

December 1999

IMF Staff Country Report No. 99/143

## **Republic of Belarus: Recent Economic Developments**

This Recent Economic Developments report on Republic of Belarus was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with this member country. As such, the views expressed in this document are those of the staff team and do not necessarily reflect the views of the Government of Republic of Belarus or the Executive Board of the IMF.

Copies of this report are available to the public from  
International Monetary Fund • Publication Services  
700 19th Street, N.W. • Washington, D.C. 20431  
Telephone: (202) 623-7430 • Telefax: (202) 623-7201  
Telex (RCA): 248331 IMF UR  
E-mail: [publications@imf.org](mailto:publications@imf.org)  
Internet: <http://www.imf.org>  
Price: \$15.00 a copy

**International Monetary Fund  
Washington, D.C.**

INTERNATIONAL MONETARY FUND

REPUBLIC OF BELARUS

**Recent Economic Developments**

Prepared by a staff team consisting of Messrs. de Zamaróczy (acting head), Kramarenko, Flanagan, and Baig (all EU2)

Approved by the European II Department

July 13, 1999

Contents	Page
Basic Data Table .....	5
I. Overview .....	6
II. Real Sector .....	8
A. Overall Economic Activity .....	8
B. Inflation, Income, and the Financial Position of Enterprises .....	9
III. Public Finance .....	12
A. Overview .....	12
B. The State Budget .....	13
C. Social Protection Fund .....	14
D. Financing of the General Government Operations .....	15
IV. Financial Sector .....	15
A. Monetary Policy of the NBB .....	15
B. Developments in Financial Markets .....	16
C. Banking System .....	17
D. Banking Code .....	18
V. External Sector .....	18
A. Exchange System .....	18
B. Balance of Payments Developments .....	19
Current Account Developments .....	19
Capital and Financial Account Developments .....	21
VI. Structural Policies .....	22
A. Privatization .....	22
B. Business Environment .....	22
C. Price Formation .....	23
D. Social Protection .....	24

VII. Belarus–Russia Union .....	23
A. Institutional Aspects and Economic Objectives .....	23
B. Economic Issues .....	24

Text Box

1. Growth During Transition: The Belarus Puzzle .....	10
---	----

Text Figures

1. Composition of GDP, 1994 and 1998 .....	26
2. Industrial Production by Sector, 1998 .....	27
3. Inflation and Wages in Selected Countries, 1994–April 1999 .....	28
4. Fiscal Indicators, 1992–98 .....	29
5. General Government Revenue, 1994 and 1998 .....	30
6. Rubel Broad Money and Overall Broad Money Multiplier, 1996–June 1999 .....	31
7. Refinance, Deposit, and Lending Rates, 1996–May 1999 .....	32
8. Real Refinance Rates, 1994–April 1999 .....	33
9. Exchange Rate Spreads Between Official and Parallel Rates, 1998–June 1999 .....	34
10. Real Exchange Rates, 1994–April 1999 .....	35
11. Share of CIS Countries and of Russia in Total Trade, 1992–98 .....	36

Text Tables

1. Gross Domestic Product by Sector, 1994–98 .....	37
2. Gross Domestic Product by Expenditure, 1994–98 .....	38
3. Growth of Gross Domestic Product by Expenditure, 1994–98 .....	39
4. Growth of Gross Domestic Product by Sector, 1994–98 .....	40
5. Capital Investment by Sectors in Comparable Prices, 1994–99 .....	41
6. Industrial Production, 1994–98 .....	42
7. Inventories of Ready-Made Products in Warehouses, 1995–March 1999 .....	43
8. Selected Indicators of Industrial Production, 1994–98 .....	44
9. Share of Total Exports in Production of Selected Industrial Products, 1994–98 .....	45
10. Agricultural Production, 1994–98 .....	46
11. Share of Private Sector in Agriculture, 1994–98 .....	47
12. Distribution of Agricultural Land, 1994–98 .....	48
13. Share of Agricultural Production Sold Through State Procurement, 1994–98 .....	49
14. Production and Consumption of Energy, 1994–98 .....	50
15. Changes in Consumer and Producer Prices, 1995–99 .....	51
16. Changes in Administered Prices of Household Services, 1998–99 .....	52
17. Tariffs and Cost Coverage for Households, 1997–99 .....	53
18. Average Monthly Wages, 1994–98 .....	54

19.	Price and Wage Developments, 1994–99.....	55
20.	Money Income and Expenditures of Population, 1995–99 .....	56
21.	Labor Market Indicators, 1994–98.....	57
22.	Average Monthly Employment by Branches, 1994–99.....	58
23.	Enterprise Profits and Loss, 1994–98.....	59
24.	Interenterprise Arrears and the Barter Economy, 1995–99 .....	60
25.	Sectoral Distribution of Energy Debts of Enterprises, 1997–99 .....	61
26.	General Government Operations (in rubels), 1994–March 1999 .....	62
27.	General Government Operations (in percent of GDP), 1994–March 1999 .....	63
28.	Tax Arrears, 1994–98.....	64
29.	General Government Debt, 1994–March 1999 .....	65
30.	Monetary Survey, 1997–99.....	66
31.	Accounts of the National Bank of Belarus, 1997–99 .....	67
32.	Deposit Money Banks' Accounts, 1997–99.....	68
33.	National Bank of Belarus Credits, 1996–99.....	69
34.	Composition of Bank Lending by Type of Credit and Sector, 1995–March 1999.....	70
35.	Auctions of National Belarus Bank Credits, 1999.....	71
36.	Auction of Securities, 1998–99 .....	72
37.	Minimum Reserve Requirements, 1995–April 1999.....	73
38.	Interest Rates of the National Bank of Belarus, 1997–99.....	74
39.	Interest Rates on Commercial Bank Time Deposits, 1998.....	75
40.	Interest Rates on Bank Deposits, 1998–99 .....	76
41.	Interest Rates on Bank Credit, 1998–99.....	77
42.	Interest Rates on New Foreign Exchange Deposits and Credits, 1998–99.....	78
43.	Structural Characteristics of the Banking Sector, 1997–99 .....	79
44.	Commercial Banks, Selected Indicators, 1995–99 .....	80
45.	Six Largest Commercial Banks, Selected Indicators, 1995–99.....	81
46.	Commercial Banks and Branches of Foreign Banks, May 1999.....	82
47.	Liquidity Ratios of functioning banks, 1995–99.....	83
48.	Official Exchange Rates, 1995–99.....	84
49.	Direction of Trade: Exports and Imports, 1994–98 .....	85
50.	External Trade in Goods by Economic Branches, 1995–98.....	86
51.	Balance of Payments, 1994–99.....	87
52.	Selected International Assets, 1994–99 .....	88
53.	Selected International Liabilities, 1994–99 .....	89
54.	Gas Supply and Arrears, 1997–99.....	90
55.	Transformation of Republican Property, 1994–99 .....	91
56.	Transformation of Communal Property, 1994–99.....	92
57.	Number of Employees in Transformed Enterprises, 1994–99.....	93
58.	Housing Privatization, 1994–98 .....	94

Appendices

I.	Monetary Policy Instruments and the Banking System.....	95
II.	Status of the Social Safety Net.....	109
III.	Status of the Tax System.....	117

Appendix Box

Box 2.	Towards an Independent Monetary System.....	97
--------	---	----

Appendix Figures

12.	Monetary Indicators, 1994–95 .....	106
13.	Interest rates, 1995 .....	107
14.	Structure of the NBB’s Rubel Net Domestic Credit, 1995–March 1999 .....	108

Appendix Tables

59.	Types of Pensions and Pension Recipients, May 1999 .....	114
60.	Age Structure of Population, 1994–98 .....	115
61.	Number of Employed and Pensioners, 1994–98.....	116
62.	Excise Taxes on Domestically Produced Goods, 1993–99.....	139
63.	Excise Taxes on Imported Goods Since January 1, 1998.....	140
64.	Excise Rates on Excisable Goods, 1999 .....	141
65.	Fee Rates, 1999 .....	143

