.3	14,877.5	94.0	90.8	87.9	85.8	69.2
Industry	19.3	54.0	636.4	1,777.8	6,713.6	48.1	23.4	20.0	20.3	31.2
Agriculture	2.6	24.9	844.2	477.2	1,382.1	6.3	10.8	26.6	5.4	6.4
Construction	0.4	3.9	93.3	222.7	492.9	1.1	1.7	2.9	2.5	2.3
Trade and catering	3.3	20.5	355.1	1,113.0	2,285.9	8.1	8.9	11.2	12.7	10.6
Other	12.2	105.9	862.4	4,020.6	4,003.2	30.4	46.0	27.1	45.8	18.6
Investment credit	1.7	8.0	244.8	787.7	6,611.0	4.2	3.5	7.7	8.9	30.8
Industry	0.6	4.5	181.1	83.3	2,718.3	1.4	2.0	5.7	0.9	12.7
Agriculture	0.3	2.0	37.9	92.1	146.1	0.7	0.9	1.2	1.0	0.7
Other	0.8	1.5	25.8	612.3	2,608.8	2.1	0.6	0.8	7.0	12.1
Housing	0.3	11.7	133.0	321.7	964.1	0.7	5.1	4.2	3.7	4.5
Consumer credit	0.4	1.4	7.6	51.1	443.7	1.1	0.6	0.2	0.6	2.1
Type of borrower:										
State enterprises	28.0	129.0	1,970.0	4,053.1	8,419.3	69.7	56.0	62.0	66.3	39.2
Working capital	27.3	122.9	1,725.2	4,417.4	6,769.7	68.0	53.4	54.3	50.4	31.5
Investment	0.7	6.0	244.8	435.7	1,649.6	1.7	2.6	7.7	4.9	7.7
Cooperatives	4.3	56.0	450.6	2,335.9	8,759.2	10.8	24.3	14.2	26.6	40.8
Working capital	4.1	54.5	447.7	2,257.0	6,305.5	10.3	23.6	14.1	25.7	29.3
Investment	0.2	1.6	2.9	76.9	2,453.7	0.5	0.7	0.1	0.9	11.4
Private enterprises	1.3	11.0	523.5	219.8	2,809.4	3.3	4.8	16.5	7.5	13.1
Working capital	1.3	11.0	523.5	38.4	861.9	3.2	4.8	16.5	0.4	4.0
Investment	-	0.1	-	181.4	1,947.5	-	-	-	2.1	9.1
Households	0.7	13.0	137.7	277.9	-	1.8	5.6	4.3	3.2	-
Housing	0.3	11.4	130.1	225.8	-	0.7	5.0	4.1	2.6	-
Other	0.4	1.5	7.6	51.1	-	1.1	0.7	0.2	0.6	-
Other	5.8	21.2	94.9	1,085.1	1,500.6	14.4	9.2	3.0	12.4	7.0

Source: Data provided by the National Bank of Belarus (NBB).

Table 42. Belarus: Auctions of NBB Credits, 1996-97 (April)

	Interest rate (annualized, percent)				Volume (billions of rubels)							
	Average	Seven days	Fifteen days	One month	Two months	More than two months	Total	Seven days	Fifteen days	One month	Two months	More than two months
1996												
January	75	91	--	--	60	--	140	110	--	--	30	--
February	66	66	--	--	--	--	50	50	--	--	--	--
March	--	--	--	--	--	--	--	--	--	--	--	--
April	55	--	--	--	55	--	50	--	--	--	50	--
May	55	--	--	55	--	55	--	--	--	--	--	468
June	48.2	--	--	--	--	5/55	--	--	--	20	--	11/50
July	46.8	--	--	--	--	6/55	--	--	--	--	--	10/50
August	--	--	--	--	--	--	--	--	--	--	--	--
September	--	--	--	--	--	--	--	--	--	--	--	--
October	--	--	--	--	--	--	--	--	--	--	--	--
November	--	--	--	--	--	--	--	--	--	--	--	--
December	--	--	--	--	--	--	--	--	--	--	--	--
1997												
January	--	--	--	--	--	--	--	--	--	--	--	--
February	--	--	--	--	--	--	--	--	--	--	--	--
March	--	--	--	--	--	--	--	--	--	--	--	--
April	--	--	--	--	--	--	--	--	--	--	--	--

Sources: Data provided by the National Bank of Belarus and Fund staff calculations.

Table 43. Belarus: Auction of Securities, 1996-97 (May)

	Maturity (days)	Amount offered	Amount sold	Percent sold	Revenue raised	Price bids		Weighted average	Annualized yield (percent)	Monthly average yield (percent)	Number of participants	
						low cut-off	high					
(Securities issued by the Ministry of Finance)												
1996												
9-Jan	85	108	107.1	99.2	92.1	30.5	36.0	86.4	86.0	70.0	5.8	15
16-Jan	93	200	199.7	99.8	170.1	74.8	85.1	85.8	85.2	66.2	5.7	10
6-Feb	92	260	257.8	99.2	222.3	64.9	85.8	86.9	86.3	63.3	5.3	22
20-Feb	176	150	137.5	91.7	103.6	69.8	73.5	76.9	74.8	70.0	5.8	18
19-Mar	92	240	239.5	99.8	207.1	84.7	86.1	87.3	86.5	82.0	5.2	24
2-Apr	92	140	138.4	98.8	122.1	85.1	68.1	88.8	88.2	52.9	4.4	26
25-Apr	83	250	229.5	91.8	204.5	86.0	88.9	89.8	89.1	54.0	4.5	21
7-May	92	290	276.3	95.3	245.7	87.4	88.7	90.0	88.9	49.3	4.1	19
8-May	112	400	347.5	86.9	300.7	86.5	86.5	82.2	86.5	50.7	4.2	1
4-Jun	no auction	...	...	...	...	...	...	...	...	...	...	...
6-Jun	188	380	380.0	100.0	301.3	79.3	79.3	79.3	79.3	50.7	4.2	1
18-Jun	no auction	...	...	...	...	...	...	...	...	...	...	...
13-Jun	244	100	25.1	25.1	17.5	55.5	69.4	70.0	69.7	65.0	5.4	2
19-Jun	91	280	272.9	97.5	240	87.9	87.9	87.9	87.9	55.0	4.6	1
2-Jul	92	170	169.4	99.6	150.5	88.7	88.7	78.3	88.8	49.8	4.2	4
16-Jul	92	265	259.0	97.7	230.3	89.7	88.8	86.9	88.9	49.4	4.1	15
1-Aug	167	190	157.0	82.6	124.9	75.7	78.0	81.1	79.5	56.2	4.7	9
6-Aug	92	320	307.6	96.1	274.5	86.1	88.9	90.0	89.2	47.8	4.0	13
27-Aug	155	425	423.8	99.7	343.8	78.29	80.9	82.5	81.1	54.8	4.6	12
17-Sep	162	320	314.0	98.1	274.2	81.83	86.4	88.9	87.3	32.7	2.7	15
1-Oct	155	213	212.9	100.0	185.8	85.48	87.1	87.9	87.3	34.4	2.9	8
15-Oct	162	310	301.6	97.3	260.6	81.83	81.8	87.6	86.4	35.4	3.0	9
16-Oct	322	751	751.0	100.0	550.6	73.32	73.3	73.3	73.3	41.3	3.4	1
5-Nov	148	350	349.1	99.7	302.9	81.76	85.8	88.2	86.8	37.6	3.1	15
10-Dec	141	450	175.4	39.0	153.4	81.18	86.9	88.2	87.5	37.1	3.1	8
1997												
14-Jan	134	190	178.4	93.9	159.1	83.0	88.7	90.1	89.2	33.1	2.8	14
28-Jan	149	487	486	99.8	424.3	81.0	86.3	89.0	87.5	35.0	2.9	13
11-Feb	351	100	99.6	99.6	71.5	63.4	71.3	72.2	71.8	40.9	3.4	12
25-Feb	155	380	331.6	87.3	285.9	84.0	85.5	88.9	86.2	37.7	3.1	11
4-Mar	337	317	316.6	99.9	227.9	66.3	71.5	73.0	72.0	42.2	3.5	12
25-Mar	190	375	284.8	76.0	234.9	74.7	82.1	83.5	82.5	40.8	3.4	12
1-Apr	190	430	427.8	99.5	352.6	76.2	82.1	83.3	82.4	41.0	3.4	13
29-Apr	309	250	246.5	98.6	183.5	72.0	74.3	75.2	74.5	40.5	3.4	16
27-May	309	250	229.1	91.6	170.6	68.9	73.8	76.5	74.5	40.5	3.4	15
(Securities offered by the National Bank)												
1996												
7-Feb	57	180	178.3	99.1	167.7	89.0	90.7	90.7	90.7	65.70	5.5	6
27-Mar	29	200	194.4	97.2	186.5	95.5	96.0	96.8	95.8	54.60	4.6	9
30-Apr	62	300	178.2	59.4	163.0	91.5	91.5	91.5	91.5	55.04	4.6	2
21-May	44	200	164.3	82.2	154.2	93.6	93.8	94.1	93.8	54.64	4.6	4
8-Aug	14	250	233.9	93.5	230.1	98.2	98.3	98.7	98.4	42.39	3.5	4
3-Sep	13	300	293.1	97.7	290.9	98.6	99.1	99.5	99.2	21.50	1.8	8
1997												
16-Jan	34	400	102.2	25.6	98.8	96.0	96.0	97.1	96.7	36.98	3.1	4
11-Mar	83	300	193.6	64.5	175.0	87.4	88.9	91.3	90.6	45.73	3.8	4
8-Apr	104	350	147.2	42.1	129.6	85.6	87.6	88.6	88.0	48.09	4.0	8

Source: Data provided by the National Bank of Belarus; and Fund staff calculations.

Table 44. Belarus: Minimum Reserve Requirements, 1992-1997 (April)
(In percent of eligible deposits; beginning of period)

Category of deposits:	1992		1993		1994			1995		July 1996-May 1997
	Feb.-Jul.	Sep. Nov.	Feb.	Mar.	Apr.	Oct.	Mar.	June	Jul.	
Domestic currency deposits 1/										
Commercial banks:										
Demand deposits	20 3/	20 3/	8-15 5/	8-15 5/	15	5.5	10	12	12	15
Time deposits whose maturity is										
less than one year	15	15	8-15 5/	8-15	10	5.5	10	12	12	5-15 10/
between one and three years	10	10	8-15 5/	8-15	10	5.5	10	12	12	5
greater than three years	...	...	8-15 5/	8-15	10	5.5	10	12	12	5
Sberbank 2/	70	50 4/	10 6/	10-15 7/	10-15 8/	5.5	10	12	12	5-15 10/
Foreign exchange deposits 9/	...	...	...	...	...	5.5	5.5	8	10	5-15 10/

Source: Data provided by the National Bank of Belarus.

- 1/ Reserve requirements were introduced in June 1998 and initially applied only to ruble deposit liabilities with commercial outstanding on the first day of each month and are retained for one month. The necessary funds are transferred automatically from the correspondent account that commercial banks keep with the National Bank. Since 1991, commercial banks have been permitted to meet their reserve requirements with 3-year 5 percent U.S.R. bonds issued in 1990; but since March 1994 only 10 percent of bond holdings can be used towards meeting reserve requirements. Required reserves of commercial banks were non-remunerated until March 1995.
- 2/ In the period January 1, 1991-July 1, 1992, Sberbank was required to deposit into an interest-bearing account with the National Bank of Belarus 70 percent of the increase of population deposits since January 1, 1991. Prior to that date, all of its deposit liabilities were transferred to Gosbank and in July 1992, they became part of the internal public debt of Belarus. The part of population deposits that have become internal public debt is not subject to mandatory reserves. The required reserves of Sberbank have been remunerated since August 1994.
- 3/ In July 1992, the decision was taken to reduce reserve requirements by 50 percent until December 1992 for a number of commercial banks facing liquidity difficulties.
- 4/ The 50 percent surrender requirement applied to the increase of population deposits since July 1, 1992. In the November 1992-January 1993 period the surrender requirement was temporarily suspended for the increase in deposits.
- 5/ The rate was set at 8 percent for Belagroprombank, 10 percent for Belpromstrobank and 15 percent for all other commercial banks.
- 6/ Reserve requirements were suspended in the period August 16, 1993-October 10, 1993.
- 7/ 10 percent for time deposits and 15 percent for demand deposits.
- 8/ Since April 1994, Sberbank
- 9/ The required reserves on foreign exchange deposits are not remunerated.
- 10/ Terms differ by maturity as follows: under 1 month: 15 percent; between 1-3 months: 10 percent; more than 3 months: 5 percent.

Table 46. Belarus: Interest Rates on Bank Deposits, 1996-97 (May)

	1996												1997				
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
Deposits with commercial banks 1/	48.6	50.8	50.3	37.0	32.2	30.3	29.0	27.9	25.1	21.3	19.1	16.7	15.6	15.7	16.1	...	...
Of which: Belarusbank	...	...	...	19.1	21.2	22.1	20.9	20.3	16.8	13.6	12.9	12.5	11.8	12.0	11.9	...	...
Promstroibank	34.3	46.0	47.7	43.6	39.9	35.9	34.2	32.1	27.9	21.2	20.4	19.6	17.3	17.5	17.7	16.4	15.9
Agroprombank	59.0	58.8	59.0	48.0	35.9	33.3	32.9	32.2	31.2	27.2	23.0	16.2	16.2	16.2	16.5	18.4	18.3
	(In percent per annum; period average)																
New deposits 2/	91.1	58.8	52.8	51.1	44.0	58.1	47.5	39.0	29.0	30.3	32.1	32.4	25.9	29.1	32.0	26.5	34.8
Up to 1 month	83.0	77.3	67.3	57.3	54.9	55.9	55.6	52.4	41.1	35.0	34.7	34.3	30.3	32.3	35.0	36.3	36.2
1 to 3 months	77.1	77.0	61.7	54.6	54.8	54.0	56.0	52.8	37.8	35.9	36.4	37.8	36.0	35.5	37.6	34.3	36.2
3 to 6 months	82.9	84.2	71.8	70.7	49.8	55.6	55.9	53.8	41.8	40.3	37.4	40.4	40.0	30.3	27.7	27.8	26.8
6 to 12 months	52.9	92.6	78.3	78.0	60.3	71.7	55.2	54.4	45.4	36.9	46.3	48.4	46.8	43.6	43.0	31.5	41.8
1 to 3 years	138.6	100.1	82.6	73.7	60.4	47.6	62.2	48.0	41.0	52.4	50.4	44.3	57.6	32.1	42.2	38.8	40.5
More than 3 years	354.8	173.8	182.0	49.2	52.7	51.0	51.0	48.4	31.9	30.6	32.2	39.8	36.6	30.9	33.5	34.7	34.8

Source: Data provided by the National Bank of Belarus (NBB).

1/ Deposits received between the twenty first of the preceding month and the twentieth of the current month.

2/ Deposits received within the current month. The interest rates for deposits with up to one month maturity are the average ratio on deposits from 8 days to one month; the overall average includes the rates on deposits for one week or less.

Table 47. Belarus: Interest Rates on Bank Credit, 1996-97 (May)
(in percent per annum; period average)

	1996												1997				
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
Average lending interest rate 1/	86.4	86.5	84.4	74.3	67.3	63.2	61.3	58.9	54.4	49.8	46.1	39.9	38.6	38.2	36.2	34.3	34.3
of which																	
Belarusbank	...	...	...	59.6	52.6	46.8	43.9	42.9	41.1	39.6	36.6	26.6	27.2	27.1	27.1	...	...
Promstroibank	76.6	82.8	81.4	76.8	75.1	73.5	71.5	69.4	65.1	59.9	54.8	49.7	47.2	45.7	44.4	44.4	44.4
Agroprombank	84.0	86.3	84.4	77.0	64.1	58.5	56.8	55.7	52.5	45.9	41.0	33.3	31.7	32.3	29.9	29	29.2
By forms of property																	
Public	92.6	83.7	86.6	79.6	69.8	64.7	63.8	61.6	57.4	51.7	46.9	40.4	38.1	38.0	37.7	...	...
Collective	82.5	85.5	85.3	79.4	74.4	71.3	67.4	65.6	61.1	57.4	53.4	51.3	49.3	48.3	43.3	...	...
Private	109.4	90.4	84.7	50.2	43.6	39.3	32.7	29.2	63.7	23.0	21.4	23.3	21.0	19.4	19.0	...	...
Other	53.1	75.2	85.1	76.2	83.7	82.1	79.1	75.5	66.1	63.1	61.9	68.6	57.2	52.9	49.0	...	...
By type of business																	
Industry	98.2	91.1	87.5	80.7	69.6	64.4	62.0	60.4	56.1	49.6	44.8	37.7	35.5	36.5	36.1	...	...
Agriculture	90.2	84.1	88.3	82.5	76.6	70.0	69.1	67.6	64.1	59.9	53.5	49.4	46.5	41.0	30.5	...	...
Forestry	60.0	39.4	95.2	79.1	96.9	94.6	63.9	87.4	87.0	106.1	68.8	66.3	70.2	61.3	26.1	...	...
Construction	89.8	82.4	79.9	56.4	48.5	47.0	46.3	46.7	59.9	40.1	37.9	36.2	34.4	32.7	29.5	...	...
Trade and Catering	103.1	89.8	93.3	85.9	81.4	78.3	75.2	72.3	70.4	64.6	60.7	59.4	56.5	55.1	54.5	...	...
Information services	161.5	150.3	119.0	52.8	81.4	68.7	71.9	80.6	82.4	77.4	70.5	68.1	64.1	54.2	54.6	...	...
Real estate transactions	83.2	104.7	107.2	58.0	66.5	69.0	65.3	65.7	64.9	66.7	66.6	66.5	66.4	66.2	66.1	...	...
Residential services	94.8	72.7	68.7	74.8	73.8	71.5	76.0	70.9	62.2	58.4	57.8	56.3	36.0	52.9	32.3	...	...
Other	70.5	70.1	76.7	74.1	73.6	71.0	67.3	63.5	59.0	57.2	55.4	57.4	53.7	51.0	50.7	...	...
Bank credit for																	
Housing	46.7	27.3	26.7	13.6	10.2	8.4	7.6	7.3	7.0	6.4	6.8	6.7	7.2	6.6	6.4	...	...
Purchase of consumer goods	83.3	77.6	74.6	74.5	71.6	74.6	71.1	64.9	46.7	51.6	49.6	48.3	46.4	43.8	42.3	...	...
Other credit																	
Interbank	66.4	70.3	58.1	37.5	45.4	45.5	48.1	47.0	46.7	47.1	45.1	22.3	22.0	25.9	28.0	24.9	24.9
Arrears	114.3	116.7	108.1	93.9	92.8	88.3	84.3	77.2	76.0	68.5	70.8	90.8	91.7	74.1	74.5	...	...
Term structure of lending rates																	
on new loans 2/	94.6	65.5	63.9	56.3	54.7	67.6	59.4	51.6	39.7	44.5	43.2	41.6	38.8	36.7	30.2	26.4	39.2
up to 1 month	102.8	90.0	82.0	78.5	78.9	78.4	70.0	61.6	62.6	57.4	52.3	54.7	48.9	50.2	52.3	44.4	45.9
1 to 3 months	103.8	98.6	76.2	80.4	83.4	85.5	83.3	81.6	69.4	62.7	60.8	59.3	58.2	54.7	50.3	46	51.5
3 to 6 months	99.6	91.7	76.3	75.0	65.3	77.9	68.0	61.8	51.8	64.7	64.7	56.9	51.6	51.5	43.7	43	33.3
6 to 12 months	88.6	87.6	70.4	42.7	59.7	68.8	59.3	68.9	46.5	51.8	52.5	46.7	47.1	33.2	30.1	34.3	48.8
1 to 3 years	81.5	83.6	81.9	13.9	74.3	56.8	72.5	45.0	42.1	57.3	54.8	34.8	43.0	40.2	36.8	40	48.3
More than 3 years	83.1	37.1	32.2	6.8	5.8	8.5	9.7	19.7	13.6	16.7	12.5	15.6	7.9	17.9	9.0	12.2	13.8

Source: Data provided by the National Bank of Belarus (NBB).

1/ Interest rates on credits granted between the twenty first of the preceding and the twentieth of the current month.

2/ Interest rates for maturities up to one month are the average rates on credits from 8 days to 1 month; the overall average includes the rates on credits for one week or less.

Table 48. Belarus: Interest Rates on New Foreign Exchange Deposits and Credits, 1996-97 (March)
(in percent per annum)

	1996												1997		
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Credits 1/	10.8	10.2	13.2	9.7	5.1	5.2	5.0	4.5	4.5	5.5	5.3	5.4	6.0	5.3	5.8
Up to 1 month	20.2	25.2	27.8	17.5	9.1	15.7	14.6	6.4	6.0	6.8	17.2	13.8	26.8	11.7	4.2
1 to 3 months	33.9	34.7	32.2	28.1	26.6	6.8	11.4	39.0	20.9	15.3	10.6	21.1	11.1	5.8	15.4
3 to 6 months	29.5	31.1	31.2	31.8	31.2	20.3	31.7	28.2	9.2	20.6	24.8	28.6	16.3	17.2	19.5
6 to 12 months	31.6	26.5	28.5	31.0	24.1	35.0	16.8	...	19.8	24.2	25.0	19.8	23.1	21.2	24.8
1 to 3 years	21.8	16.1	21.7	14.4	20.3	...	...	27.3	11.2	13.7	22.4	19.0	16.4	21.9	24.2
More than 3 years	19.4	18.0	14.1	...	...	...	...	20.0	...	11.0	15.5	16.0	16.0	14.9	9.4
Deposits 1/	9.1	11.2	12.0	12.7	13.9	17.6	15.2	9.4	10.9	10.2	7.6	8.2	6.4	8.5	9.7
Up to 1 month	20.3	22.8	19.2	22.4	17.7	15.3	18.6	14.4	14.6	12.2	9.2	12.9	4.7	9.7	8.5
1 to 3 months	20.8	22.6	22.8	19.4	16.8	23.1	21.7	17.4	12.3	9.2	7.3	7.3	4.5	5.9	8.6
3 to 6 months	21.3	26.4	21.6	21.1	19.5	20.8	20.8	19.3	15.5	13.5	13.9	8.4	7.3	10.5	10.3
6 to 12 months	24.7	22.3	23.1	24.1	23.6	19.6	19.5	4.1	16.1	12.8	13.3	12.3	7.1	8.0	9.3
1 to 3 years	13.7	24.7	25.3	24.8	21.6	21.9	20.5	19.6	11.6	10.0	8.6	13.2	14.8	11.3	10.1
More than 3 years	23.8	13.5	15.0	27.1	27.3	7.5	28.5	22.3	...	10.2	...	27.3	26.9	27.3	27.3

Source: Data provided by the National Bank of Belarus (NBB).

1/ Rates are on loans granted and deposits received between the twenty first of the preceding and the twentieth of the current month.

Table 49. Belarus: Structural Characteristics of the Banking Sector, 1995-97 (April)
(In percent of total; end of period)

	Former specialized banks	Belagroprom- bank	Belpromstroi- bank	Belvneshekonom- bank	Belarusbank	Other commercial banks
Share Capital						
1995						
April	44.0	14.1	16.1	8.2	5.6	56.0
December	32.1	3.6	5.0	4.8	18.7	67.9
1996						
December	49.2	7.5	19.3	10.6	11.8	50.8
1997						
April	51.0	2.0	20.0	10.3	18.7	49.0
Domestic Currency Loans						
1995						
April	60.4	25.5	19.8	12.3	2.8	39.6
December	66.4	30.3	13.7	2.0	20.4	33.6
1996						
December	77.7	37.2	16.5	2.3	21.7	22.3
1997						
April	81.2	43.7	12.2	2.2	23.1	18.8
Domestic Currency Deposits						
1995						
April	50.3	17.6	16.5	11.4	4.7	49.7
December	74.0	19.5	14.7	1.7	38.1	26.0
1996						
December	72.1	17.0	19.1	2.0	34.0	27.9
1997						
April	87.2	—	—	2.1	—	12.8
Refinancing from NBB						
1995						
April	48.3	34.0	13.3	0.9	—	51.7
December	88.1	80.2	4.5	—	3.4	11.9
1996						
December	95.6	47.9	6.1	—	41.6	4.4
1997						
April	96.9	45.1	2.6	0.2	49.0	3.1

Source: Data provided by the National Bank of Belarus and Fund staff calculations.

Table 50. Belarus: Commercial Banks, Selected Indicators, 1995-97 (April)

	1995	1996	1997	1995-96		1996-97	
	End-period balances (in billions of rubels)			(Percentage change)		(Percentage change)	
				Nominal	Real 1/	Nominal	Real 1/
Capital fund	3,054.4	3,335.4	3,164.8	9.2	-21.6	-5.1	-26.3
Authorized funds	3,644.8	3,202.2	3,594.1	-12.1	-36.9	12.2	-12.9
Unrealized exchange rate gains	48.6	219.6	193.2	351.9	224.4	-12.0	-31.7
Retained profits	-134.4	371.2	256.5	376.2	170.1	-30.9	-46.4
Reevaluation fund	--	788.8	1,201.4	--	--	52.3	18.3
Idle resources	--	16.7	38.4	--	--	129.9	78.5
Main funds amortization	442.8	600	768.9	35.5	-2.7	28.2	-0.5
Long-term capital investments	35.1	24.6	40.4	-29.9	-49.7	64.2	27.5
Non-material assets	23.3	33	36.2	41.6	1.7	9.7	-14.8
Reserves of non-convertible currencies	0.4	--	--	--	--	--	--
Provisions against unrealized losses	--	542.3	1,168.9	--	--	115.5	67.3
Shares purchased by banks	3.1	29.7	27.6	858.1	587.8	-7.1	-27.8
Assets							
Balance sheet assets	42,401.0	77,833.6	115,284.2	83.6	31.8	48.1	15.0
Risk weighted assets	17,213.7	21,020.3	29,608.6	22.1	-12.3	40.9	9.4
(in percent of balance sheet assets)	40.6	27.0	25.7	-33.5	--	-4.9	--
Capital adequacy ratio 2/	17.7	15.9	10.7	-10.2	--	-32.7	--
Gross credit	16,771.0	26,263.1	40,637.6	56.6	12.4	54.7	20.1
(In percent of assets)	39.6	33.7	35.2	-14.9	--	4.5	--
Arrears to banks	1,887.8	2,933.2	4,255.2	55.4	11.5	45.1	12.6
(In percent of gross credit)	11.3	11.2	10.5	-0.9	--	-6.3	--
(In percent of capital fund)	61.8	87.9	134.5	42.2	--	53.0	--
Principal arrears	1,618.7	2,626.9	3,818.2	62.3	16.5	45.4	12.8
(In percent of gross credit)	9.7	10.0	9.4	3.1	--	-6.0	--
Interest arrears	269.1	306.3	437.0	13.8	-18.3	42.7	10.8
(In percent of gross credit)	1.6	1.2	1.1	-25.0	--	-8.3	--
Required provisions against bad loans			3,146.2			52.8	18.6
(In percent of total loans)	8.2	8.0	7.9	-2.4	--	-1.3	--
(In percent of capital fund)	45.1	61.7	99.4	36.8	--	61.1	--
Actual provisions against bad loans			2,074.2			34.0	4.0
(In percent of total loans)	7.3	6.0	5.2	-17.8	--	-13.3	--
(In percent of capital fund)	40.2	46.4	65.5	15.4	--	41.2	--
Profits	1,005.7	676.9	192.1 3/	-32.7	-51.7	-71.6	-78.0
(In percent of gross credit)	6.0	2.6	0.5	-56.7	--	-80.8	--

Sources: Data provided by the National Bank of Belarus and Fund staff estimates.

1/ Based on end-period CPI.

2/ Capital fund divided by banks risk weighted assets.

3/ Estimated profits in the first four months.