## Belarus: Basic Data, 1994-99 (Q1)

	1994	1995	1996	1997	1998	1999 Q1
<b>Social and demographic indicators</b>						
Population (in thousands)	10,346	10,246	10,235	10,300	10,179	10,197
Urban	7,074	7,061	7,071	7,214	...	...
Rural	3,293	3,236	3,793	3,869	...	...
Population density (inhabitants per sq. km.)	50	50	49	49	...	...
Life expectancy at birth (in years)	68.9	68.6	...	69.0	...	...
Infant mortality rate (per thousand)	13.2	13.3	12.6	12.1	...	...
Annual population growth rate (in percent)	-0.2	-0.3	-0.3	0.6	-1.2	0.2
Gross domestic product (in millions of U.S. dollars)	4,859	10,392	13,904	13,592	14,279	1,977
(Percentage changes in constant prices)						
<b>Output</b>						
GDP	-12.6	-10.4	2.8	11.4	8.3	1.2
<i>Of which:</i>						
Industry	-19.2	-10.2	4.1	16.5	10.1	...
Agriculture	-15.3	-2.5	1.4	-5.9	-0.9	...
Industrial production	-17.1	-11.7	3.5	18.8	11.0	4.1
(Percent changes within period)						
<b>Prices and Wages</b>						
Industrial producer prices (end of period) 1/	1,867	122	31	90	196	86
Consumer prices (end of period) 1/	1,960	244	39	63	182	60
Average wage, excluding kolkhozes	1,504	669	61	87	104	52
Minimum wage (period average)	900	200	67	100	75	43
(In U.S. dollars)						
Average monthly wage (end of period)	27	66	103	107	83	49
Minimum wage (end-of period)	2	5	6	7	3	2
<b>General government finance</b>						
Revenue	46.0	40.3	40.8	45.5	45.3	49.2
Expenditure 2/	48.5	42.2	42.4	46.2	45.7	46.0
Balance 2/	-2.5	-1.9	-1.6	-0.7	-0.3	3.3
(Percent changes from previous period)						
<b>Money and credit 1/</b>						
Rubel broad money	1,423	292	67	103	130	19
Banking system net domestic credit 3/	2,583	160	59	116	300	20
Refinance rate (percent per annum, end-of-period)	300	66	35	42	48	90
(In millions of U.S. dollars)						
<b>Merchandise trade</b>						
Exports of goods	2,510	4,803	5,790	7,383	7,081	1,358
Imports of goods	-3,000	-5,469	-6,939	-8,718	-8,528	-1,391
Trade balance	-490	-666	-1,149	-1,335	-1,447	-34
Current account balance (in percent of GDP)	-9	-4	-4	-6	-7	1
Exchange rate (Rubel/US\$, end-of-period) 1/	10,600	11,500	15,500	31,230	107,000	244,000
Rubel/US\$ (period average)	3,666	11,533	13,292	26,191	46,386	191,854

Sources: Belarussian authorities; IBRD; and Fund staff estimates.

1/ 1999 figure refers to April.

2/ Includes an adjustment for discrepancy between monetary and fiscal data.

3/ Unadjusted for exchange rate variations. The 1998 figures, reflects the move, at end-year, to an accounting rate of Rbl 220,000 per U.S. dollar.

## I. OVERVIEW

1. In spite of several shocks to the economy during 1998, the authorities continue to follow the lines of the policy they have been implementing since 1996. This policy aims at promoting growth and raising living standards through a combination of an expansionary monetary stance and tight administrative controls in virtually all economic sectors and activities. The general structure of the economy remains largely publicly owned and centralized.
2. In pursuing their economic policy, the authorities have taken advantage of the existence of excess industrial capacity and have relied on price and exchange controls in an attempt to contain inflationary pressures. This policy produced an officially reported year-on-year rate of GDP growth of 8½ percent in 1998 and 1¼ percent during the first quarter of 1999, versus 11½ percent in 1997, but this growth came at the price of high inflation and a steadily depreciating exchange rate. Inflation, as measured by the consumer price index (CPI), averaged about 10 percent per month over the 18 months ending in June 1999. Real wages, measured in both Belarussian rubels and U.S. dollars, have declined since the beginning of 1998. Registered unemployment has remained low, at 2¼ percent of the able-bodied population, since early 1998. Structural reform has all but stopped, as limited progress in late 1998 was reversed in early 1999.
3. Growth decelerated significantly during the second half of 1998 in the wake of the August 1998 Russian financial crisis, which harmed Belarus' main export market and banking system. In spite of strong financial support, agriculture performed poorly during 1998, as a result of inclement weather conditions, lack of financial incentives to producers, and aging harvesting equipment. Industrial production expanded at an annual rate of 10 percent and investment, at a rate of 5½ percent. Since the beginning of 1999, economic growth has slowed down and has been predominantly driven by domestic demand, notably by import substitution activities.
4. The growth performance in 1998 was partially achieved thanks to the banking system's generous directed credit to the economy. Accordingly, net domestic credit of the National Bank of Belarus (NBB) increased by 94 percent in 1998 and rubel broad money grew by 130 percent. As a result of the generally loose monetary policy and some relaxation of price controls in the fall, as well as the sharp depreciation of the rubel in the wake of the Russian crisis, inflation accelerated in the second half of 1998. In spite of continued loose monetary policy since the beginning of 1999, the pace of inflation has slowed somewhat owing to heightened price controls, but cumulative inflation during January–June 1999 still exceeded 80 percent. Interest rates have remained negative in real terms since mid-1998, thereby hampering sound financial intermediation.
5. The effects of high inflation spilled over into the foreign exchange market. This was first evidenced by the March 1998 currency slide, which prompted enhanced exchange and price restrictions, but to no avail. When the repercussions of the Russian crisis later reverberated through the Belarussian economy, within three weeks the parallel exchange rate depreciated again sharply, by 200 percent against the dollar, but also by 50 percent against the Russian ruble. During December 1998–February 1999, the authorities took a number of measures to simplify and somewhat realign the exchange system, but the generally lax monetary policy stymied their efforts and the spread between the official and parallel rates has since widened significantly.

6. The expansionary credit policy has also hurt Belarus' external position. The current account deficit widened further in 1998, reaching almost \$1 billion (6½ percent of GDP), from about \$800 million a year earlier. The deficit was financed, *inter alia*, by a large buildup in new payments arrears, mostly energy-related. With Belarus' external assets depleted and its access to foreign financing limited, the first quarter of 1999 saw a dramatic contraction of both exports and imports. Exports declined during the first quarter by 23 percent compared with the same period in the year before, while imports shrank by 38 percent. As a result, and given similar developments in services, the current account posted a small surplus, but arrears further increased. Gross convertible official reserves have remained low since early 1998, at about two weeks of imports.

7. In the wake of the Russian crisis, Russia's share in Belarus' external trade declined from 72 percent at the beginning of 1998 to 52 percent in April 1999. It is estimated that in March 1999 some 40 percent of exports were concluded on barter terms, versus 33 percent a year earlier. The proportion of barter in exports to Russia was even higher. This surge in barter transactions remains a cause for concern. Belarussian exporters have had success in capturing new market shares in non-Commonwealth of Independent States countries (CIS). The contraction in imports since the beginning of the year reflects the drop in the price of imported gas from Russia, but also a volume compression stemming from the slowing of activity and import substitution.

8. In contrast to other policy developments, the general government's budget operations, excluding quasi-fiscal operations of the banking system, remained restrained in 1998. The general government deficit was reduced to ¼ percent of GDP in 1998, from ¾ percent a year earlier, as high inflation and the depreciating exchange rate fostered revenue collection. The overall deficit, including quasi-fiscal operations, was about 3¼ percent of GDP in 1998, against 3¾ percent in 1997. In relation to GDP, revenue and expenditure remained relatively stable during 1998, at about 46 percent of GDP. Owing to the mandatory sequestration of expenditures in early 1999, pending the adoption of the budget, the budgetary performance was initially strong, but has since weakened.

9. Progress in structural reform since the beginning of 1998 has been disappointing, with the initially encouraging signs of renewed reform efforts in two areas proving to be temporary. Price controls were substantially relaxed in the wake of the August 1998 Russian crisis, as the shuttle trade to neighboring countries produced food shortages and firms faced higher import costs. The fall 1998 reductions in the lists of officially regulated companies, and the improvements in communal services' cost recoveries were also encouraging. By the spring of 1999, though, price controls were once again tightened and cost recoveries weakened. As for privatization, the promise held out by the spring 1998 presidential *dekret* never materialized.

## II. REAL SECTOR

### A. Overall Economic Activity

10. Real GDP continued to expand rapidly during 1998 as a whole, but it has been slowing down since the latter part of that year (Tables 1-4). The growth of 8½ percent in 1998 followed



that of 11½ percent in 1997. However, the rate for 1998 as a whole masked a clear pattern of declining quarterly growth rates. The first half of the year reflected a continuation of the 1997 trend, as real GDP grew by 12½ percent year-on-year. During the second half of 1998, as the impact of the Russian crisis took hold in Belarus, year-on-year growth declined to 5½ percent in the third quarter and to 4½ percent in the fourth quarter. During the first quarter of 1999, year-on-year growth slowed to 1¼ percent. Inflation exhibited an inverse pattern, remaining low during the pre-crisis phase and exploding post-crisis.