Table 51. Belarus: Six Largest Commercial Banks, Selected Indicators, 1995-97 1/

	1995	1996	1997	1995-96		1996-97	
	End-period balances			(Percentage change)		(Percentage change)	
	(In billions of rubels)			Nominal	Real 2/	Nominal	Real 2/
Capital fund	2,230.2	2,196.2	1,961.0	-1.5	-29.3	-10.7	-30.7
(in percent of all banks capital fund)	73	65.8	65.8	-9.9	-	-5.8	-
Assets							
Balance sheet assets	35,322.3	67,571.4	98,906.2	91.3	37.3	46.4	13.7
(in percent of all banks' assets)	83.3	86.8	85.8	4.2	-	-1.1	-
Risk weighted assets	14,271.0	18,039.1	25,407.0	26.4	9.3	40.9	9.4
(in percent of all banks' assets)	82.9	85.8	85.8	3.5	-	0	-
(in percent of balance sheet assets)	40.4	26.7	22	-33.9	-	-17.6	-
Capital adequacy ratio 3/	15.6	12.2	7.7	-21.8	-	-36.9	-
Gross credit	12,959.0	22,755.5	35,289.4	75.6	26.1	55.1	20.4
(In percent of total banks gross credit)	77.3	86.6	86.8	12	-	0.2	-
(In percent of assets)	36.7	33.7	35.7	-8.2	-	5.9	-
Arrears to banks	1,328.0	2,528.6	3,765.3	90.4	36.7	48.9	15.6
(In percent of total arrears)	70.4	86.2	88.5	22.4	-	2.7	-
(In percent of gross credit)	10.2	11.1	10.7	8.8	-	-3.6	-
(In percent of capital fund)	59.5	115.1	192	93.4	-	66.8	-
Principal arrears	1,146.2	2,261.5	3,375.8	97.3	41.6	49.3	15.9
(In percent of gross credit)	8.8	9.9	9.6	12.5	-	-3	-
Interest arrears	181.9	267.1	389.5	46.8	5.4	45.8	13.2
(In percent of gross credit)	1.4	1.2	1.1	-14.3	-	-8.3	-
Required provisions against bad loans							
(In percent of total loans)	8.5	148.1	8.2	-15.3	-	13.9	-
(In percent of capital fund)	49.3	84	148.1	70.4	-	76.3	-
Actual provisions against bad loans	...	...	1,819.3	...	-	37.2	6.5
(In percent of total loans)	7.5	5.1	5.2	-32	-	2	-
(In percent of capital fund)	43.3	60.4	92.8	39.5	-	53.7	-
Profits 4/	925.3	559.1	157.1	-39.6	-56.6	-71.9	-78.2
(in percent of total profits)	92	82.6	81.8	-10.2	-	-1	-
(In percent of gross credit)	7.1	2.5	0.4	-64.8	-	-84	-

Sources: Data provided by the National Bank of Belarus; and Fund staff estimates.

1/ Includes Sberbank (Belarusbank since 1995), Promstroibank, Agroprombank, Businessbank, Priorbank and Vnesheconombank.

2/ Based on end period CPI.

3/ Capital fund divided by banks risk weighted assets.

4/ Estimated profits in the first four months.

Table 52. Belarus: Official Exchange Rates, 1993-97 (Q2) 1/

	Quarterly													
	1993			1994			1995			1996			1997	
	Q1	Q2	Q3	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
Nominal exchange rate.														
Rubel per U.S. dollar														
Average	269	3,666	11,529	13,292	11,614	11,500	11,500	11,500	11,500	12,548	13,977	15,141	21,538	26,456
End of period	698	10,600	11,500	15,500	11,600	11,500	11,500	11,500	11,500	13,100	14,650	15,500	24,850	26,980
Rubel per Russian rouble														
Average	0.22	1.47	2.53	2.59	2.73	2.30	2.55	2.56	2.54	2.41	2.67	2.77	3.77	4.56
End of period	0.45	2.92	2.48	2.79	2.33	2.50	2.56	2.48	2.36	2.57	2.71	2.79	4.31	4.55
Real exchange rate index. (Jan. 1994=100) 2/														
Rubel per U.S. dollar														
Average	49	86	223	288	152	220	246	274	308	295	277	274	244	223
End of period	66	99	284	284	185	226	256	284	315	287	269	284	227	230
Rubel per Russian rouble														
Average	94	76	146	147	126	170	145	143	154	144	142	144	128	115
End of period	84	85	146	149	154	154	144	146	156	144	141	149	117	118

Sources: Data provided by the National Bank of Belarus, and staff estimates.

1/ The rubel was circulated as legal tender in parallel with the Russian ruble until August 1, 1994, at which time the Belarussian rubel was made the sole legal tender of Belarus.

2/ The real exchange rate is calculated monthly, assuming the change in the foreign price level is reflected in the growth of the CPI of the respective country, and changes in the domestic price level are reflected in the growth of the Belarussian CPI. An increase in the index signifies a real appreciation.

Table 53. Belarus: Direction of Trade: Exports and Imports
1993-97 (April) 1/
(In millions of U.S. dollars)

	1993	1994	1995	1996	1997 Jan-Apr
Total Exports	2,812	2,641	4,621	5,404	...
CIS Exports 2/ of which:	2,023	1,609	2,845	3,588	829
Russia	1,307	1,260	2,022	2,857	695
Ukraine	423	267	594	475	8
Kazakhstan	78	27	75	82	11
Other	215	55	154	174	114
Non-CIS Exports To:	789	1,032	1,776	1,816	626
Europe	512	707	1,374	1,398	406
Austria	27	17	18	15	6
Germany	98	155	268	198	78
Italy	26	32	61	57	21
Poland	86	104	271	325	70
Switzerland	27	40	8	20	4
Turkey	31	29	34	30	14
Other	217	330	715	752	210
United States	39	55	58	61	17
Other non-CIS	238	270	344	357	204
Total Imports	3,863	3,351	5,149	6,739	...
CIS Imports 2/ of which:	2,744	2,376	3,262	4,370	1,075
Russia	2,151	2,128	2,627	3,354	843
Ukraine	306	172	508	866	4
Kazakhstan	157	39	50	54	12
Other	130	37	77	96	217
Non-CIS Imports From:	1,119	975	1,887	2,369	796
Europe	893	744	1,582	1,947	643
Austria	39	36	45	55	17
Germany	369	299	424	601	213
Italy	18	19	83	111	44
Poland	94	112	197	195	58
Switzerland	53	23	17	38	15
Turkey	23	10	8	17	5
Other	297	245	808	931	292
United States	87	51	97	152	46
Other non-CIS	139	180	208	271	107
Memorandum items:					
Share of CIS Exports to total exports	72	61	62	66	...
o/w Russia	46	48	44	53	...
Share of CIS Imports to total imports	71	71	63	65	...

Sources: Data provided by the Ministry of Statistics and Analysis.

1/ The Baltic countries were included as part of CIS trade in 1993. Barter transactions included in totals

2/ 1997 is for first quarter only.

Table 54. Belarus: Selected Exports, 1993-97 (April)
(In billions of rubles) 1/

	1993	1994	1995	1996	1997 Jan-April
Oil, coal and gas industry	...	1,551	6,300.9	8,843.0	...
Gasoline	63.2	390.7	902.7	1,966.7	866.1
Diesel fuel	81.7	614.3	2,416.2	1,644.9	415.7
Mazut	14.1	22.3	71.4	209.3	68.1
Diesel oil	12.0	0.0	...	...	...
Metallurgy and machine building	...	4,922.3	20,338.6	28,428.9	...
Rolled metals	48.1	143.1	315.3	815.3	508.5
Machine-tools	...	...	631.5	303.5	169.3
Pressured cast iron pipes	2.7	2.6	26.7	27.9	55.6
Metal cord	30.0	60.4	268.2	791.2	2.3
Bearings	3.6	17.0	85.4	113.0	53.2
Trucks	553.8	944.1	3,203.0	4,726.8	3,499.9
Tractors	335.8	493.2	1,717.2	2,750.3	1,294.5
Elevators	...	...	...	239.0	132.9
Pumps	1.4	6.6	1,399.2	205.9	141.1
Chemicals	...	2,711.9	14,352.9	15,524.4	...
Nitric fertilizers	69.7	...	1,080.3	1,099.4	302.4
Potassium fertilizers	122.9	276.8	2,747.1	3,017.4	2,166.9
Ammonia	4.8	4.5	106.7	1.1	32.4
Polyethylene	43.5	36.1	335.1	467.9	294.3
Chemical fibers	327.4	344.1	1,365.3	429.5	551.5
Paints	21.7	50.7	297.8	429.0	228.9
Tires	135.5	187.7	887.6	2,183.0	1,593.8
Wood and Paper	...	512.6	2,999.0	4,218.8	...
Wooden fiber slabs	10.0	24.3	80.9	57.2	37.4
Construction materials	...	287.1	1,395.1	1,717.1	...
Cement	0.4	1.6	5.7	37.0	14.2
Glass	1.2	2.3	25.1	42.2	46.8
Light industry	...	1,089.9	3,805.9	6,040.8	...
Leather goods	8.2	30.2	...	...	...
Wool fabrics and shawls	...	...	45.9	67.5	51.5
Linen fiber	8.7	15.4	82.0	101.6	75.1
Linen fabrics	...	...	21.6	36.0	8.7
Silk fabrics	...	...	163.5	300.4	119.2
Cotton fabrics	9.7	11.6	83.5	144.1	0.0
Products of knitted fabric	14.0	19.3	195.3	208.4	224.4
Stockings and socks	7.7	14.0	95.3	97.7	49.1
Leather shoes	21.9	64.5	420.1	287.0	627.2
Rubber shoes	2.6	6.4	8.6	33.5	13.0
Wall paper	...	...	197.3	374.5	265.8
Television sets	72.3	119.6	296.8	304.2	199.8
Radio sets	1.3	3.4	0.5	15.7	22.6
Motorcycles	30.1	19.6	92.4	116.5	49.5
Bicycles	8.9	14.1	79.7	114.0	75.6
Watches	14.2	10.8	53.6	21.4	8.6
Refrigerators	97.3	350.5	1,353.8	1,999.8	1,181.5
Food and food industry	...	431.3	4,385.9	6,737.4	...
Meat and meat products	65.8	84.5	455.9	304.8	221.0
Milk and milk products	35.8	52.0	699.6	1,237.1	170.2
Potatoes	2.2	4.0	169.0	352.4	19.4

Source: Data provided by the Ministry of Statistics and Analysis.

1/ Category totals includes products not shown.

Table 55. Belarus: Selected Imports, 1993-97
(In billions of rubels) 1/

	1993	1994	1995	1996	1997 Jan-April
Oil, coal and gas industry	...	5,569.1	20,870.6	25,544.5	...
Oil	816.0	2,755.4	10,414.4	13,566.2	8,120.4
Gasoline	2.2	50.2	62.6	109.1	20.6
Diesel oil	10.2	22.8	43.3	46.4	23.8
Oil bitumen	2.8	2.1	...	...	...
Mazut	141.0	102.1	29.4	18.3	26.4
Natural gas	880.4	2,515.1	8,217.4	9,580.6	7,385.4
Coal	28.5	...	621.0	696.8	258.5
Metallurgy and machine building	...	3,798.3	18,814.4	28,343.7	...
Rolled metals	347.9	503.5	2,814.7	4,494.8	2,445.6
Steel pipes	77.0	96.0	747.0	1,950.5	1,529.8
Machine tools	10.7	7.9	52.4	61.0	31.7
Bearings	7.3	1.5	18.7	74.9	13.1
Wood processing tools	3.9	5.7	54.6	97.0	39.4
Buses	1.9	0.1	24.4	192.5	188.6
Tractors	1.7	1.3	12.4	36.9	45.1
Grain harvester combines	0.5	...	...	...	...
Excavators	0.2	0.0	6.4	3.4	3.6
Bulldozers	0.0	0.0	0.6	3.6	1.1
Trucks	1.1	2.3	97.3	65.9	21.5
Cars	2.8	5.9	2,055.3	459.3	107.8
Chemicals	...	2,303.9	9,986.3	15,293.7	...
Mineral fertilizers	17.0	29.4	146.1	410.5	294.9
Polystyrene	17.7	41.5	130.5	93.4	93.8
Chemical fibers and threads	17.8	30.6	156.0	144.9	65.3
Caustic soda	11.1	23.2	100.0	156.9	100.6
Calcinated soda	4.7	12.0	50.3	113.1	71.8
Synthetic rubber	113.7	195.9	642.8	1,334.6	883.1
Paints	34.1	65.7	335.4	422.9	252.2
Polyvinyl chloride resin	1.0	4.5	...	...	46.6
Tires for trucks	7.9	24.7	200.1	523.4	535.2
Tires for cars	1.5	2.0	11.1	45.2	134.4
Tires for agricultural equipment	31.2	24.7	112.2	...	254.3
Wood and paper	...	267.6	1,417.5	2,389.8	...
Sawn-timber	1.5	0.5	3.7	4.3	6.4
Wooden fiber slabs	0.1	0.2	1.9	1.8	2.0
Wooden shaving slabs	0.5	1.7	5.9	10.7	5.6
Cellulose	8.2	53.7	63.2	166.6	120.2
Paper and cardboard	11.8	29.1	392.0	731.0	468.0
Construction	...	206.1	626.0	853.3	...
Cement	35.2	37.9	188.1	66.5	19.0
Light industry	...	666.2	2,188.1	3,934.9	...
Cotton fiber	25.6	33.4	205.0	288.5	62.7
Wool	17.1	28.0	88.2	217.7	203.4
Leather raw materials	...	...	24.2	60.9	32.1
Cotton threads	11.4	23.3	51.5	73.1	40.6
Cotton fabrics	0.3	9.2	122.4	166.3	132.0
Rugs	1.7	1.0	8.7	10.2	7.5
Leather shoes	18.3	25.1	78.6	33.6	13.5
Food and food industry	...	995.3	7,764.6	12,790.4	...
Grain	149.6	155.1	558.0	2,784.8	810.7
Tobacco	14.7	36.6	45.1	59.7	105.7
Coffee	2.5	4.3	82.8	33.6	12.0
Cocoa	2.4	7.3	27.9	79.0	91.1
Sugar	78.8	9.2	113.7	495.7	731.7

Source: Data provided by the Ministry of Statistics and Analysis.

1/ Category totals includes products not shown.