11. In contrast to 1997, Belarus' growth in 1998 was mainly driven by domestic factors, rather than by exports. On the expenditure side, macroeconomic policies stimulating consumption resulted in the decline of investment growth (Table 5). Consumption of goods and services grew by 7¾ percent, and investment, by 5½ percent (versus 16 percent in 1997). By contrast, exports fell by 4 percent in dollar terms, while the merchandise trade balance deteriorated. The high level of aggregate demand was generated by the expansionary monetary policy, as directed credit was extended mainly to housing construction and agriculture. Investment in gross fixed capital was mostly directed at residential construction which did not add much to the productive capital stock.

12. On the production side, growth in industrial sector value added was the major source of GDP growth in 1998 (Tables 6–9 and Charts 1 and 2). Industrial value added expanded by 10 percent, while construction sector value added grew by 15 percent, thus repeating its growth performance of 1997. Agriculture, despite being a major recipient of subsidized directed credit, turned in a disappointing performance during 1998, as value added declined by 1 percent, reflecting the impact of a poor harvest (Tables 10–13). The 25 percent decline in grain production was attributable to heavy rains during the harvest season interacting with a depleted agricultural capital stock unfit for quick harvesting and a lack of proper financial incentives to producers. This was illustrated by the better harvesting performance in neighboring areas in Lithuania, Poland, and Russia, which experienced the same weather pattern as Belarus. A substantial amount of agricultural production continues to be procured by the state at controlled prices, serving as a disincentive to production. Acting as a further brake on agricultural development, most lands continue to be publicly or collectively farmed, despite the much greater productivity of the private sector. The transport sector in Belarus was stagnant during 1998, as the post-crisis collapse in Russian imports stymied shipment of Russian goods through Belarus. In the energy sector, electricity production fell back to its 1996 level (Table 14), whereas oil and gas production increased only marginally. Among the service-producing sectors, the trade and catering sectors performed strongly (up 20 percent), whereas the public utilities sector continued its decline.

13. The early 1999 slowdown in growth mainly reflects the gradual reduction of available excess capacity in the economy, the fall in external demand (primarily owing to the Russian crisis), and sluggish domestic demand. Therefore, in 1999, growth has continued to be predominantly domestically supported, in particular through import substitution. On the external demand side, as noted earlier, trade with Russia suffered significantly from the mid-1998 crisis.

14. Belarus' positive growth performance during 1996–98 may seem puzzling because, after an initial period of uneven reform, Belarus increasingly reverted to a command economy. Recent economic literature on growth in transition economies often associates the early stage of reform

with “disorganization” leading to output decline. But as reform progresses, growth usually returns. Building on Appendix I of the report SM/98/180 of July 10, 1998, Box 1 further explores why Belarus could resume reported high growth since 1996 in a generally unreformed economic and institutional environment. It is argued, however, that the output revival is likely to be unsustainable in the medium term.

### **B. Inflation, Income, and the Financial Position of Enterprises**

15. Within-year inflation surged from 63 percent in 1997 to 182 percent during 1998, as monetary policy was relaxed in the wake of the Russian crisis (Appendix I), price controls were loosened, and some administrative prices were raised (Tables 15–17). Prior to the crisis, despite a 6 percent average monthly rubel money growth and a steadily depreciating exchange rate, monthly inflation averaged 3½ percent, restrained by formal and informal price controls (including a presidential decree targeting a maximum monthly inflation rate of 2 percent). During this period, isolated shortages of products were reported, especially outside the major urban centers, but the relative openness of the economy and its access to foreign financing provided an external supply to offset partially excess demand, containing price pressures. Nevertheless, dislocations were building up. The Russian crisis reduced the economy’s ability to run a current account deficit which, in the past, had partially absorbed inflationary pressures generated by the expansionary monetary policy. As the exchange rate rapidly depreciated against both the dollar and the ruble to bring about adjustment, and most Belarussian prices did not move much, the change in relative prices, vis-à-vis Russia in particular, led to an increase in shuttle trade. For the strictly price-controlled socially important goods, like basic meat products, the problem was severe, with the Belarussian price less than one-quarter of that prevailing in neighboring Russian towns. Administrative efforts to halt the movement of goods, including export-licensing procedures, were only partially effective in stemming the outflow of food items, given the lack of border controls with Russia. As shortages began to grow, the authorities liberalized prices to ensure food supply, from late September until the end of the year. Monthly inflation leaped up to average 21 percent during the five months ending in January 1999. The initial price shock was perpetuated by the feedback of a lagged (partial) wage indexation scheme to enterprises’ costs and a generally accommodating monetary policy.

16. The pattern of consumption during 1998 reflected that of changes in real monthly incomes (Tables 18–22 and Chart 3). Right up to the end of the third quarter, the government successfully pursued a policy of lifting real wages. Large government-directed increases in the minimum wage occurred in January and September, the latter representing an increase of 40 percent. This raised the whole scale of public sector wages, and this, in turn, had an important demonstration effect for private sector and public enterprise sector wage bargainers. During the first eight months of 1998, rubel average real monthly incomes stood 35 percent higher than in the year-earlier period. However, this affected adversely the financial position of enterprises in a price-controlled environment. Post-crisis real monthly incomes declined, reflecting the impact of inflation and the exchange rate depreciation. Between July 1998 and April 1999, real wages declined by 18 percent in rubel terms and by about 33 percent when measured in dollar terms at the parallel exchange

### Box 1. Growth During Transition: The Belarus Puzzle

For Belarus, the years between 1996 and 1998 stand out in contrast to the general picture of negative or low growth in most CIS economies. What explains Belarus' exceptional performance, and is this performance a departure from the predictions in recent economic literature on growth? In two recent papers (Havrylyshyn and Wolf, 1999<sup>1</sup>; and Havrylyshyn and al., 1998<sup>2</sup>), the authors argue that structural reform and macroeconomic stabilization are the main contributing factors to the resumption of economic growth in transition economies. A technical analysis presented by Blanchard and Kremer (1997<sup>3</sup>) puts emphasis on the role of structural reform and institutional changes. According to the argument, as transition economies move away from a command system, decentralized bargaining between suppliers and buyers poses a major problem. Bargaining becomes ineffective in this "disorganized" environment, involving incomplete contracts or asymmetric information. In industries with complex chains of production, these problems are exacerbated and output disruption is more severe. The argument follows that disorganization has contributed in an important way to the prolonged output decline in the successor states to the Soviet Union.

Belarus initially followed the expected decline path. However, the first few years of post-transition decline were reversed by a sudden reported growth spurt. After a sharp decline in output in the early 1990's, the Belarussian authorities decided to rely on: (i) "recentralization," which halted the disorganization factor; (ii) demand expansion, through expansionary credit policy; (iii) external financing, principally from Russia; and (iv) utilization of excess industrial capacity to meet, inter alia, Russia's demand for Belarussian goods. Reestablishment of previous sectoral and regional trade links with Russian industries and local governments, extensive recourse to inter- and intra-industry barter aimed at circumventing payments problems, and reimposition of price controls allowed Belarus to temporarily halt the debilitating impact of frictions in the early stages of transition. Furthermore, substantial direct and indirect financial assistance from Russia enabled Belarus to soften the impact of various exogenous shocks. However, the limitation of this approach started to surface in 1998, as the Russian crisis, compounded by a lack of structural transformation in Belarus, severely impeded the country's ability to rely on external demand and financing. Moreover, the policy of expanding credit to take advantage of excess capacity also had diminishing impact, as excess capacity shrank.

Belarus' failure to develop a private sector and encourage foreign direct investment placed the onus of continued growth on expanding output in the state sector, which began to demonstrate signs of slowing down, as external demand faltered and the capacity constraint grew. In an economic environment fraught with distortions, and in the likely absence of significant factor accumulation, lack of incentives discourages productivity growth. Without effective measures to deepen markets for buyers and sellers (e.g., opening up the economy, encouraging new business formation, applying antitrust law to break up large economic units, and ending widespread state procurement), to strengthen and enforce property and collateral laws, and to encourage foreign direct investment, it is unlikely that the revival of output growth will be sustainable in the medium term. Because of the buildup of distortions in the economy over the last few years, eventual reform in Belarus is not likely to be able to avoid the adverse impact of the disorganization effect described by Blanchard and Kremer, especially when considering the progress being made by many of Belarus' competitors.