Table 56. Belarus: External Trade in Goods by Branches of Industry, 1994-96
(In billions of rubels)

	1994			1995			1996		
	Imports	Exports	Trade Balance	Imports	Exports	Trade Balance	Imports	Exports	Trade Balance
Total	14,264.7	11,676.3	-2,588.4	63,752.6	54,035.8	-9,716.8	92,850.8	72,569.3	-19,422.2
Industry	13,791.4	11,627.7	-2,163.7	62,055.7	53,503.6	-8,552.1	86,352.7	68,972.4	-16,521.0
Power generation ^{1/}	191.7	0.9	-190.8	1,413.0	5.6	-1,407.5	2,414.8	3.8	-1,551.7
Refineries products	5,569.1	1,551.4	-4,017.7	20,870.6	6,300.9	-14,569.7	25,544.5	8,843.0	-16,701.5
Petroleum and gas	5,507.4	1,546.6	-3,960.8	20,077.1	6,272.1	-13,805.0	24,656.9	8,802.0	-15,854.9
Coal	61.7	0.0	-61.7	744.0	1.6	-742.3	886.8	0.6	-886.2
Other fuel	0.0	4.8	4.8	49.6	27.2	-22.4	0.8	40.4	39.6
Metallurgy	995.9	910.6	-85.3	5,173.3	2,610.3	-2,563.0	10,789.4	5,157.7	-5,631.7
Ferrous	768.3	622.1	-146.2	4,422.7	2,415.5	-2,007.2	8,897.7	4,582.6	-4,315.1
Non-ferrous	227.6	288.5	60.9	750.6	194.8	-555.8	1,891.7	575.1	-1,316.6
Chemicals and petrochemicals	2,303.9	2,711.9	408.0	9,986.3	14,352.9	4,366.6	15,293.7	15,524.4	230.7
Machine building and metal processing	2,802.4	4,011.7	1,209.3	13,641.1	17,728.3	4,087.3	17,554.3	23,271.9	5,717.6
Wood and paper	267.6	512.6	245.0	1,417.5	2,999.0	1,581.4	2,389.8	4,218.8	1,829.0
Construction materials	206.1	287.1	81.0	626.0	1,395.1	769.1	853.3	1,717.1	863.8
Light industry	666.2	1,089.9	423.7	2,188.1	3,805.9	1,617.8	3,934.9	6,040.8	2,105.9
Food processing industries	552.5	392.3	-160.2	6,108.9	3,884.2	-2,224.7	6,292.3	3,140.6	-3,151.7
Other industry	236.0	159.3	-76.7	630.8	421.3	-209.4	1,285.7	1,054.3	-231.4
Agriculture	442.8	39.0	-403.8	1,655.7	501.7	-1,154.0	6,498.1	3,596.8	-2,901.3
Other activities	30.5	9.6	-20.9	41.3	30.6	-10.7	0.0	0.1	0.1

Source: Data provided by the Ministry of Statistics and Analysis.

^{1/} Data in 1995 may include some services within power generation.

Table 57. Belarus: External Trade in Goods with CIS Countries by Branches of Industry, 1994-96 1/
(In billions of rubels)

	1994			1995			1996		
	Imports	Exports	Trade Balance	Imports	Exports	Trade Balance	Imports	Exports	Trade Balance
Total	9,730.3	6,878.0	-2,852.3	42,105.8	33,558.9	5,828.5	61,430.3	48,181.0	-13,249.3
Industry	9,533.6	6,850.1	-2,683.5	41,375.6	33,294.4	6,294.2	57,092.2	45,387.7	-11,704.5
Power generation	191.7	0.9	-190.8	200.0	0.9	-199.1	1,555.5	3.8	-1,551.7
Refineries products	5,518.0	1,470.2	-4,047.8	17,770.1	3,394.7	-14,375.4	25,233.3	5,446.2	-19,787.1
Petroleum and gas	5,456.3	1,470.2	-3,986.1				24,350.4	5,419.9	-18,930.5
Coal	61.7	0.0	-61.7				882.1		-882.1
Other fuel	0.0	0.0	0.0				0.8	26.3	25.5
Metallurgy	940.5	327.8	-612.7	4,451.2	550.3	-5,849.1	8,867.1	3,109.2	-5,757.9
Ferrous	725.7	249.5	-476.2	4,005.5	526.7	-2,370.3	7,584.7	2,690.9	-4,893.8
Non-ferrous	214.8	78.3	-136.5	445.7	23.6	-3,478.8	1,282.4	418.3	-864.1
Chemicals and petrochemicals	945.7	571.5	-374.2	9,305.8	6,935.5	-422.1	8,061.6	7,627.4	-434.2
Machine building and metal processing	1,061.0	2,822.1	1,761.1	5,108.7	14,238.6	9,129.9	7,366.7	17,675.3	10,308.6
Wood and paper	118.6	311.9	193.3	577.1	2,143.0	1,565.9	1,209.2	3,156.5	1,947.3
Construction materials	120.9	220.2	99.3	365.2	1,071.6	706.4	535.0	1,420.7	885.7
Light industry	231.9	717.2	485.3	613.2	1,858.5	1,245.3	1,215.8	3,360.6	2,144.8
Food processing industries	173.6	306.3	132.7	2,732.2	2,882.6	150.4	2,189.4	2,930.5	741.1
Other industry	231.7	102.0	-129.7	252.1	218.7	-33.4	858.6	657.5	-201.1
Agriculture	179.8	19.3	-160.5	701.6	243.9	-457.7	4,338.1	2,793.3	-1,544.8
Other activities	16.9	8.6	-8.3	28.6	20.6	-8.0	0.0	0.0	0.0

Source: Data provided by the Ministry of Statistics and Analysis.

1/ Some services are included in 1995 with power generation.

Table 58. Belarus: External Trade in Goods with Non-CIS Countries by Branches of Industry
(in billions of rubels)

	1994			1995			1996		
	Imports	Exports	Trade Balance	Imports	Exports	Trade Balance	Imports	Exports	Trade Balance
Total	4,534.4	4,798.3	263.9	21,646.8	20,476.9	-1,169.9	31,420.5	24,388.3	-6,172.9
Industry	4,257.8	4,777.6	519.8	20,680.1	20,209.2	-470.9	29,260.5	23,584.7	-4,816.5
Power generation	0.0	0.0	0.0	1,213.0	4.7	-1,208.4	859.3	0.0	0.0
Refineries products	51.1	81.2	30.1	3,100.5	2,906.2	-194.3	311.2	3,396.8	3,085.6
Petroleum and gas	51.1	76.4	25.3	...	...	...	306.5	3,382.1	3,075.6
Coal	0.0	0.0	0.0	...	...	...	4.7	0.6	-4.1
Other fuel	0.0	4.8	4.8	...	...	...	...	14.1	14.1
Metallurgy	55.4	582.8	527.4	722.1	2,060.0	1,337.9	1,922.3	2,048.5	126.2
Ferrous	42.6	372.6	330.0	417.2	1,888.8	1,471.6	1,313.0	1,891.7	578.7
Non-ferrous	12.8	210.2	197.4	304.9	171.2	-133.7	609.3	156.8	-452.5
Chemicals and petrochemicals	1,358.2	2,140.4	782.2	680.5	7,417.4	6,736.9	7,232.1	7,897.0	664.9
Machine building and metal processing	1,741.4	1,189.6	-551.8	8,532.4	3,489.7	-5,042.6	10,187.6	5,596.6	-4,591.0
Wood and paper	149.0	200.7	51.7	840.4	856.0	15.5	1,180.6	1,062.3	-118.3
Construction materials	85.2	66.9	-18.3	260.8	323.5	62.7	318.3	296.4	-21.9
Light industry	434.3	372.7	-61.6	1,574.9	1,947.4	372.5	2,719.1	2,680.2	-38.9
Food processing industries	378.9	86.0	-292.9	3,376.7	1,001.6	-2,375.1	4,102.9	210.1	-3,892.8
Other industry	4.3	57.3	53.0	378.7	202.6	-176.0	427.1	396.8	-30.3
Agriculture	263.0	19.7	-243.3	954.1	257.8	-696.3	2,160.0	803.5	-1,356.5
Other activities	13.6	1.0	-12.6	12.7	10.0	-2.7	0.0	0.1	0.1

Source: Data provided by the Ministry of Statistics and Analysis.

Table 59. Belarus: Balance of Payments, 1993-97 (Q1) 1/
(In millions of U.S. dollars)

	1993	1994	1995	1996	Prel. Q-I 1997
Current account balance	-1,112.9	-641.2	-254.0	-909.3	-515.5
Merchandise trade balance	-1,050.7	-709.7	-528.9	-1,335.8	-599.6
Exports (f.o.b)	2,812.3	2,640.8	4,620.5	5,403.5	1,270.4
of which: to CIS countries	2,023.0	1,609.0	2,845.0	3,588.0	...
Imports (c.i.f)	-3,863.0	-3,350.5	-5,149.4	-6,739.3	-1,870.0
of which: from CIS countries	-2,744.0	-2,376.0	-3,262.0	-4,370.0	...
Services balance	-130.8	18.9	196.3	364.3	74.4
Interest (net)	-12.0	-33.2	-65.5	-65.4	-11.6
Of which: interest payments	-12.0	-33.2	-67.3	-65.6	-11.6
Nonfactor services (net)	-118.8	52.1	261.8	429.7	86.0
Transfers (net)	68.6	49.6	78.6	62.2	9.7
Capital and financial accounts	550.3	790.1	82.7	433.5	48.4
Capital transfers	0.0	0.0	7.3	47.2	0.0
Financial accounts	550.3	790.1	75.4	386.3	48.4
Medium- and long-term capital	320.2	193.4	78.6	38.8	0.8
Disbursements	322.2	283.4	191.1	124.9	9.1
Amortization	-2.0	-90.0	-112.5	-86.1	-8.3
Direct investment (net)	18.0	10.5	6.7	74.5	43.8
Short-term capital (net)	212.1	586.2	-9.9	273.0	3.8
of which: interenterprise arrears, net 2/	146.0	233.0	2.0	4.6	...
Errors and omissions	380.7	-410.0	-40.6	181.9	430.9
Overall balance	-181.8	-261.0	-211.9	-293.9	-36.2
Financing	181.8	261.0	211.9	293.9	36.2
Net claims on the banking system (- increase)	-206.0	-137.9	7.6	47.7	36.2
Changes in external arrears	3.0	0.0	8.0	26.6	0.0
Changes in gas arrears	384.8	398.9	196.3	219.6	0.0
Memorandum items:					
Current account (as percent of GDP) 3/	-30.3	-13.1	-2.4	-6.6	...
Trade balance (as percent of GDP)	-28.6	-14.5	-5.1	-9.7	...
Overall balance (as percent of GDP)	-5.0	-5.4	-2.0	-2.1	...
Gross official reserves 4/	90.9	101.0	377.0	369.1	327.0
(In months of imports)	0.3	0.4	0.9	0.7	0.7
External Debt	1,014	1,251	1,513	879	843
(As percent of GDP)	27.6	25.6	14.6	6.5	...
Debt service/exports of goods and nonfactor servi	0.5	4.3	3.4	3.2	...

Sources: Data provided by the Belarussian authorities; and staff estimates.

1/ Data are not comparable across years due to significant and continuing revisions from 1993 to 1995.

2/ Excluding arrears of Beltransgas to RAO Gazprom (included separately in financing)

3/ The real appreciation of the rubel against the dollar in 1995 and 1996 imply a rapid increase in dollar GDP, complicating the interpretation of ratios to GDP

4/ Adjusted for exceptional financial transactions.

Table 60. Belarus: Medium- and Long-Term Public and Publicly-Guaranteed External Debt, 1993-97 (Q1)

(In millions of U.S. dollars)

	1993	1994	1995	1996	<u>1997</u> Q1
Total medium- and long-term public and publicly-guaranteed external debt (end of period)	1,014	1,251	1,513	879	843
Multilateral (including Fund)	219	307	424	463	455
Of which:					
Fund	96	102	283	277	262
World Bank	0.1	102	109	125	129
EBRD	4	10	32	61	64
Bilateral	795	944	1,000	416	388
Of which:					
Russia 2/	586	586	621	14	13
U.S.A.	29	59	71	86	86
Germany	154	232	322	277	253
Japan	...	...	47	39	36
Memorandum items:					
Debt/GDP (in percent)	27.9	25.9	14.7	6.5	...
Debt service/exports of goods and nonfactor services	0.5	4.3	3.4	3.2	...

Sources: Data provided by the Ministry of Finance, and Fund staff estimates.

1/ Reflects cancellation of \$471 million in technical credit, effective January 1, 1996.

2/ Credit to Mosbusinessbank to Belshina (Belarus Tire Factory).

Table 61. Belarus: Transformation of State Property, 1991-1997 (May) 1/

	1991	1992	1993	1994	1995	1996	1997 May
Numbers of enterprises transformed							
Total	61	190	244	632	468	526	258
Cumulative since 1991	61	251	495	1,127	1,595	2,121	2,379
Republican property	19	32	140	184	53	136	114
Cumulative since 1991	19	51	191	375	428	564	678
Communal property	42	158	104	448	415	390	144
Cumulative since 1991	42	200	304	752	1,167	1,557	1,701
Share in total number of enterprises to be transformed 2/							
Total	0.7	2.2	2.9	7.4	5.5	6.2	3.0
Cumulative since 1991	0.7	2.9	5.8	13.2	18.7	24.9	27.9
Republican property	0.4	0.7	3.2	4.2	1.2	4.1	3.4
Cumulative since 1991	0.4	1.2	4.3	8.5	9.7	13.8	17.2
Communal property	1.0	3.8	2.5	10.9	10.1	7.7	2.8
Cumulative since 1991	1.0	4.9	7.4	18.3	28.4	16.1	38.9

Source: Data provided by the Ministry for the Management of State Property and Privatization.

1/ The authorities define transformation to include enterprises converted to joint-stock companies of which Government owns all or most of the shares.

2/ As of January 1, 1994, 4,423 Republican enterprises and 4,114 communal enterprises were planned to be privatized. However, figures are subject to constant change as the count of state-owned enterprises is revised. More recent data on the number of enterprises are not available.

Table 62. Belarus: Transformation of State Property, 1991- 97 (May)
(excluding joint-stock companies with state share of more than 50 percent)

	1991	1992	1993	1994	1995	1996	<u>1997</u> <u>May</u>
Numbers of enterprises transformed							
Total	61	189	230	506	228	336	134
Cumulative since 1991	61	250	480	986	1,214	1,550	1,684
Republican property	19	32	129	123	21	75	22
Cumulative since 1991	19	51	180	303	324	399	421
Communal property	42	157	101	383	207	261	112
Cumulative since 1991	42	199	300	683	890	1,151	1,263
Share in total number of enterprises to be transformed 1/							
Total	0.8	2.1	2.7	5.9	2.7	3.9	1.6
Cumulative since 1991	0.8	2.9	5.6	11.5	14.2	18.1	19.7
Republican property	0.4	0.7	3.0	2.8	0.5	2.3	0.7
Cumulative since 1991	0.4	1.1	4.1	6.9	7.4	9.7	10.4
Communal property	1.0	3.8	2.5	10.9	5.0	5.2	2.2
Cumulative since 1991	1.0	4.8	7.3	18.2	23.2	28.4	30.6

Source: Data provided by the Ministry for the Management of State Property and Privatization.

1/ As of January 1, 1994, 4,423 Republican enterprises and 4,114 communal enterprises were planned to be privatized. However, figures are subject to constant change as the count of state-owned enterprises is revised. More recent data on the number of enterprises are not available.

Table 63. Belarus: Number of Transformed Enterprises
by Activity, 1992-97 (Q1)

	1992	1993	1994	1995	1996	1997 (Q1)
Total	190	244	632	468	526	206
Republican property	32	140	184	53	136	104
Communal property	158	104	448	415	390	102
Industry	35	69	63	17	36	32
Republican property	23	68	58	15	36	32
Communal property	12	1	5	2	...	...
Construction	9	31	43	5	27	14
Republican property	4	28	40	3	24	12
Communal property	5	3	3	2	3	2
Agro-processing	...	12	48	221	126	29
Republican property	...	9	9	27	23	11
Communal property	...	3	39	194	103	18
Transport	...	9	10	1	26	18
Republican property	...	9	10	1	26	18
Communal property	...	...	...	...	...	...
Service	70	27	77	21	41	13
Republican property	3	1	23	...	...	...
Communal property	67	26	54	21	41	13
Trade and catering	54	38	284	161	210	67
Republican property	...	1	15	3	6	1
Communal property	54	37	269	158	204	66
Other	22	58	107	42	60	33
Republican property	2	24	29	4	21	30
Communal property	20	34	78	38	39	3

Sources: Data provided by the Ministry of State Property and Privatization.

Table 64. Belarus: Number of Transformed Enterprises by Method of Transformation
1992-97 (Q1)

	1992	1993	1994	1995	1996	1997 (Q1)
Total	190	244	632	468	526	206
Republican	32	140	184	53	136	104
Communal	158	104	448	415	390	102
Conversion into joint stock companies 1/						
Republican	4	71	217	259	221	113
Communal	3	68	152	52	92	83
Communal	1	3	65	207	129	30
Buy-outs of leased enterprises	47	57	152	35	58	20
Republican	20	44	28	1	5	0
Communal	27	13	124	34	53	20
Sale of state property to individuals	2	...	36	1	...	...
Republican	1	...	...	...	...	...
Communal	1	...	36	1	...	...
Sale to juridical persons	87	24	12	1	...	...
Republican	8	10	1	...	...	...
Communal	79	14	11	1	...	...
Sale by competitive bidding	50	51	60	31	42	6
Republican	...	11	3	...	...	...
Communal	50	40	57	31	42	6
Sale in auctions	0	41	155	140	166	46
Republican	...	7	...	...	...	...
Communal	...	34	155	140	166	46
Other sales	...	...	...	...	39	21
Republican	...	...	...	...	39	21
Communal	...	...	...	...	...	...

Source: Data provided by the Ministry for the Management of State Property and Privatization.

1/ Mainly conversion to joint-stock companies of Republican enterprises, where the shares later are sold (or to be sold).

Table 65. Belarus: Number of Employees in Transformed Enterprises, 1991-97 (May) 1/

	1991	1992	1993	1994	1995	1996	1997 May
(Thousands of employees)							
Total							
Increase during the period	23.3	47.3	128.0	141.4	74.4	74.0	87.9
Cumulative since 1991	23.3	70.6	198.6	340.0	414.4	488.4	576.3
Republican enterprises							
Increase during the period	18.0	30.4	125.2	115.0	31.1	47.1	79.9
Cumulative since 1991	18.0	48.4	173.6	288.6	319.7	366.8	446.7
Communal enterprises							
Increase during the period	5.3	16.9	2.8	26.4	43.3	26.9	8.0
Cumulative since 1991	5.3	22.2	25.0	51.4	94.7	121.6	129.6
(In percent of total employment)							
Memorandum items:							
Number of employees in enterprises transformed since 1991	0.5	1.4	4.2	7.4	9.3	13.1	15.6
(Average number of employees)							
Average size of transformed enterprises							
Republican	947	950	894	625	587	346	701
Communal property	126	107	27	59	104	78	76

Source: Data provided by the Ministry for the Management of State Property and Privatization.

1/ Number of employees at the time of transformation.

Table 66. Belarus: Number of Employees in Transformed Enterprises, 1991-97 (May)
(excluding joint-stock companies with a state share of more than 50 percent) 1/

	1991	1992	1993	1994	1995	1996	1997 May
(Thousands of employees)							
Total							
Increase during the period	23.3	47.3	101.6	79.3	53.5	43.5	8.0
Cumulative since 1991	23.3	70.6	172.2	251.5	305.0	348.5	356.5
Republican enterprises							
Increase during the period	18.0	30.4	98.8	52.9	10.2	16.6	...
Cumulative since 1991	18.0	48.4	147.2	200.1	210.3	226.9	226.9
Communal enterprises							
Increase during the period	5.3	16.9	2.8	26.4	43.3	26.9	8.0
Cumulative since 1991	5.3	22.2	25.0	51.4	94.7	121.6	129.6
(In percent of total employment)							
Memorandum items:							
Number of employees in enterprises transformed since 1991	0.5	1.4	3.6	5.5	6.8	9.3	9.7
(Average number of employees)							
Average size of transformed enterprises							
Republican	947	950	787	430	486	213	...
Communal property	126	107	27	59	104	78	71

Source: Data provided by the Ministry for the Management of State Property and Privatization.

1/ Number of employees at the time of transformation.

Table 67. Belarus: Housing Privatization, 1992-97 (Q1)

	1992	1993	1994	1995	1996	1997 (Q1)
Number of apartments privatized during the period (in thousands)	69.3	197.0	200.3	112.2	75.3	19.4
(In percent of total government and public owned housing) 1/	4.3	12.5	13.8	8.1	5.8	1.5
Cumulative number of apartments Privatized (In thousands)	115.7	312.7	513.0	625.3	700.6	720.0
Number of square meters of housing privatized (in millions)	4.1	10.0	10.4	5.8	3.9	1.0
of which:						
given free of charge	0.5	0.5	0.1	0.1	0.0	0.0
Cumulative	6.6	16.6	27.0	32.8	36.7	37.7
Average size of privatized apartments (In square meters)	59	51	52	52	51	51

Source: Data provided by the Ministry of Statistics and Analysis.

1/ The total number of dwelling units that had been privatized in 1989-1996 corresponds to 39 percent (in Q1 of 1997- 40 percent) of the total stock of Government and public-owned housing. Adding annual percentages will give a different result due to expansion of the housing stock during this period.

**Belarus: Status of the Tax System
May 1, 1997**

1. This appendix describes the main features of Belarus' tax system as of May 1, 1997. It reflects changes made to rates and other features of the system during 1996 and early 1997; most changes occurred in 1996.

Individual income tax

2. Taxable income includes monetary income in domestic and foreign currencies, earned in Belarus and abroad (foreign currency income is converted at the official exchange rate). In principle, all bonuses and in-kind payments are included, but numerous exemptions apply (e.g., in-kind bonuses received from enterprises up to 20 times the minimum monthly wage—MMW—during a calendar year; imputed value of free health resort treatment and other social protection offered by employers, up to 30 MMW per year). Excluded from taxable income are: all social welfare incomes (pensions, unemployment benefits, student stipends, Chernobyl benefits, etc., except temporary disability incomes), severance payments, receipts from the sale of personal property (every five years for real estate, every year for vehicles), proceeds from the sale of private plots of land, inheritances, interest on bank deposits and treasury bills, and incomes received as gifts from residents in Belarus and close relatives living abroad (the latter two exemptions became effective on April 1, 1996).

3. Personal income taxation is progressive, with seven nonzero rates (see text table). The tax scale is indexed to the MMW (which was Rbl 150,000 per month on April 1, 1997). The tax scale below became effective on April 1, 1996.¹ Local governments are permitted to establish fixed tax rates for income derived from economic activities approved by the Cabinet of Ministers for entities operating outside of a juridical entity. Such tax rates are set within limits determined by a presidential decree.² Dividend and similar income is taxed separately, at 15 percent.

¹The April 1996 revision raised the highest marginal tax rate from 40 to 50 percent, eliminated the previous 35 percent and 40 percent marginal rates, but left all other rates unchanged.

²Decree No. 70 of the President of the Republic Belarus of January 20, 1997.

Table. Belarus: Income Tax Schedule

Monthly Taxable Income	Marginal Tax Rate (In percent)
≤ 1 MMW	0
1 MMW < but ≤ 10 MMW	9
10 MMW < but ≤ 15 MMW	12
15 MMW < but ≤ 20 MMW	15
20 MMW < but ≤ 30 MMW	20
30 MMW < but ≤ 60 MMW	25
60 MMW < but ≤ 70 MMW	30
70 MMW <	50

4. Collective farm workers are not subject to individual income tax. Rather, their employers (i.e., collective farms) pay an income tax at a preferential rate of 8 percent (after deduction of 1 MMW per farm worker). Income from the sale of products of private subsidiary farms, such as vegetables, seeds, cattle and poultry, is exempt from tax.

5. Deductions for children and dependents are:

- 1 MMW per child if the number of children under 18 is less than 3;
- 2 MMW per child if the number of children under 18 is 3 or more; and
- 1 MMW for each dependent family member of pensionable age.

6. A deduction of up to 120 times the MMW from annual income (10 times for monthly incomes) is allowed for the following taxpayers:

- victims of, or persons involved in mitigating, the Chernobyl nuclear disaster;
- various war veterans and active servicemen;
- employees of the Ministry of Internal Affairs and the State Security Committee;

- disabled persons (category I and II invalids for all types of disability); and
- persons growing medicinal plants, berries, mushroom, and nuts for sale to procurement agencies.

7. For employees, the tax on monthly income is deducted at source, being paid by employers within one day after pay day. For the self-employed, installments are paid quarterly, based on self-assessments. An annual income declaration has to be submitted before February 15 of the following year and the remaining tax (or refund) has to be paid (received) by March 15.

Enterprise profit and income tax

8. The enterprise profit and income tax is levied on juridical entities (enterprises, associations, and organizations), including entities owned partially or totally by foreigners. Taxable income includes capital and financial income. Taxable profit is defined as the total proceeds from the sale of goods and services³ minus the associated costs of production. The following costs are deductible: material costs, wages (including bonuses) and other payroll costs (e.g., Social Protection Fund contributions), insurance, depreciation allowances for replacing fixed capital, and interest on loans. Up to 10 percent of profits may be deducted if used to provide loans for acquisition or construction of housing for workers. Although capital purchases are not included in "material costs," up to 50 percent of investment outlays may be deducted (see below). There are no provisions for carrying forward losses from previous periods.

9. The standard profit tax rate is 30 percent. In March 1996, Parliament eliminated the 60 percent rate (applying mainly to casinos) and the 40 percent rate (applying to income from lotteries), but rejected the Cabinet of Ministers' proposals to eliminate the following **preferential rates**, which remain in effect:

- 10 percent on profits of engineering and transportation enterprises of the agro-industrial complex; and
- 7 percent on profits of construction and repair enterprises of the agro-industrial complex.

10. Foreign juridical entities that are registered as residents in Belarus, but do not conduct any activity there through a representative office, pay taxes on income generated in Belarus as follows:

³The profit tax is levied on balance sheet profits, that is the amount of profits from sales of goods, products (work, services), other property (including capital, nonmaterial assets, and securities), and incomes from nonsale transactions.

- 15 percent on dividends, royalties, licences and other incomes;
 - 10 percent on interest received; and
 - 6 percent on international freight and shipment.
11. Reduced enterprise income tax rates apply in the following cases:
- a 15 percent rate applies to “small” enterprises (i.e., those with under 200 employees in the industrial sector, under 100 employees in scientific enterprises, under 50 people in the construction sector, and under 25 people in most other sectors), except in retail trade, whose profit is less than 5,000 times the MMW; and
 - lump sum profit tax payments apply for small retail outlets, and for activity in markets, fairs, and exhibitions.
12. The main exemptions in the profit tax law are listed below. In addition, local governments may grant supplementary profit tax concessions (except to traders) within the limits of the tax amounts to be collected by them (the exempted amounts are to be used by the enterprises concerned to increase production):
- collective, state, and peasant farms;
 - up to 50 percent of profits used to clean up Chernobyl after-effects or to provide environmental protection and fire safety;
 - up to 50 percent profits used for scientific and research activities;
 - new enterprises where the share of foreign investment is at least 30 percent of the authorized capital; such enterprises are provided with a three-year tax holiday starting from the year in which taxable profit is first declared; a reduction of profit tax by 50 percent for an additional three years may be granted by the Cabinet of Ministers in case the enterprise produces “particularly important goods;”
 - up to 50 percent of profits used for capital investments (including nonresidential and housing construction, acquisition of buildings, structures, equipment, and vehicles) and for repayment of bank credit used for investment purposes;
 - contributions to educational and health-care institutions, homes for elderly and disabled people, cultural and sports institutions maintained or shared by the enterprise;

- up to 5 percent of profits used for charitable contributions;
 - profits of self-supporting workshops of special hospitals and clinics and producers of orthopedic and rehabilitation devices;
 - profits of enterprises operated by educational organizations to provide practical training for students;
 - profits from the production of baby food;
 - profits used to create jobs for disabled;
 - enterprises in which at least 50 percent of employees are disabled get a full tax exemption; if the number of disabled employees accounts for between 30 and 50 percent, taxable profit is reduced by 50 percent;
 - profits of enterprises owned by war veterans and honored comrades;
 - up to 10 percent of profits for amounts spent on the granting of loans for housing purchases or construction for employees in need;
 - profits from transactions in government securities;
 - profits of newly-established pharmaceutical enterprises selling essential medicines (on a list approved by the Ministry of Public Health) are tax exempt for a period of two years; and
 - enterprises in which employees who have reached retirement age (60 years for men and 55 years for women) account for at least 70 percent of employees, who receive a full tax exemption.
13. During 1996, the following specific exemptions applied:
- profits from additional export sales (relative to those in 1995) were taxed at 50 percent of the normal rate;
 - profits from the sale of fur were fully exempt;
 - profits from publishing school textbooks were exempt; and
 - corrective labor institutions and occupational therapy facilities approved by the Ministry of Internal Affairs were exempt.