<sup>1</sup>Havrylyshyn, Oleh and Thomas Wolf (1999), "Determinants of Growth in Transition Countries," *Finance and Development*, Volume 36, Number 2, June.

<sup>2</sup>Havrylyshyn, Oleh, Ivailo Izvorski, and Ron van Rooden (1998), "Recovery and Growth in Transition Economies 1990-97—A Stylized Regression Analysis," *IMF Working Paper*, WP/98/141.

<sup>3</sup>Blanchard, Olivier and Michael Kremer (1997), "Disorganization," *The Quarterly Journal of Economics*, Number 112, pp.1021-1126.

rate. The government has more recently sought to arrest the ongoing decline in incomes by increasing the extent of inflation indexation, and by granting a public sector wage increase, averaging 35 percent, on May 1, 1999.

17. The release of price controls on both products and producers, and the reduction of distortions in the exchange rate system (see below), helped to ease somewhat enterprises' financial position at the very end of 1998, as compared to the first half of 1998. In early 1999, however, the slowdown in growth, the direction of substantial credit to the agricultural sector, and the imported oil price hike, accompanied by the continued depreciation of the exchange rate, began to take a toll on enterprises' balance sheets (Tables 23–25). To maintain output levels, enterprises increasingly resorted to barter transactions, whose share in exports rose to 40 percent by the end of the first quarter. Behind this lay accumulating interenterprise arrears, measured at 23¾ percent of trailing four-quarter nominal GDP at the end of the first quarter of 1999, versus 16½ percent at the end of 1998. Profitability suffered as well; more than 23 percent of the Belarussian enterprises operated at a loss as of May 1, 1999, versus 12 percent at end-1997 and 14 percent at end-1998.

### III. PUBLIC FINANCE

#### A. Overview

18. The relative size and composition of the 1998 budget execution closely mirrored that of 1997 (Tables 26 and 27 and Chart 4). The revenue and expenditure of the general government<sup>1</sup> remained virtually unchanged at some 46 percent of GDP. Budget operations, excluding quasi-fiscal operations of the banking system associated with subsidized directed credit to housing and agriculture, remained restrained in 1998. The restrained budgetary stance has served as a brake on aggregate demand growth since the Russian crisis, somewhat offsetting inflationary pressures. The *general government* deficit was reduced to ¼ percent of GDP in 1998, from ¾ percent a year earlier, as high inflation and the depreciating exchange rate during the final four months of the year fostered revenue collection. The *overall* deficit, including the quasi-fiscal deficit, was about 3¼ percent of GDP in 1998, against 3¾ percent in 1997. Tax and expenditure arrears remained low in terms of GDP. Owing to the mandatory sequestration of expenditures during January–February 1999, pending the adoption of the budget, and raging inflation, the budgetary performance was initially strong. However, owing to delayed outlays, tensions started to bear on the budget in March and the accumulated surplus has since been largely eroded.

---

<sup>1</sup> *General government* operations include the *state* budget and the *Social Protection Fund (SPF)*. The state budget is the principal component and includes the budgetary operations of the *republican* (central) and *local* governments, the latter being constituted mainly of 6 regional governments (*oblasts*), the city of Minsk, 38 smaller cities, and 141 districts (*rayons*).

19. Starting with the 1998 budget, three of the four main special funds were integrated into the state budget, leaving only the SPF outside the budgetary sphere. Appendix II describes the SPF's operations. Since early 1998, the former special funds' operations have been performed through the treasury system. The SPF and special funds managed by branch ministries have remained outside the state budget and the treasury system. The establishment of the treasury for the republican government was completed in 1998.

### **B. The State Budget**

20. State budget operations were relatively restrained and were broadly in balance during most of 1998, as revenue performance remained strong (Chart 5). Higher-than-expected inflation was a major contributing factor, but the strong growth performance, the curbing of tax exemptions and deferrals, and an aggressive collection policy were also key to this achievement. Revenue collection suffered during the last quarter of 1998, as enterprises were dealing with the aftershocks of the Russian crisis, but revenue performance was boosted by the adoption of the new accounting rate in December at which foreign-trade-related taxes were computed. As only some minor fiscal changes were introduced in the 1998 budget, the composition of budget revenue was broadly similar to that of 1997, with no revenue item differing by more than  $\frac{3}{4}$  percentage point from its 1997 level (in relation to GDP). Appendix III provides a description of the tax system. Value-added tax and social security contributions represented the two highest revenue categories. The authorities managed to continue to eschew nonmonetary means to settle fiscal obligations ("offsets") and kept the level of ad hoc exemptions and deferrals to levels comparable to that of 1997. Tax arrears at end-1998 remained low at  $1\frac{1}{4}$  percent of GDP, although slightly higher than in 1997 (1 percent of GDP—Table 28).

21. Budgetary expenditure categories, presented according to economic classification, deviated in 1998 by less than  $\frac{3}{4}$  percentage point from their respective 1997 levels (expressed in relation to GDP). Subsidies increased the most (by  $\frac{3}{4}$  percentage point), reflecting the government's inclination toward price controls, but at the same time, transfers to households decreased by a comparable amount. Interest payments remained low, at about  $\frac{3}{4}$  percent of GDP. When considering the functional classification of expenditure, the above-mentioned structural stability also holds true. Social security, education, and health were the largest expenditure categories in 1998, reflecting the government's priorities, and were at levels comparable to those in 1997. Expenditure on defense, at  $1\frac{1}{2}$  percent of GDP, was at the average of the last four years. Regarding temporal distribution, expenditure was restrained during the first half of the year, as outlays were kept under tight control and stretched out, in line with the experience of previous years. Traditionally the last quarter of the year is the worst in terms of budgetary performance, because the government meets delayed expenditure and grants higher subsidies on utilities, and 1998 was no exception.

22. The president signed into law this year's budget on March 1, 1999. It targets a deficit of  $1\frac{3}{4}$  percent of GDP and is to be financed primarily from domestic sources. Direct crediting of the budget from the NBB has resumed recently on a large scale, exacerbating inflationary pressures in the economy. Given the sharp increase in external public debt obligations falling due in 1999 and

limited possibilities for foreign financing, the financing needs of the budget appear to be twice as high as the budgeted deficit.

23. In the first quarter of 1999, the general government surplus amounted to  $3\frac{1}{4}$  percent of GDP against a surplus of  $\frac{1}{4}$  percent of GDP in the first quarter of 1998. The overall deficit, including the quasi-fiscal deficit, decreased from  $4\frac{1}{4}$  percent of GDP in the first quarter of 1998 to  $1\frac{3}{4}$  percent of GDP in the first quarter of 1999. The revenue of the state budget represented  $40\frac{1}{2}$  percent of GDP, which was comparable to the year-earlier figure. The revenue performance benefited from the transfer of large accounting profits made by the NBB in foreign exchange interventions. The budget surplus also reflected nonpriority expenditure sequestration stemming from the obligation to remain within two-twelfths of the 1998 expenditure pending adoption of the new budget. Expenditure arrears increased by some Rbl 6 trillion by end-April (1 percent of the four-month GDP).

24. Recent information on the financing of the sowing campaign is of concern, as the authorities instructed banks to lend some Rbl 20 trillion by end-June to support the agricultural sector in addition to the budget support already appropriated to agriculture. Budgetary outlays have increased in response to spring floods and higher-than-budgeted credit for the sowing campaign. On May 1, 1999, the government granted a general wage increase of about 35 percent, markedly above the budgeted wage-increase level and, as a result, the Ministry of Finance reported trouble in June in meeting fully advance summer-leave wage obligations. Nevertheless, the authorities indicated that they would target a state budget deficit for 1999 of no more than Rbl 33 trillion ( $1\frac{1}{4}$  percent of GDP). This target would be realized through the collection of higher-than-budgeted nominal revenue resulting from higher-than-projected inflation, and expenditure prioritization and curbing.

### C. Social Protection Fund

25. The financial position of the SPF remained comfortable in 1998, in spite of a decline in budgetary transfers in the second half of the year. After having been roughly in balance in 1995–96, the SPF was in surplus in 1997–98. The surplus, represented  $\frac{1}{2}$  percent of GDP in both years and was mostly invested in the banking system in time deposits. In 1998, the revenue of the SPF amounted to  $11\frac{1}{2}$  percent of GDP, significantly higher than the 1997 ratio, as a result of the real increase in wages. The composition of revenue changed little in 1998, although transfers from the state budget declined. Expenditure of the SPF increased to about 11 percent of GDP (versus  $10\frac{1}{4}$  percent of GDP in 1997). In contrast to many CIS countries, all monthly allowances and benefits, including pensions, have continued to be paid on time by the SPF since early 1998.