14. In addition to legal exemptions, the government may grant ad hoc exemptions to specific enterprises (not just for profit taxes, but for customs duties, excises, and value-added tax—VAT—as well). In 1995, 22 such exemptions were granted and 73 tax credits were accorded. A further three exemptions were granted in the first quarter of 1996. However, in 1997, most ad hoc tax exemptions were repealed.

Value-added tax

15. The VAT is levied on enterprises and other legal entities whose monthly turnover exceeds 250 times the MMW. In most countries, the VAT is charged on the basis of commercial invoices,⁴ payable at the time the invoice is issued. In contrast, in Belarus VAT is calculated using the subtraction method, i.e., the value added is assessed on the difference between the value of sales and eligible “material costs of production and acquisition.” In general, material costs are estimated by the taxpayers themselves. Depreciation of fixed capital is not considered a material cost. VAT is levied on imported capital goods, although VAT reimbursement may be obtained one month after such equipment is put into operation.

16. Tax liability occurs at the time of the transfer of goods and services. Legal entities pay the VAT monthly, based on daily transactions of the preceding month. For large firms (i.e., those where the VAT liability exceeded 5,000 times the MMW in the previous month), payment is made daily; if the VAT previously due was between 2,500 and 5,000 MMW, payment is every 10 days; in other cases, payment is monthly. Entrepreneurs pay monthly if the VAT due was more than 250 MMV, or quarterly otherwise.

17. Since January 1994, the standard VAT rate has been set at 20 percent. A reduced VAT rate of 10 percent is levied on certain consumer services (production and repair of clothing, footwear, watches, household appliances and electronic equipment, hairdressing, public baths, and laundry services) as well as selected foodstuffs produced in Belarus.⁵ In March 1996, Parliament rejected the Cabinet of Ministers' proposal to eliminate the reduced rate for these services but approved the levying of the 10 percent rate on imported food products and children's goods that are on a list approved by the Cabinet of Ministers (these goods were previously exempt).

18. There are numerous exemptions from the VAT, including:

⁴Under this method, enterprises compute their VAT liability directly from invoice documents by subtracting VAT payments to their suppliers from VAT payments received from their customers. The main advantages of the invoice method are ease of administration and facilitation of invoice cross checking, thereby discouraging underinvoicing.

⁵Resolution No. 50 of the Cabinet of Ministers of August 2, 1996, retroactive to April 1, 1996.

- sale of state, collective and private farms (outputs and most inputs);
- domestically produced children's articles (e.g., clothing, books, bags, bedding, toys);
- pharmaceutical products and medical equipment;
- newspapers, magazines, and stamps;
- sales by religious associations;
- mass transportation;
- fuels (coal, gas, firewood, and peat briquets) sold to the public;
- housing and municipal services (e.g., rents, telephones, heating, and electricity);
- services provided by physicians, veterinarians, lawyers, child- and elderly-care institutions, fee-based educational services, entertainment industries, and undertakers;
- theaters, circuses, concerts, where the number of seats does not exceed 2,000, sports events, museums, and children's attractions;
- enterprises employing disabled people and retirees accounting for at least 70 percent of employees;
- proceeds from the sale of state securities;
- transactions in domestic and foreign currency banknotes and securities;
- free aid (procedure determined by Cabinet of Ministers);
- imported technical equipment used exclusively for disabled people;
- imported equipment and instruments used for scientific research;
- imported property of nonresidents for authorized foreign investments (if goods are resold, specific procedures apply); and
- imported items for the production of cars, buses, tractors, and agricultural machinery.

19. In accordance with the Treaty on the Creation of the Commonwealth of Independent States of December 8, 1991, the so-called *origin principle* applies to trade within the common area and the *destination principle* to trade with the rest of the world. In Belarus a certain hybrid system existed, but revisions to the VAT law were made by Parliament in early 1996, putting the country unequivocally on an origin basis with respect to CIS countries and a destination basis with respect to non-CIS countries: VAT is levied on exports to CIS countries, whereas exports to non-CIS countries are exempt; imports from non-CIS countries pay VAT, whereas those from CIS countries are exempt. However, in response to a similar measure taken by Ukraine, imports from Ukraine are subject to VAT since February 1997. Since Belarus is also a member of a regional customs union, the VAT on raw materials and intermediate goods imported from the Russian Federation (with which borders have been removed in mid-May 1995) accrues to Russia, since Russia imposes VAT on its exports. For raw materials and intermediate goods imported from non-CIS countries whose final destination is Belarus (or Russia), arrangements are made for VAT to be paid to the Belarussian (or Russian) budget before the goods enter the common Belarussian-Russian customs space; these advance payments on VAT are deducted when the goods are sold at the next stage of production.

Excise taxes

20. Excises are levied on some 20 domestically produced categories of items, including various types of alcohol, tobacco, automotive gasoline, domestically produced oil, fur and leather products, and jewelry (Table 68). Effective April 1, 1996, the rates on gasoline were raised considerably, and excises were imposed on diesel and gas for automobiles for the first time. At the same time, the fuel tax, which was a gasoline tax earmarked for the Road Fund (see below), was abolished.

21. In the context of the customs union agreement with Russia, Belarus adopted excise taxes on imports similar to those prevailing in Russia (Table 69). With the exception of alcoholic beverages and tobacco, excise taxes are not imposed on goods imported from other CIS states, since, in general, excises are imposed on an origin basis. In contrast, excise taxes are imposed on goods imported from non-CIS countries, i.e., the destination principle applies. Since the removal of the border between Belarus and Russia, arrangements have been in place to ensure that revenue from excises accrues to the budget of the country of final destination.

22. The tax base for excise taxes is: (i) sales value for domestically produced goods; (ii) customs value (exclusive of import tariffs), for imports when the tax is on an ad valorem basis; and (iii) volume, for several imports with specific excise taxes (usually in ECU per unit).

Table 68. Belarus: Excise Taxes on Domestically Produced Goods, 1992-97
(In percent)

	1992	1993	1994	1995 June	Since April 1, 1996
Alcoholic beverages:					
Alcohol, hard liquor, and vodka	88	75	75	75	80
of which: less than 20 percent proof	-88	-75	-75	-75	-65
Cognac	60	55	50	50	50
Dry, semi-dry, fortified grape wines	50	50	45	45	20 2/
Fruit and berry fortified and liqueur wines	50	55	50	50	25
Champagne and sparkling wines	30	50	45	45	45
Beer and low-alcohol beverages	45	45 1/	40	40	40
Tobacco:					
Tobacco products					
Higher than Class III	60	60	55	55	30
Class III and lower	60	55	50	50	25
Fuels, vehicles, and tires:					
Gasoline (above 90 octane)	10	10	10	10	30
Gasoline (up to 90 octane)	10	10	10	10	25
Diesel	--	--	--	--	18
Gas for motor vehicles	--	--	--	--	18
Crude oil extracted in Belarus	--	38	38	25	25
Tractors and trucks	--	15	15	--	--
Cars	--	--	15 3/	--	--
Passenger car tires	70	70	30	30	10
Truck tires	--	10	10	--	--
Other excisable products:					
Refrigerators and freezers	--	15	15	--	--
Color television sets	--	15	15	--	--
Meat and fish delicatessen items	30	40	--	--	--
Natural fur and fur products 4/	65	40	35	20	20
Natural leather products	--	--	25	25	25
Carpets	55	65	40	40	--
Wallpaper	10	10	--	--	--
Crystal	50	50	15	15	--
Jewelry	--	--	30	30	30
Diamonds	--	--	10	10	10
Firearms	--	--	--	30	30
Hydrolytic alcohol	--	30	20	20	20
Nitrogen fertilizers	--	20	--	--	--

Source: Data provided by the Belarussian authorities.

1/ For enterprises producing less than 5 million liters per annum a lower rate of 25 percent was applied.

2/ Since August 1, 1996—Decree No. 276 of the President of the Republic of Belarus of July 30, 1996.

3/ Excluding those produced at the Belarussian automobile plant "Belaz."

4/ Rates are for large fur items (e.g., coats); smaller items have lower rates (15 and 10 percent).

Table 69. Belarus: Excise Taxes on Imported Goods, May 1997

	Tax rate (In percent, unless volume-based)	Minimum tax (ECU/cm ³)
Alcoholic beverages		
Alcohol and hard liquor	5 ECU per liter	
Vodka	3.5 ECU per liter	
Brandy, liqueurs	3 ECU per liter	
Champagne, grape vines	1 ECU per liter	
Other beverages	0.5 ECU per liter	
Beer and low-alcohol beverages	0.3 ECU per liter	
Ethyl spirit (under 80 percent proof)	400 percent but less than 4 ECU per liter	
Cigars and cigarettes		
Cigarettes	7 ECU per 1,000 pieces	
Cigars	2 ECU per 100 pieces	
Fuels and vehicles		
Gasoline	20	
New passenger cars 1/		
Less than 1,000 cm ³	10	but not less than 0.375
1,001-1,500 cm ³	10	but not less than 0.425
1,501-1,800 cm ³	15	but not less than 0.675
1,801-3,000 cm ³	20	but not less than 1.3
More than 3,000 cm ³	25	but not less than 2.0
Trucks up to 1.25 tons	15	
Tires for cars	30	
Radial tires for cars	15	
Other excisable products		
Natural leather clothing	35	
Yachts and speed boats	30	
Hunting rifles	20	
Crystal products	20	
Plates 2/	35	
Diamonds	10	
Jewelry, precious stones	30	
Carpets	40	
Clothing, fur coats	35	
Fur headgear	20	
Fur collars, cuffs	10	

Source: Data provided by the Belarussian authorities.

1/ Rates applicable to nondiesel, new cars. Slightly higher minimum rates apply to new diesel vehicles. Somewhat lower minimum rates apply for used cars. The ad valorem rates are identical in all cases.

2/ A reduced rate of 10 percent applies to plates smaller than 15 cm².

23. Although the tax law contains no exemptions, in practice, ad hoc exemptions—to all taxes—have been granted to specific enterprises, usually on presidential order.

Trade taxes

A. Import duties

24. In the context of the customs union, Belarus has abolished customs borders with Russia and in mid-March 1997, import duty rates were changed so as to be similar to those in place in Russia. Regular import duty rates apply to countries that have been granted most-favored-nation treatment. Import duty rates are doubled if goods are imported from a country that has not been accorded most-favored-nation treatment. For developing countries covered by Belarus' system of preferences, import duties (for 103 countries or territories) were raised in March 1997 from 50 percent to 76 percent of regular rates, but remained zero-rated for 47 least developed countries.

25. Revenue from import duties for goods destined for Belarus (Russia) is allocated to the budget of Belarus (Russia) in the same way as revenue from excises and VAT on imports, i.e., before the goods can enter the common customs territory the importer must provide a financial guarantee that all taxes will be paid by the importer's bank. In the absence of such a guarantee, customs officers on the Belarus border with third countries prohibit the entry of the goods into the country.

B. Export duties

26. Following Russia's elimination of all export duties, the Belarussian authorities proceeded in October 1996 with the elimination of all export duties.

Other taxes

A. Property tax

27. This tax is imposed on the value of capital assets, i.e., structures and equipment. The tax is levied at 1 percent for legal entities and 0.1 percent for residential dwellings belonging to individuals. Numerous exemptions apply, including: privatized apartments; social, cultural, and residential facilities owned by local councils; assets owned by organizations of disabled people; fixed assets of communications and agricultural enterprises; structures designed to protect the environment; residences owned by old-age pensioners, certain disabled persons, families of State Security Committee staff members and of military personnel killed in action; and unfinished new housing construction. Since January 1, 1997, real estate tax revenue has been transferred to local governments which determine rates, payment dates, exemptions, and collect payments.

B. Land tax

28. This tax is assessed on plots of land owned and used by juridical and natural persons. Tax rates vary by type of land and location, being lower for agricultural lands and land in villages. Certain categories of citizens are exempt (including war veterans, pensioners, victims of the Chernobyl disaster). The tax schedule varies for agricultural use from Rbl 609 per hectare on poor soils to Rbl 3,550 per hectare on rich soils, and for other uses from Rbl 116 to Rbl 675. Local governments can raise the rates up to twice these amounts. Beginning on April 1, 1996, the previous schedule of rates was increased by amounts ranging from 1.6 percent for rural land to 19.1 percent for land in Minsk. Since January 1, 1997, land tax revenue has been transferred to local governments which determine rates, payment dates, exemptions, and collect payments.

Natural resource tax (environmental tax)

29. The tax is imposed on: (i) resources extracted from the natural environment; (ii) refined oil and petroleum products (since April 1, 1996); and (iii) the amounts of pollutants emitted into the environment, within prescribed limits. Tax rates for (i) and (iii) are set by the Cabinet of Ministers. Penalty rates of 15 (10) times the normal rate are imposed if emission of pollutants (resource extractions) exceed the established limits. For (ii), a tax of 1 ECU per ton is imposed for processing oil or petroleum products. Since January 1, 1997, the tax is levied at the preferential rate on water used for certain purposes, and sand and gravel mixtures used for highway construction (these were exempted before). Moreover, legal entities financed from the republican budget remain tax exempt. Since January 1, 1997, environmental tax revenue has been transferred to local governments which determine rates, payment dates, exemptions, and collect payments.

State fire service levy

30. The state fire service levy was suppressed on January 1, 1997.⁶

Social security contributions

31. Two extrabudgetary social funds, the Social Protection Fund (SPF) and the Employment Fund (EF), provide pensions and other social assistance benefits to individuals. Employers pay 35 percent and employees 1 percent of wages to the SPF. Agricultural enterprises pay a reduced rate of 30 percent of their wage bill. Entrepreneurs that do not form a legal entity pay 15 percent of their income. The EF is funded exclusively by employers; the payroll tax to the EF is 1 percent.

⁶A fee used to be imposed on enterprises for maintaining a state fire service. The tax base was the value of capital assets, including stocks of materials. In early 1996, the rate was reduced from 0.0125 percent to 0.005 percent per month.

Chernobyl payroll surcharge

32. The emergency tax for eliminating the after-effects of the catastrophe at the Chernobyl nuclear power plant is levied since 1986 on all enterprises, except collective and state farms, peasant farms, enterprises employing disabled people, socio-cultural institutions receiving budget subsidies, nonprofit social associations, and law firms. In 1994, the payroll tax was reduced from 18 percent to 12 percent: on April 1, 1996, the tax was reduced to 10 percent; and on January 1, 1997, to 8 percent.

Road Fund

33. The extrabudgetary Road Fund was created in 1992 to finance the construction and maintenance of roadways. During 1992–95, the Road Fund has been financed by fuel taxes, motor vehicle sales taxes, road user fees and duties, transit taxes, and revenues of specialized road cleaning enterprises. The most important revenue source is the road user fees (72 percent of 1996 revenue). This fee is levied as a 1 percent turnover tax (0.5 percent for agricultural sales, 0.3 percent for wholesale and retail trade). Road maintenance and construction companies employing disabled people are fee exempt. The transit tax was changed to a transit duty in July 1995 and is an entry tax imposed on vehicles registered in countries other than the customs union. Rates vary according to vehicle type and weight. The 10 percent fuel tax was abolished and the transit duty is no longer earmarked for the Road Fund. The 1997 budget law instituted a levy on all motor vehicles (cars, trucks, buses, and motorcycles). A new levy on car owners was introduced from May 22, 1997. The levy is to be paid by: (i) juridical persons (including enterprises with foreign investment and foreign juridical persons) who have cars; and (ii) natural persons, including citizens of Belarus, foreign citizens, and persons without citizenship, who live in Belarus and have cars, motorcycles, trucks, etc. The levy is determined in terms of the minimum wage. The proceeds from the levy will be used for improvement. The rates are shown in the text table below.

34. A few categories of persons are levy exempt: (i) heroes of the Soviet Union, (ii) heroes of Socialist Labor; and (iii) other World War II heroes, veterans, invalids, and diplomats.

Fund for the Support of Agricultural Producers

35. In February 1995, Parliament introduced an extrabudgetary Fund for the Support of Agricultural Producers. Revenue is raised from a 1 percent turnover tax on enterprises; agricultural enterprises and state farms, as well as institutions of “consumer cooperation,” are exempt.

Table. Belarus: Schedule of Levy on Car Owners
(In terms of minimum wage)

	Natural persons	Juridical persons
Motorcycle	0.5	--
Cars with maximum weight of 3,500 kg and less than 8 passengers	2.0	4.0
Cars for load transportation not exceeding 3,500 kg	4.0	--
Cars for passenger transportation exceeding 8 persons	3.0	--
Trailers	1.0	2.0
Tractors	2.5	--

Source: Data provided by Belarussian authorities.

Fund for the Support of Exporters

36. A 10 percent fee on purchases of foreign exchange in the Interbank Currency Exchange, and on the contract value of goods in barter transactions, was introduced at the beginning of 1996. The fee provided financing for the Fund for the Support of Exporters. There were numerous exemptions, especially purchases of foreign exchange for imported energy payments, and for most imports of raw material and inputs used to produce products for exports. The Fund was abolished on July 1, 1996.

Other extrabudgetary funds

37. Enterprises pay additional turnover taxes (up to 2.5 percent, rates are determined by local governments) to finance maintenance of kindergartens and housing. Enterprises also finance scientific research and industrial development by paying a turnover tax to branch ministries, which run sectoral innovation Funds. This turnover tax rate has been reduced both in 1996 and 1997, and is currently 0.5 percent of turnover.

**Belarus: Status of the Social Safety Net
May 1, 1997**

1. Belarus has a well-developed system of social protection, which attempts to provide assistance to all those who have been exposed to a severe decline in real income. Nevertheless, there is now increasing evidence of poverty, particularly in rural areas, despite continuing high spending on social protection (expenditure equivalent to 14.1 percent of GDP is budgeted in 1997) and a very heavy burden on enterprises to finance these outlays.¹ Although there are a number of benefits, they are not well targeted or rationalized. Only family benefits and housing cost subsidies are income-tested. A key challenge is to reduce the cost of universal benefits of a social insurance nature (for instance pensions) while ensuring that there is adequate government provision of social assistance benefits aimed at well identified low-income groups.

Poverty²

2. The number of poor has increased dramatically since 1990. According to a sample survey conducted in 1996 about 40 percent of all people were characterized as poor.³ However, many of these people experienced only short spells of poverty, in part related to the seasonal nature of in-kind income derived from subsistence agriculture, as many segments of the population have turned to such activities to satisfy their daily needs. About 10 percent of the population is deemed to be in "permanent" poverty, which is defined as being below the poverty line for more than nine months of the year. Those suffering the most are relatively large and less-educated families with children, single parents, and one-worker families. This increase in poverty is almost entirely due to the general decline in real incomes

¹Total payroll taxes on enterprises to finance the various benefits are typically close to 50 percent of wages: 35 percent for the Social Protection Fund; 1 percent for the Employment Fund; 8 percent for the Chernobyl tax; and 2-3 percent for local government kindergarten and housing maintenance funds.

²This section draws on World Bank research (Belarus Country Economic Memorandum, November 1996).

³The definition of poverty is based on the cost of a minimum consumer budget (MCB), which includes food and nonfood items. It differs between the government and the World Bank, since the latter differentiates according to family size and structure. However, for the average family the Bank's poverty line is very close to that defined by the government, which since 1993 has been 60 percent of the MCB. The monthly MCB was evaluated at Rbl 893,000 (about \$40), or about 55 percent of the monthly average wage, in the first quarter of 1997. The MCB is used not only for poverty monitoring but also as a basis for increases in the minimum wage, pensions, scholarships, and various social benefits.

over the past few years, rather than a sharp rise in income inequalities. Nonetheless, there has been a widening of income differentials.⁴

Pension benefits

3. Pensions are disbursed through the Social Protection Fund (SPF), which is funded by a 35 percent payroll tax paid by employers and a 1 percent tax on salaries paid by employees.⁵ Every citizen over the legal retirement age (60 years for men, 55 years for women) with a full work history (i.e., 25 years for men and 20 years for women) is eligible for a pension. Uninterrupted service is no longer a requirement. However, there are many professional categories whose members are entitled to get a pension before the legal retirement age.⁶ In April 1997, some 0.5 million early retirees were amongst the 2.6 million people (one fourth of the population) receiving a pension. Out of 95,100 people admitted to retirement with a pension in 1996, 21,500 were granted a pension before the normal age limit. The regular pension amount is based on years of service and on previous income (averaged over five years); in 1996, and the first four months of 1997, the average regular pension was about \$30 per month (or Rbl 718,000 in April 1997—see Table 70).⁷ In April 1996, the minimum pension amounted to approximately \$20 per month, while in April 1997, it amounted to about \$15 (or Rbl 374,100). If the pension calculation formula produces a potential pension that is too low (for example for a retiring low-income agricultural worker) a “social pension” is paid to those with a full work history. In 1996, social pensions varied from \$3 to \$13 per month, while in April 1997, they varied from \$5 to \$19. Social pensions are paid from the resources of the Republican budget. Military pensions⁸ have a separate regime; in early 1996 the average military pension was about \$100 per month, while in April 1997 it was about \$60 (or Rbl 1.6 trillion), or roughly twice the size of the average regular pension.

4. In 1996, there were a number of changes in pension rules and benefit levels, including: (i) the phasing out in January 1996 of the Rbl 50,000 per month pension supplement

⁴Like in most transition economies, official income statistics do not fully capture the emergence of income inequalities.

⁵For more details, see Appendix I.

⁶Special labor conditions and particular professional activities (e.g., ballet dancers, pilots, and workers in hazardous professions, such as chemists, miners, founders) allow for a reduction in the minimum age and service record requirements (by 5 to 15 years).

⁷All Appendix II tables are excerpted from: “Concept of Pension Security Reform in the Republic of Belarus” by N. Shavlovskaya, published in *Natsionalnaya Ekonomichnaya Gazeta* No. 20, Minsk, May 1997.

⁸Including internal security services.

introduced in January 1995 to compensate pensioners for the elimination of food subsidies; and (ii) four pension increases (in January, February, August, and November) following increases in the minimum wage. However, these increases were not sufficient to keep up with the increase in average wages and thus the ratio of the average pension to the average wage declined from 40.9 percent in 1996 to 40.2 percent in the first four months of 1997. A change in pension legislation in January 1997 has made it possible to take into account individual pay contributions up to a maximum of 1.3 times the pension that would have been paid normally. This measure has raised the level of the highest pensions to six times the minimum wage.

5. Belarus' pension system, which is of the pay-as-you-go type, poses one of the most acute social-economic problems to the country: as indicated earlier, pensions are extremely low—one half of pensioners are under the poverty line—yet payroll contributions are high by international standards (Table 71). The reasons are low wages, the relatively low age of effective retirement, and the increase in the pensioners-to-active-population ratio, which rose by 37 percent during the last six years (Tables 72 and 73). About 80 percent of the SPF resources are used to pay pensions, while the remaining 20 percent are used to pay other benefits and overhead costs.

6. Some proposals for fundamental reforms, such as raising the retirement age, tightening eligibility for early retirement, or raising contributions for those contributing at preferential rates (e.g., the agricultural sector contributes 30 percent instead of 35 percent) were considered in the past but not acted on. However, faced with the prospect of future unsustainable imbalances in the pension scheme, the government decided to move ahead and adopted two resolutions in April 1997 calling for radical reform: the *Concept of Pension Security Reform in the Republic of Belarus* and the *Concept of Individually Identified Accounts of Insured Persons in the System of State Social Insurance*. According to these resolutions, the pension security scheme would be reformed with a view to improving its financial sustainability.

Other universal benefits

7. The SPF also provides disability benefits, sickness benefits, maternity benefits, birth allowances, child care benefits up to the age of three years, funeral benefits, and health-related benefits, all of which are universal, except child allowances. All relevant benefits require a medical certificate. Disability benefits for work-related accidents and sickness benefits (both requiring medical certificates) are provided at 100 percent of previous wages for most employees.⁹

8. On May 1, 1997, unemployment benefits were paid to around 47 percent of the 172,903 people who were officially registered as unemployed. Only those who have been laid

⁹Disability benefits are less than 100 percent of previous wages if the number of years of service is less than eight.

off in normal conditions receive benefits; voluntary resignations and dismissal for violations are not compensated. Basic benefits are paid for six months, at twice the minimum monthly wage, but are lower for those previously earning less than this amount and for first-time job-seekers (the latter receive the minimum wage).

9. The Employment Fund (EF), which administers unemployment benefits, also provides retraining benefits and financing to training institutes. On May 1, 1997, 11,000 unemployed people were on training at the EF's expense. In 1996 and the first four months of 1997, the EF continued to record a surplus, despite the fact that the contribution rate is low (1 percent of wages, paid entirely by enterprises). This mainly reflects the low level of registered unemployment. Consideration is being given to individual benefit payments based on individual income, with benefits proportional to past contributions.

10. A variety of benefits are paid to the victims of the Chernobyl disaster. These include allowances for those living in the contaminated regions; health care for children relocated from contaminated regions; and food programs and income tax relief for certified victims. Chernobyl-related outlays are financed by a special wage tax on enterprises as mentioned earlier (see Appendix I for more details).

Income-tested benefits

11. Child care benefits for children over three years of age are the main income-tested benefits (linked to household income). The benefit level for each child is linked to the minimum wage and the child's age. For children of 3 to 6 years, the allowance is 75 percent of the minimum wage; for children of 6 to 13 years, 90 percent; for children of 14 to 16 years, 105 percent. If a child is under three years of age, the benefit is not income tested and it corresponded to 120 percent of the minimum wage until October 1, 1996; since then the benefit has been increased to 180 percent of the minimum wage. A new law, meant to take effect on July 1, 1997, will change the child-care benefit for children under the age of three years. The benefit will represent 35 percent of the MCB at the end of the previous year; for single mothers, the benefit will be 50 percent. In the fall of 1996, a presidential decree created a new family benefit, to be paid out of the budget, for families under the poverty line (means-tested by local governments) with at least three children, to help them in purchasing school books; the measure is likely to be renewed again this year.

12. The full child allowance is received if household income is less than twice the minimum wage; 50 percent of the full benefit is received if household income is between two and three times the minimum wage; and, no child allowance is provided if household income exceeds three times the minimum wage. In 1996, child benefits were received by about 31 percent of all households, at a total cost of about 0.8 percent of GDP. In the first four months of 1997, family allowances paid represented about 0.6 percent of GDP. Over the past three years, there has been a steady erosion in the number of families receiving benefits, since increases in the minimum wage have not kept pace with increases in family income. Yet the World Bank's poverty survey indicates that it is particularly those with large families who are

most likely to experience bouts of poverty. This is one reason for the new law that pegs some benefits to the MCB rather than to the minimum wage, which has been lagging the increase in the cost of living.

13. Subsidies for housing costs were introduced by parliament in late 1994. This was in response to the decision to increase rents and charges for utilities, with the aim of gradually augmenting cost recovery until full recovery. However, the government wished to ensure that the poorer segments of the population would not fall into poverty as the result of this policy. Consequently, the amount that households actually pay for rent and utilities is mandated not to exceed 15 percent of household income. The following utilities are included: heating, hot and cold water, sewage, gas, electricity, and, in some cases, TV antennae, radio, and telephones. The subsidy paid to utility providers covers the difference between the cost of providing these services and the regulated household contributions. Average cost recovery progressed from 9 percent in 1994, to 20 percent in 1995, and 35 percent in 1996; however, cost developments stemming from the resurgence of high inflation since the beginning of 1997 have partially eroded the gain achieved so far, and in the first quarter of 1997 cost recovery slid back to 25 percent. The target date for full cost recovery has been continuously pushed forward since 1996 and is now well beyond 1997.

14. Tariffs for rents and heating charges are based on the size of apartments, whereas the tariffs for hot and cold water, sewage, and gas depend on the number of occupants in each dwelling. Since nearly all households are metered, electricity bills are based on actual consumption. Either local governments or enterprises administer the subsidy scheme, depending on who owns the dwelling.