26. During the first quarter of 1999, the financial situation of the SPF strengthened; its surplus amounted to  $1\frac{1}{4}$  percent of GDP. The relative size of the SPF slightly decreased, with its revenue reaching 11 percent of GDP and its expenditure attaining  $9\frac{3}{4}$  percent of GDP. Payroll tax arrears remained under control. Despite its positive financial situation, the SPF continues to face a formidable problem of long-term financial viability. The high proportion of pensioners in the

population, the low level of pensions and benefits, and overly high social security taxes by international standards, warrant fundamental restructuring of the system of social protection.

#### **D. Financing of the General Government Operations**

27. In 1998, the state budget had a deficit of about  $\frac{1}{4}$  percent of GDP, as the deficit of the republican budget more than offset the surpluses generated by the local authorities and the SPF. Domestic financing amounted to about  $\frac{1}{4}$  percent of GDP, as there was negative net foreign financing—foreign financing was 0.1 percent of GDP and repayment through the NBB of on-lent Fund credit was about  $\frac{1}{2}$  percent of GDP. To cover its deficit, the republican government borrowed about Rbl 5 trillion ( $\frac{3}{4}$  percent of GDP) from the NBB in direct credits and issued about Rbl 11 trillion ( $1\frac{3}{4}$  percent of GDP) worth of treasury securities, valued at the primary market purchase price. Privatization receipts were negligible. Total domestic borrowing of the republican government, representing about  $2\frac{1}{2}$  percent of GDP, was partially offset by the accumulation of deposits of the republican government, the local authorities, and the SPF, representing about  $1\frac{3}{4}$  percent of GDP. The low level of net domestic financing of the deficit and high inflation, eroding the value of past domestic debts, as well as revaluation of government foreign currency deposits with the banking system stemming from exchange rate depreciation, led to the decrease of net domestic debt from  $\frac{1}{2}$  percent of GDP in 1997 to  $-1\frac{1}{2}$  percent of GDP in 1998 (Table 29).

28. The general government surplus in the first quarter of 1999 was used to finance net repayments on external credits of  $\frac{1}{4}$  percent of GDP, repayments to the Fund of 1 percent of GDP, redemption of matured treasury securities of 1 percent of GDP, and a net buildup in deposits of 2 percent of GDP, more than offsetting direct credits to the government from the NBB of 1 percent of GDP.

### **IV. FINANCIAL SECTOR**

#### **A. Monetary Policy of the NBB**

29. Monetary policy in 1998 was loosened significantly, as compared with 1997, and this trend continued into 1999 (Tables 30–33 and Chart 6). The expansion of the NBB's rubel net domestic credit (RNDC) and foreign currency swaps were the main sources of growth of adjusted reserve money.<sup>2</sup> Moreover, the reduction in the required reserves ratio and poor enforcement of compliance with required reserves led to an increase in the broad money multiplier and faster growth of rubel broad money. The monthly average rate of rubel broad money growth accelerated from 6 percent in 1997 to  $7\frac{1}{4}$  percent in 1998, and further to 9 percent in the first half of 1999. This lax monetary policy resulted in the acceleration of inflation, the depletion of gross official reserves, a rapid depreciation of the exchange rate in all segments of the foreign exchange market,

---

<sup>2</sup> Reserve money minus short-term foreign currency deposits of residents and some liabilities to banks and nonbanks, in local currency.

an increase in the level of dollarization of the economy, and the weakening of the banking system. A retrospective analysis of monetary policy and a survey of the banking system are presented in Appendix I.

30. The targeting of the NBB's annual RNDC remained the main operational objective in the conduct of monetary policy in 1998 and 1999. At the beginning of 1998, the NBB Board set a relatively tight target for RNDC increase in 1998 (27 percent). However, this annual target was almost reached by end-March 1998, which was instrumental in the March 1998 currency slide. Despite that warning, the NBB Board revised the RNDC target upward (bringing the annual planned increase to 117 percent), in order to accommodate higher-than-planned directed credits to housing and agriculture.

31. In response to the August 1998 Russian crisis, instead of tightening its RNDC target, the NBB further relaxed monetary policy through a reduction in the required reserves ratio (Tables 34–37). Despite a tightening of monetary policy during November–mid-December 1998 and a greater reliance on the market allocation of credit resources since then, the NBB failed to tighten monetary policy on a sustained basis, as it accommodated growing demand for liquidity on the part of commercial banks. The latter were fulfilling government resolutions and presidential decrees on directed credits. Refinancing facilities included foreign currency swaps, auctioned Lombard credits, and reserve credits. In addition, the NBB has provided financial compensations from its profits to banks involved in subsidized directed lending, and authorized banks not to comply with required reserves, without incurring penalties.

32. The refinance rate has been negative in real terms since mid-1998. It has played a relatively small role in the conduct of monetary policy, as the bulk of NBB credit resources was distributed at much lower interest rates. The average monthly cost of overall NBB refinancing grew increasingly negative in real terms during 1998, and it remained negative in real terms in the first half of 1999. In turn, the negative real refinance cost depressed the entire structure of rubel deposit and lending interest rates (Tables 38–42 and Charts 7 and 8).

## **B. Developments in Financial Markets**

33. Primary market yields on treasury securities were approximately equal to the refinance rate of the NBB during the period under review. Banks and the SPF were the major buyers of treasury securities. Uncertainty over inflation and exchange rate depreciation, as well as the diversion of banks' resources to directed lending, led to increasing difficulties in placing treasury securities in the primary market in the first half of 1999. As a result, the NBB became an active participant in the primary market for treasury securities but had limited success reselling them in the secondary market.

34. The interbank market was characterized by very low nominal interest rates and a low volume of transactions from early 1998 to mid-December 1998. This was attributable to the fact that the banking system had excess liquidity, as the NBB only partially offset the liquidity injection associated with subsidized directed credits with the issuance of interest-bearing



instruments. With the tightening of the NBB's credit policy during November–mid-December 1998, a contraction in liquidity resulted in several spikes in interest rates and temporary stoppages of the payments system. In response to these problems, the NBB over-accommodated the liquidity needs of commercial banks for fear that these stoppages would be prolonged. In the first half of 1999, the volume of transactions in the interbank market increased markedly given the gradual shift in the composition of NBB refinancing from directed credits to facilities with short maturities, but average monthly interest rates remained highly negative in real terms.

35. The level of dollarization of deposits with banks has increased significantly since early 1998 on account of a rapid depreciation of the exchange rate and an inflow of foreign currency deposits. The real value of rubel time deposits declined by 32 percent from end-1997 to end-1998 and further by 12 percent from end-1998 to end-May 1999, as deposit interest rates remained negative in real terms. Foreign currency deposits increased significantly during 1998 and in the first half of 1999, despite a short-lived outflow of foreign currency in the aftermath of the Russian crisis. The increase in foreign currency deposits is mainly attributable to (i) stricter repatriation requirements, as some permissions to hold foreign exchange abroad were revoked; (ii) a rapid increase in interest rates on foreign currency time deposits; and (iii) a new guarantee on foreign currency deposits of households provided by a presidential decree in 1998. The market for corporate securities remained thin and primary issues of corporate securities declined in 1998, as compared with 1997, owing to the slow pace of privatization.

### **C. Banking System**

36. The capital adequacy and liquidity position of commercial banks deteriorated significantly in 1998 and early 1999. The overall capital-adequacy ratio of commercial banks declined from about 12 percent at end-1997 to only 7 percent at end-March 1999, below the required 10 percent level (Tables 43–47 and Appendix I). This deterioration is mainly attributable to a significant worsening of macroeconomic conditions, as well as a growing share of directed credits and nonperforming loans denominated in foreign currencies in banks' portfolios. The inflationary monetary policy led to a significant depreciation of the exchange rate making it difficult for banks to provision in local currency such nonperforming loans. In addition, the fall in exports to Russia, coupled with the tightening of restrictions in the foreign exchange market, dramatically increased defaults on foreign currency denominated loans. The growing scale of subsidized credit to agriculture and housing undermined the capital adequacy and liquidity of banks compelled to extend such credit. Finally, a significant inflow of foreign exchange during 1998 was used by banks for excessive foreign currency lending, thus overexposing the banking sector to exchange rate risks.