Table 70. Belarus: Types of Pensions and Pension Recipients
(As of February 1, 1997)

	Number of pensioners	Structure (in percent)	Average pension, rubels
Total pensioners	2,465,422	100.00	715,417
of which receiving pensions for:			
Age - on general terms	1,629,280	66.09	731,163
Age - on privileged terms	369,587	14.99	795,230
Previously unemployed	10,227	0.41	794,958
Retired senior government officials	1,208	0.05	755,086
Long service	5,986	0.24	1,036,520
Special achievements	6,162	0.25	1,191,409
Disability	308,772	12.52	670,182
Loss of breadwinner	134,200	5.44	365,934

Source: Belarussian authorities.

Table 71. Social Indicators and Insurance Contribution Rates in Selected Countries

	Share of population older than 65 (in percent)	Number of children and Pensioners per 1,000 of people in labor active age	Social insurance contribution rates by:		
			Employee	Employer	Total
Austria	16	490	10.3	12.6	22.8
Belgium	16	510	7.5	8.9	16.4
Great Britain 1/ 2/	16	550	12.0	10.2	22.2
Germany	16	470	9.3	9.3	18.6
Greece	15	490	6.7	13.3	20.0
Iceland	11	550	4.0	8.5	12.5
Spain 3/	15	470	4.7	23.6	28.3
Ireland 1/ 2/	12	560	7.8	12.2	20.0
Canada	12	490	2.7	2.7	5.4
Luxembourg	14	470	8.0	8.0	16.0
Netherlands	13	460	25.8	0.0	25.8
Norway 1/	16	550	7.8	14.2	22.0
Portugal 4/	14	480	11.0	23.8	34.8
Finland	14	500	5.6	19.0	24.6
France	16	530	8.1	8.2	16.3
Switzerland	15	470	4.9	4.9	9.8
Sweden	17	570	1.0	19.0	20.0
Japan	14	440	8.3	8.3	16.5
Estonia 5/	...	...	0.0	20.0	20.0
Latvia 6/	...	...	5.0	33.0	38.0
Lithuania 7/	...	...	1.0	22.5	23.5
Russia	...	...	1.0	28.0	29.0
Belarus 8/ 9/	21	791	1.0	35.0	36.0

Sources: "Social Security Programs Throughout the World-1995", and "Social Protection in Europe: Outline of Social Security Programs" 1996.

1/ Social insurance contributions include contributions for sickness, disability, maternity and unemployment.

2/ Contribution rates are wage defined. Rates correspond to the highest earning brackets.

3/ Social insurance contributions include contributions for sickness, maternity and family allowances.

4/ Social insurance contributions include contributions for sickness, maternity, unemployment, and family allowance

5/ Employers contribute for employees.

6/ As of January 1, 1997. Program to equalize employee and employer contribution rates by the year 2002 is current underway.

7/ Government participates in social insurance financing.

8/ Social insurance contributions include contributions for sickness, disability, maternity, family, and funeral allowa

9/ Population older than 65 years comprises 13 percent rather than 21 percent of total population in Belarus; 21 perc corresponds to population in age of retirement which is older than 60 years for men, and 55 years for women.

Table 72. Belarus: Age Structure of Population, 1959-96
(In percent)

	1959	1994	1995	1996
Total population	100.0	100.0	100.0	100.0
Population younger than able-bodied age 1/	31.3	23.9	23.5	23.1
Population in able-bodied age 1/	55.5	55.4	55.6	55.8
Population older than able-bodied age 1/ of which: older than 65 years	13.5 7.3	20.7 11.8	20.9 12.1	21.1 12.6

Sources: Statistical yearbooks "Belarus in Numbers. 1995" (Minsk, 1996) and "Population of Belarus" (Minsk, 1995).

1/ Population in able-bodied age includes men of 16-59 and women of 16-54 years of age.

Table 73. Belarus: Number of Employed and Pensioners, 1990-96

(In thousands, unless otherwise indicated)

	1990	1991	1992	1993	1994	1995	1996 1/
Population (beginning of period)	10,211.4	10,212.5	10,232.9	10,297.8	10,319.4	10,297.2	10,264.4
Labor force	5,437.8	5,318.0	5,171.7	5,132.7	5,008.4	4,721.0	4,390.0
of which: employed	5,148.5	5,019.7	4,887.4	4,823.7	4,696.0	4,405.1	4,230.0
Number of pensioners (end of period)	2,374.7	2,463.0	2,550.9	2,604.9	2,635.0	2,658.9	2,670.3
Ratio of employed to pensioners	2.2	2.0	1.9	1.9	1.8	1.7	1.6
Number of pensioners per 1,000 employed	461.2	490.7	521.9	540.0	561.1	603.6	631.3

Sources: Statistical yearbooks "Belarus in Numbers, 1995" (Minsk, 1996) and "Population of Belarus" (Minsk, 1995).

1/ Preliminary data.

Table 16. Belarus: Price Developments, 1994-97 (May)

	Monthly percentage change		Percentage change on a year earlier	
	CPI 1/	IPPI 2/	CPI 1/	IPPI 2/
1994				
January	40.7	24.5	2,469	2,285
February	18.7	17.4	2,446	2,141
March	10.2	12.0	2,090	1,709
April	28.6	37.0	2,156	1,928
May	28.7	32.5	2,327	2,273
June	19.5	22.0	2,198	2,457
July	26.6	17.5	2,261	2,380
August	53.4	42.5	2,796	2,710
September	25.5	41.1	2,574	2,841
October	25.7	41.6	2,225	2,570
November	40.5	28.4	2,182	1,898
December	31.3	26.4	1,960	1,867
1995				
January	39.2	44.4	1,938	2,181
February	33.7	13.2	2,196	2,101
March	20.0	9.5	2,400	2,053
April	14.5	7.6	2,125	1,591
May	3.4	1.7	1,688	1,198
June	2.5	1.3	1,433	977
July	5.2	2.4	1,174	839
August	3.0	5.2	755	593
September	5.2	5.0	616	415
October	3.4	2.1	489	271
November	3.7	2.7	335	197
December	3.9	2.2	244	140
1996				
January	5.6	4.7	161	74
February	4.0	0.2	103	54
March	2.0	0.6	73	42
April	1.5	1.7	53	34
May	0.6	0.3	49	32
June	2.3	2.8	49	34
July	2.0	2.6	44	34
August	1.3	4.0	42	33
September	1.8	2.0	37	29
October	1.3	1.8	34	29
November	3.9	1.4	35	27
December	7.4	6.4	39	32
1997				
January	13.3	17.4	49	48
February	6.6	13.6	53	68
March	2.3	5.4	54	76
April	4.3	6.3	58	84
May	5.0	4.9	66	93
Average				
1992			971	2327
1993			1,190	1,536
1994			2,221	2,171
1995			709	499
1996			53	36

Source: Data provided by the Ministry of Statistics and Analysis.

1/ The CPI uses 1992 household expenditure weights for January 1992-March 1994; From April 1994, 1993 weights are used. From April 1995, 1994 weights were used. From April 1995, 1995 expenditure weights (based on the household survey) will be used for all data thereafter. The Ministry of Statistics does not adjust the time series according to the new weights.

2/ Industrial Production Price Index data are based on a corrected index formula (Laspeyres) using the weights derived from the structure of output of products by branches of industry in 1993.

Table 38. Belarus: Deposit Money Banks Accounts, 1995-97 (May)
(End of period balances, in billions of rubels)

	1995 Dec.	1996 Dec.	March	1997 April	May
Net Foreign Assets	1,953.7	2,897.9	5,233.0	6,428.2	6,404.4
Net Foreign Assets (Convertible) 1/	1,997.1	2,519.2	4,272.4	5,257.9	4,757.6
Foreign Assets		3,825.1	6,727.9	7,886.8	7,560.9
Foreign Liabilities	-1,012.6	-1,305.9	-2,455.5	-2,628.9	-2,803.3
Net Foreign Assets (Nonconvertible)	-43.4	378.7	960.6	1,170.3	1,646.8
Foreign Assets	320.9	1,286.2	2,075.0	2,306.6	2,671.9
Foreign Liabilities	-364.3	-907.5	-1,114.4	-1,136.4	-1,025.1
Net Domestic Assets	12,066.7	17,951.2	21,691.5	23,345.5	24,167.6
Net Domestic Credit	14,290.8	20,474.8	25,295.2	26,539.5	27,362.5
Net Credit to Central Government	-359.6	-570.5	-1,480.5	-2,182.7	-2,608.6
Net Credit to Central GovernmentT	-359.6	-574.8	-1,501.8	-2,207.6	-2,623.1
Net Credit to Central Government (LC)	-0.6	652.6	63.8	-504.7	-1,087.6
Claims on Republican Government	640.3	2,112.2	1,978.8	1,831.5	1,328.0
Deposits of Central Government	-640.9	-1,459.6	-1,915.0	-2,336.1	-2,415.6
Net Credit to Central Government(FC)	-359.0	-1,227.3	-1,565.5	-1,702.9	-1,535.5
Claims on Central Government	0.0	161.2	338.3	361.3	365.4
Deposits of Central Government	-359.0	-1,388.5	-1,903.8	-2,064.2	-1,901.0
Gross Credit to Local Government (LC)	0.0	4.3	21.2	24.9	14.5
Claims on Local Government	0.0	4.3	21.2	24.9	14.5
Claims on Nonfinancial Pub. Enterpr. (NFPE)	6,570.5	9,232.3	12,039.4	12,853.7	12,888.1
Claims on Nonfinancial Pub. Enterp. (LC)	5,283.3	7,151.9	8,594.9	9,288.4	9,081.1
Claims on Nonfinancial Pub. Enterp. (FC)	1,287.2	2,080.4	3,444.6	3,565.3	3,807.0
Claims on Private Sector	7,359.8	12,303.1	17,394.0	18,594.4	20,430.0
Claims on Private Sector (LC)	3,603.2	7,656.5	10,327.2	11,233.0	13,316.5
Claims on Private Sector (FC)	3,756.6	4,646.6	7,066.8	7,361.5	7,113.5
Claims on Nonbank Financial Institutions	0.0	302.3	329.1	382.5	400.8
Claims on Nonbank Financial Institutions (LC)	0.0	271.9	293.8	342.2	366.7
Claims on Nonbank Financial Institutions (FC)	0.0	30.5	35.3	40.3	34.0
Net Claims on NBB	720.0	-792.6	-2,986.8	-3,108.4	-3,747.7
Net Claims on NBB (LC)	959.7	-121.6	-1,674.4	-2,111.1	-2,873.6
Claims on NBB	2,513.3	2,921.8	3,391.6	3,689.6	4,058.3
Excess Reserves	-1,553.6	-3,043.4	-5,066.0	-5,800.7	-6,931.9
Net Claims on NBB (FC)	-239.7	-671.0	-1,312.5	-997.3	-874.1
Required Reserves	328.5	554.1	852.4	1,006.5	1,234.8
Excess Reserves	-568.2	-1,225.1	-2,164.8	-2,003.8	-2,108.9
Other Items Net	-2,224.1	-2,523.6	-3,603.7	-3,194.0	-3,194.9
Capital	-4,620.1	-5,276.8	-5,883.4	-6,008.7	-6,083.0
Fixed Assets	2,780.6	3,351.9	3,859.8	3,926.0	3,962.4
Restricted Deposits	-232.3	0.0	0.0	0.0	0.0
Interbranch Settlement (Net)	-169.3	-158.3	-275.9	-331.9	-281.1
Interbank Settlement (MFO) (Net)	3.6	2.2	-23.9	112.9	169.1
Net Claims on Other DMBS	-483.8	-325.5	90.9	18.6	72.2
Net Claims on Other DMBS (LC)	-174.7	-620.9	-1,150.1	-1,245.1	-1,524.8
Net Claims on Other DMBS (FC)	-309.1	295.4	1,241.0	1,263.6	1,597.0
Revaluation Account (Net)	-104.8	-48.5	-270.6	-279.1	-279.5
Other Items Net (Other)	602.0	-68.6	-1,100.7	-631.6	-754.9
Liabilities to Nonfinancial Resident Sectors Excluding General Government	14,020.4	20,849.1	26,924.5	29,773.7	30,572.0
Demand Deposits	6,131.7	9,240.1	10,674.6	12,018.7	12,341.0
Time and Savings Deposits	2,403.3	5,016.7	5,403.1	5,549.0	5,930.3
Foreign Currency Deposits	5,485.4	6,592.3	10,846.8	12,206.0	12,300.8

Source: Data provided by the National Bank of Belarus (NBB).

1/ Excludes Russian rubles.

Table 45. Belarus: Interest Rates of the National Bank of Belarus, 1996-97 (May)
(In percent per annum; beginning of period)

	1996												1997				
	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Mandatory reserves																	
Commercial banks	...	12	...	...	12	12	12	12	12	12	12	12	12	12	
Sberbank	...	12	...	...	12	18	18	18	18	18	21	21	21	21	
Correspondent account overdrafts	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
	165	165	165	165	165	105	105	105	105	105	126	126	126	126			
General government deposits	12	12	12	12	12	12	12	12	12	12	12	12	12	12			
Credits to banks	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Credit auctions 1/	55	55	6	...	...	...	...	...	...	...	...	...	...	...
Refinance rate	55	55	55	55	55	35	35	35	35	35	42	42	42	42			
Basic rate	55	55	55	55	55	35	35	35	35	35	42	42	42	42			
Average refinance rate	26	26	22	19	16	11	10	10	9	8	10	9	9	9			
Special refinance rate																	
Promstroibank	0-105	0-105	0-105	0-105	0-105	0-105	0-60	0-35	0-37	0-37	5-44	5-44	5-44	5-44			
Agroprombank	0-120	0-120	0-120	0-120	0-120	0-120	0-120	0-120	0-120	0-120	1-84	1-84	1-84	1-84			
Recapitalization of enterprises	14-60	14-60	14-60	14-60	14-60	14-60	14-60	5-30	5-60	5-60	5-60	5-60	5-60	5-60			
Individual farmers	1-50	1-50	1-50	1-50	1-50	1-50	1-50	1-50	1-1.75	1-1.75	1-21	1-21	1-21	1-21			
Housing	--	--	--	--	--	--	2-6.5	2-6.5	2-6.5	2-6.5	2-6.5	2-6.5	2-6.5	2-6.5			
Credit to Government 2/	55	55	55	55	55	35	35	35	35	35	42	42	42	42			

Source: Data provided by the National Bank of Belarus (NBB).

1/ Average interest rate at the first credit auction of the month.

2/ Since January 1994, a single interest rate applies to all loans to the central government. Starting January 1996, the NBB refinance rate applies to loans to government.