37. Rubel credit to the economy declined by 20 percent in real terms in 1998, as inflation outpaced credit growth, while foreign currency credits increased by 26 percent in dollar terms. The latter increase was mainly attributable to the inflow of foreign exchange deposits and gradual withdrawals of foreign exchange by banks from their required reserves held at the NBB. These withdrawals were made possible by the abundance of rubels in correspondent accounts of banks, as a result of the loose monetary policy. In the first half of 1999, rubel credits further declined by

2 percent in real terms, despite a significant increase in nominal credit. Similarly, foreign exchange credits declined by 4 percent in dollar terms, as prospects for repayments of new credits became bleak and banks tried to comply with instructions on directed credit through the replacement of rubels in required reserves with foreign currency.

#### **D. Banking Code**

38. The authorities continued to work on the new draft banking code which should replace the existing “Law on the National Bank of Belarus” and the “Law on Commercial Banks.” The most recent draft has been made consistent with the recently adopted Civil Code. This draft grants sweeping powers to the president, who “shall have the power to resolve matters under the jurisdiction of the National Bank of Belarus, and reverse decisions of the bank or suspend them.” In addition, the Council of Ministers is called to implement jointly with the NBB the monetary policy. These provisions, if maintained in the future law, could represent significant encroachments on the NBB’s independence. The timetable for the consideration of the draft banking law by Parliament is uncertain.

### **V. EXTERNAL SECTOR**

#### **A. Exchange System**

39. Immediately prior to the Russian crisis, there were five exchange rates in Belarus (two official rates—the official noncash exchange rate and the exchange bureaus’ “administered” cash rate—and three parallel rates—the off-shore exchange rate, the effective domestic interbank exchange rate, and the “street” cash rate). Significant spreads between the official and parallel exchange rates, as well as large discrepancies between different parallel rates, were attributable to specific administrative restrictions and a segmentation of the foreign exchange market. The spread between the most depreciated and the most appreciated exchange rates was about 80 percent immediately prior to the Russian crisis (Tables 48 and Charts 9 and 10). By end-November, this spread reached about 380 percent. In December 1998, an additional more depreciated official noncash exchange rate (the accounting rate) was introduced to reduce the gap between the official and the parallel noncash rates. This rate was administratively set by the NBB at a supplementary session of the Belarussian Stock and Currency Exchange (BSCE) from early December 1998 until end-February 1999. On March 1, 1999 the two official noncash exchange rates were unified at the level of the more depreciated accounting rate, reducing the spread between the official and the parallel noncash rates to about 80 percent. On June 30, 1999 there were still five exchange rates (two official rates and three parallel rates) with the spread between the most appreciated and the most depreciated rates being about 80 percent.

- The *official* exchange rate is set by the NBB in daily trading at the BSCE. It applies to the 30 percent export proceeds surrender requirement and the use of surrendered foreign exchange for critical imports, debt service payments, and government transactions. The surrender requirement, at a highly overvalued exchange rate, effectively serves as a tax on

exports and a subsidy for administratively selected imports. The official exchange rate is mandatory for booking all transactions involving foreign currency denominations. Differences between the official exchange rate and the actual transaction rate are to be reported as gains or losses.

- The *exchange bureaux' cash* rate is administered by the NBB and it is used for the 30 percent cash surrender requirement applying to purchases of cash foreign exchange.
- The *de facto average interbank* rate is currently about 80 percent more depreciated than the official exchange rate. Although banks report interbank transactions at rates close to the official exchange rate, off-setting transactions allow banks to transact at the more depreciated de facto rates.
- The *off-shore* rate is the average quotation rate by a number of foreign banks participating in the trading of rubels. This market is very thin owing to numerous restrictions applying to the outflow of rubels.
- The *street cash* rate is currently about 80 percent more depreciated than the administered cash rate.

A detailed analysis of the evolution of institutional changes in every segment of the foreign exchange market is provided in Appendix V of the companion staff report (SM/99/169, dated July 9, 1999).

## **B. Balance of Payments Developments**

### **Current Account Developments**

40. In 1998, the Russian crisis affecting Belarus' main export market, combined with continued high growth of domestic absorption, resulted in a worsening of the current account deficit. For 1998 as a whole, the deficit reached \$945 million (6½ percent of GDP) against a deficit of \$788 million in 1997 (5¾ percent of GDP—Tables 49–53). The worsening of the deficit reflected a faster decline in exports of goods compared to imports. In particular, the reduction in Russian demand for Belarussian products hurt Belarus' export performance.

41. During the first half of 1998, exports expanded by 13 percent in dollar terms year-on-year, but they lagged behind the rate of growth of imports, which reached 14 percent, while net receipts on services remained at about the same level as during the same period in 1997. This resulted in the widening of the current account deficit to \$579 million, from \$428 million during the same period in 1997. Expansionary domestic financial policies led to the widening of the current account deficit, intensifying Belarus' external vulnerability prior to the Russian crisis.

42. After the devaluation of the Russian ruble and the onset of payments system problems in Russia associated with the banking crisis, Russian demand for Belarussian goods and services declined. This led to a significant decline in Belarus' exports to Russia, and a concomitant

downturn in Belarus' imports, compounded by a substantial reduction of available financing from Russia. However, a steep drop in Belarus' real exchange rate, outpacing that seen in Russia, moderated somewhat the overall decline in exports, encouraging growth to non-CIS countries (Chart 11). In fact, while exports of goods to Russia declined by 32 percent in dollar terms during the final four months of 1998 (as compared to the same period in 1997), exports to the rest of the world grew by 14 percent. Meanwhile, imports fell steadily towards the end of 1998, dropping by 19 percent year-on-year, in response to the decline in the real exchange rate and the lack of foreign financing. The share of barter in trade, already high at 30 percent during the first seven months of 1998, leaped beyond 40 percent during the final four months. The blocked Russian payments system, the enormous punitive export tax implied by the rising spread in Belarus between the official and parallel exchange rates, and the surrender requirement provided ample motivation for Russian and Belarussian companies alike to increase their reliance on barter.

43. In the first quarter of 1999, the current account underwent a sharp adjustment, resulting in a surplus of \$26 million versus a deficit of \$369 million in the year-earlier period, and a deficit of \$146 million in the fourth quarter of 1998, reflecting in part the real depreciation of the rubel. In a context where exports continued to linger in dollar terms at levels 23 percent below those in the year-earlier period, the contraction in the deficit was driven by an even faster decline in imports. Belarus' energy bill fell by 50 percent in the first quarter, as the import price for gas plunged from \$50 to \$30 per thousand cubic meters (Table 54). Import contraction also came about as growth and absorption slowed in the economy, but it was also forced, owing to limited foreign financing.

44. While the multiple currency practice currently in place in Belarus has served as an important deterrent to exports, it has not been the only one. Certain aspects of the trade regime have worked against exports as well. During 1998, the government imposed quantitative restrictions on exports at two junctures, in May when a temporary ban was placed on timber exports, and in September, after the Russian crisis, when exports of socially important goods, mainly foodstuffs, were quantitatively restricted. During 1998, as the parallel exchange rate depreciated in response to loose monetary policy, the incentives to export these goods became overwhelming as domestic prices, measured in dollars at the parallel market exchange rate, were anywhere from one-twentieth (for timber rights) to one-fourth the price in neighboring countries. In the case of timber, the government was able to reimpose control through administrative methods (by establishing a cartel and by setting minimum export prices), but in the case of foodstuffs, the government had to raise prices substantially to counter the shortages brought on by the buoyant and difficult-to-control shuttle trade. Nevertheless, the quantitative restrictions on these foodstuffs remain in place, as the domestic price hikes have been stopped.

45. Belarus forms a customs union with Kazakhstan, the Kyrgyz Republic, Russia, and Tajikistan and its trade regime is very similar to that of Russia. Its Fund-compiled trade restrictiveness index remained unchanged in 1998 at 8 (out of 10), signaling important nontariff restrictions. A presidential decree in June 1999 introduced a fee on barter transactions in foreign trade with a view to discouraging such transactions.

## Capital and Financial Account Developments

46. The \$945 million current account deficit in 1998 was financed by: (i) a buildup of \$386 million in new arrears, mostly energy related; (ii) a drawdown in portfolio, trade credit, reserve, and other foreign assets totaling \$247 million; (iii) capital transfers of \$170 million; and (iv) net foreign direct investment of \$142 million. Short-term financial flows were more important than foreign direct investment and net disbursements of public and publicly guaranteed debt. Belarus attracted, on a net basis, only \$22 million in medium- and long-term public disbursements.

47. Net foreign direct investment during 1998 was mainly related to the construction of the *Yamal* pipeline by Russia's *Gazprom*. The drop off from the some \$200 million recorded during 1997 reflects the fact that the project is nearing completion. To date, foreign direct investment in Belarus, reflecting its location advantage, is heavily oriented towards energy pipelines, with *Gazprom* accounting for 57 percent of the cumulative total. In spite of the customs union Belarus enjoys with three other countries, its proximity to eastern and western European markets, and its well-educated labor force only a few investments in nonenergy sectors have been attracted so far.

48. The tendency towards a substantial increase in arrears and short-term liabilities observed during 1997 and in the first half of 1998 was partially reversed in the second half of 1998, as a significant part of the current account deficit was financed by the drawdown of international assets. Exceptional financing in the form of the accumulation of arrears was by far the most important source of financing the current account deficit in 1998. Belarus incurred payments arrears mainly on deliveries of energy imports (mostly gas) from Russia, electricity imports from Lithuania, and publicly guaranteed debt to industrialized countries. The accumulation of about \$20 million of arrears on publicly guaranteed debt mainly resulted from the deterioration of the financial position of Belarussian enterprises.

## VI. STRUCTURAL POLICIES

### A. Privatization

49. Privatization was expected to pick up in the wake of a presidential *dekret* signed in March 1998, and later codified into the "Law on Privatization in December 1998." This dispensed with the need for an approved annual privatization program, instituting in its place an application-based procedure, and allowing for the sale of bankrupt enterprises for a nominal sum. However, the *dekret* also gave workers a decisive role in the privatization process, and restricted the resale, and thereby the attractiveness, of shares purchased by voucher or on concessionary terms. During the middle months of 1998, the process of preparing legislation based on the *dekret* stalled the privatization process. The authorities also did not take fully advantage of the initiative granted to them by the *dekret*, instead relying on the elusive decisions of workers' collectives. For the year as a whole, the number of communal objects privatized fell by 27 percent to its lowest level since 1993. The interaction of high inflation with the practice of selling companies at book value (as

established at the beginning of the year), allowed, however, a modest pick up at year-end in the number of republican objects privatized (Tables 53–58).

50. During 1998, certain land restrictions were relaxed. In particular, the limit on the amount of land that a private farmer can bequeath rose from 50 to 100 hectares. There is no technical limit on the amount that private farmers can use in their operations, but in practice, expansion opportunities are limited by the availability of land of reasonable quality, which must be provided by local farming collectives. The authorities moved also forward with the development of a national cadastre and the valuation of land, both of which are necessary conditions for land sales.

## **B. Business Environment**

51. An important reason for the slowdown in progress in privatization, and a strong deterrent to private sector investment, has been the steadily worsening private business environment. Symbolic of this during 1998 were the registration/re-registration campaign and the subsidiary liability issue. Both measures were largely designed to deal with illegal black-market activity, much of which is ultimately attributable to the distortions created by inappropriate economic policies. The registration/re-registration campaign was particularly restrictive, refusing registration for instance for a single instance of tax nonpayment for any of the companies in which the delinquent owner held any share. In September 1998, when it became clear that the registration campaign was having adverse side effects, it was halted, freezing new business formation, as well as the ability of companies to switch into new lines of business. Registration resumed in early 1999, with the president asking the Council of Ministers to single out sectors “at a particular risk for entrepreneurial activities” and focus the application of subsidiary civil liability in those areas. Subsidiary liability itself was the subject of a presidential decree of November 1998. The decree left the status of limited liability concerns uncertain and left the potential liability of the Ministry of State Property and Privatization, the largest owner of joint-stock companies in the country, undefined. A new decree was issued in March 1999, restricting the applicability of subsidiary liability in the case of joint-stock limited-liability concerns, but leaving the status of other limited-liability concerns unclear.

52. Enterprise restructuring continues to proceed at a slow pace and is inhibited by the absence of effective and comprehensive bankruptcy legislation. The current bankruptcy law is not widely applied, one reason being that the law omits state entities, many of which are loss-makers, from its purview. Another important reason relates to the prioritization of claims during proceedings. A secured creditor ranks fourth in the ordering of claims behind wage claims, tax claims, and administrative expenses. This serves as a strong disincentive to bank lending and adds an expensive risk premium to loans, discouraging the development of the private sector. Administrative expenses during the court protection phase are not fully covered and their low prioritization effectively excludes interim financing, hurting the process of restructuring. During 1997, only two enterprises entered into bankruptcy proceedings, and neither case was completed. Extensive efforts to promote restructuring produced a sharp increase during 1998, with 85 cases initiated, 56 of which were completed and 36 of which involved liquidation.

53. In 1998, the authorities began to address the long-overdue issue of bankruptcy legislation by preparing a new draft law. The draft law defines the concepts and attributes of bankruptcy and clarifies various procedures. It includes provisions for an economic court to determine bankruptcy, and establishes the right to take over illiquid firms and petition for their liquidation. Detailed bankruptcy proceeding guidelines are provided, which include arrangements to settle claims, organize a meeting of creditors, carry out foreclosure of assets, and appoint a receiver. The obligation and liabilities of concerned parties are highlighted, and guidelines for reorganization (merger, acquisition, and division) are provided. Finally, the law envisages ways to implement an amicable settlement, as well as a smooth liquidation process. In early 1999, the bankruptcy issue was rekindled, but legislation would be completed, at the earliest, by fall 1999.

54. Efforts to control business formation also have hampered sound business operation. Examples of such efforts include the *golden share*, restrictions on restructured privatized entities, and state procurement. In existence since January 1, 1998, the golden share effectively grants the government possible interference with privatized companies' decisions. The controversial golden share has been little used and its future remains uncertain. While there is nothing in the privatization law that requires restrictions on privatized entities' operations, in practice restrictions are often applied, usually in exchange for more favorable conditions of sale. Finally, many companies, especially those involved in producing socially important goods, face state procurement requirements at less-than-market prices, and often at less than cost. In return they often receive subsidies.

### C. Price Formation

55. Price and margin controls have continued to be widespread. In extreme cases, these took the form of a presidential decree targeting monthly price increases (October 1997) or ordering a price rollback (April 1998). The usual application is via inclusion of goods and services, or companies, on lists explicitly designated for government control. In the fall of 1998, almost 50 percent of the CPI basket was subject to price control, but during late 1998, in response to shortages and cost pressures brought on by the rapid depreciation of the parallel exchange rate, the government reduced the scope of these lists and allowed large price increases for the items remaining on these lists. The list of socially important goods fell from 30 categories to 7 categories. This loosening of controls proved to be temporary, however, as in February 1999, Council of Ministers Resolution N° 209 effectively tightened and broadened margin controls, while administered price increases slowed down considerably. In April 1999, the Ministry of Economy established a system of price registration for manufactured export goods. A presidential decree in May 1999 also asserted that prices were to be justified by costs, and further required that any increase in excess of an allowable monthly amount (which may vary by economic sector) had to be registered with the authorities. The decree banned any increase in commodity prices and service rates without adequate social security measures. While the new regulations were not as direct as the price rollback measures of April 1998, it is clear that Belarus had returned to widespread implicit price controls.

## **D. Social Protection**

56. Belarus maintains an elaborate system of social protection for its households. Expenditure on various social programs (excluding education and health care) exceeded 30 percent of GDP in 1998. Belarus provides explicit and implicit consumer subsidies and price controls, wage indexation, pension and child allowances, unemployment benefits, as well as payments to Chernobyl victims. Despite recent difficulties, the authorities have maintained their focus on social programs, and so far no payments arrears have been incurred on these programs. Unlike other countries undergoing economic transition, Belarus has managed to keep social contributions relatively stable in relation to GDP. However, many social programs are spread over the bulk of the population owing to the lack of proper targeting, and thus the benefits to individuals and households are relatively small. Appendix II details the current status of the social safety net.

57. Despite devoting substantial resources to assist the needy, Belarus saw the standard of living gradually decline in real terms in 1998, as the Russian crisis, rising inflation, and a rapidly depreciating rubel harmed the income of the population. Year-on-year average real wage grew by 11 percent in 1998, but the within-year average real wage declined by 13 percent. The authorities, following consultation with the World Bank and the preparation of a Fund technical assistance report in April 1999 on social protection for needy households during reform periods, are considering a working program on targeted social protection. This program considers steps to gradually reduce inefficient cross and budget subsidies, streamline the system of wage indexation, and increase efficiency in benefits disbursement. It also stresses the need to assist pensioners and households with a large number of dependents, and to protect the real income of wage earners. The major reform measures under consideration include: amending the wage policy to link wage growth in the real sector with output growth, productivity, and inflation; phasing out utility subsidies and unifying tariffs across households and enterprises; raising the age criteria for pension; and increasing benefits to families with children. If implemented, the measures would be financed from the republican and local budgets, and extra-budgetary insurance funds.

## **VII. BELARUS--RUSSIA UNION**

### **A. Institutional Aspects and Economic Objectives**

58. Practically since independence, the Belarussian authorities have tried to enter into a political and economic union with Russia, both for political reasons and as a way out of the economic problems besetting Belarus—for a detailed report on early union negotiations, see Appendix I.<sup>3</sup> The first concrete step in this process was the signing of a bilateral agreement on April 2, 1996, calling for the creation of a *Community of Sovereign Republics*, which de facto set

---

<sup>3</sup> This Section only deals with the economic aspects of the union and leaves aside political issues and considerations, as well as other countries' possible expressions of interest to join the union.



the stage for a two-tier integration process within the CIS (i.e., some CIS moving closer to each other in the general context of CIS cooperation). On March 7, 1997, the Central Bank of Russia (CBR) and the NBB signed a cooperation agreement, and on April 2, 1997 a *Belarus-Russia Union* (thereafter BRU or "Union") Treaty was signed, followed on May 23 by a Charter of the Union (for details, see SM/97/196, dated July 25, 1997). On December 25, 1998 the process was reinvigorated with the signing of another series of bilateral documents, calling for the rapid concretization of the Union. Most of these documents have been since ratified by both Parliaments.

59. The various documents signed set forth an ambitious institutional and economic agenda for the Union. As for now, the main Union institutions comprise the *Supreme Council* of the BRU, composed inter alia of the two heads of States, the Union's highest body; the *Executive Committee* of the BRU, in charge of coordinating and monitoring Union policies; the *Joint Parliamentary Group* of the BRU, composed of members of the two Parliaments, in charge of making legislative recommendations to their respective Parliaments. A Union *budget*, aimed at financing specific Union projects, has also been set up. The agreements have instituted equal rights for both countries' economic entities.

60. The December 1998 agreements have a set of wide-ranging economic objectives, among which the harmonization of: (i) customs regimes, tariffs, and procedures; (ii) legislations on securities dealings; (iii) Tax Codes; (iv) price formation methodology; (v) legislations on bankruptcy; (vi) legislations on labor; (vii) banking supervision regulations (based on Basel Committee principles) and the refinance rates; and (viii) foreign exchange controls. However, the most far-reaching economic resolution concerns the adoption of a common currency for the Union. More specifically, the documents envisage the gradual introduction, in the course of 1999, of a common currency and the creation of a single monetary emission center.

## **B. Economic Issues**

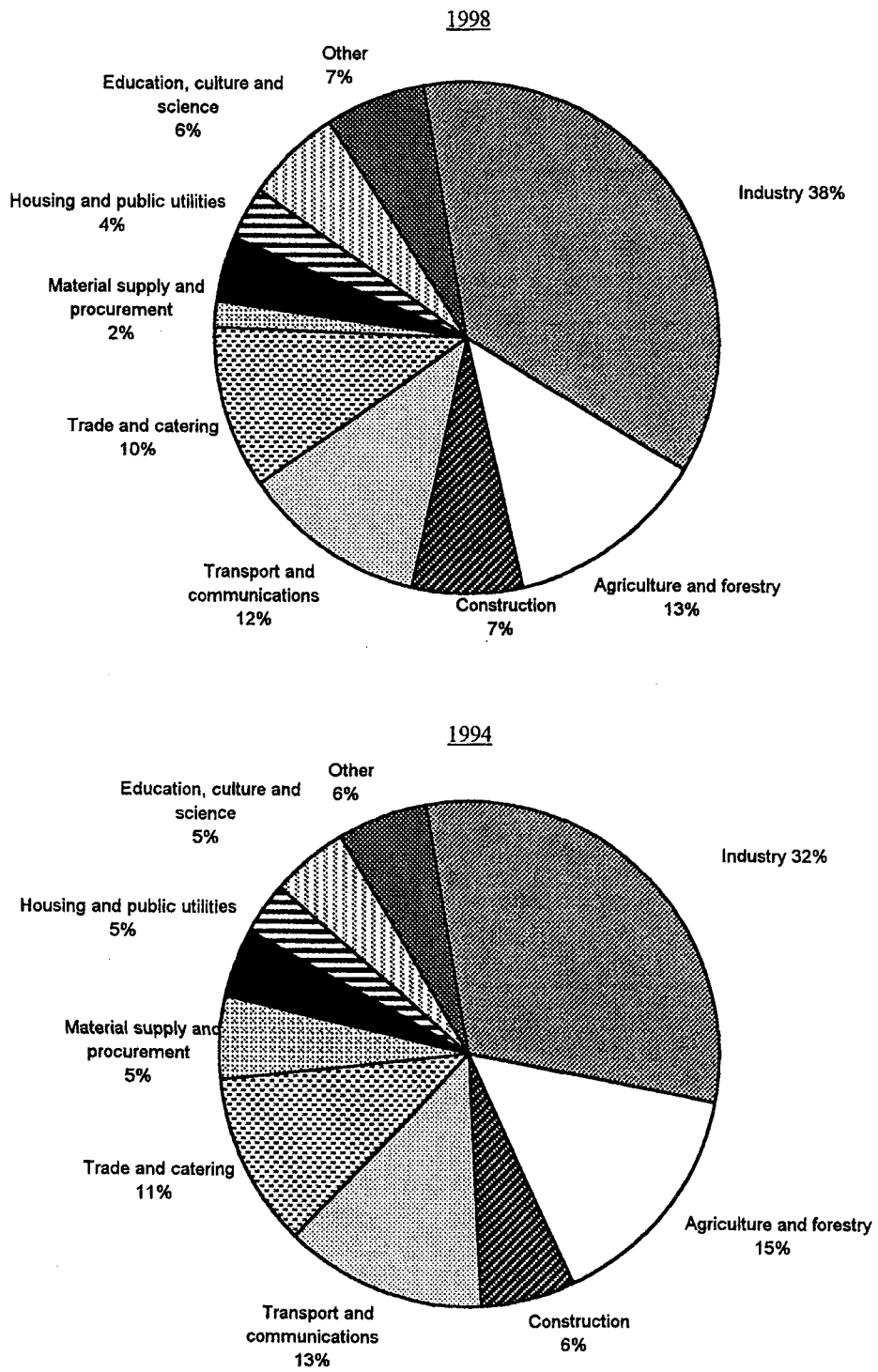
61. Progress toward the main economic objectives listed above have been uneven. The most advanced cooperation is in the field of the Customs Union between the two countries, where virtually all regime-, tariff-, and procedure-related issues have been solved, with the exception of some minor differences (see paragraphs 44 and 45). The harmonization of the Tax Codes has also progressed substantially, as general tax concepts and definitions are now harmonized, although some differences remain in some specific tax rates (e.g., excises). Progress in other areas listed has been so far limited, because the reform status of the two countries is quite different. Russia has advanced far more toward market-economy principles and the adoption of market-based policies than Belarus, which has remained largely an unreformed economy. The difference in progress toward a market economy is particularly striking in monetary and exchange policies and in economic performances. While reported growth in recent years has been much higher in Belarus than in Russia, Russia has achieved greater stability of prices and the exchange rate. Against this background, it is difficult to see how the two countries could easily bridge the gap with regard to the adoption of the same exchange regime and banking regulations, including the same refinance rate.

62. The adoption of a common currency has been a widely debated topic in both countries. Economic literature on monetary unions suggests that the main advantages for Belarus would include (i) a reduction in transactions costs; (ii) accelerated structural reforms; and (iii) possibly, a more stable economic environment. The main disadvantage would be the loss of monetary and exchange policy sovereignty, especially in the case of asymmetric shocks considering still limited capital and labor mobility. The options considered have included, in order of increasing monetary integration, the creation of an (i) *accounting unit* used for the clearing of bilateral settlements between the two countries; (ii) the creation of a *basket of the two currencies*, gradually locked into a permanently fixed exchange rate between them—and possibly also vis-à-vis an external anchor—and gradually replacing national currencies; and (iii) the replacement of the two currencies by a new *Union currency* managed by a new Union central bank. The debate continues between advocates of a *common* currency (i.e., circulating alongside existing national currencies), and proponents of a *single* currency. Based on recent reports, it seems that the introduction of a single currency would follow a staged convergence process between the two economies and would not take place, at the earliest, before the second half of the next decade. Latest information would also suggest that the single currency, if then adopted, would be the Russian ruble. In the meantime, it is possible that an intermediary stage of monetary integration may take place, maybe in the form of a bilateral clearing system, using some sort of common accounting unit.

63. While political integration remains one of the main stumbling blocks toward a full-fledged Union in the immediate future, actual economic ties have grown closer since the economic disruption following the break-up of the Soviet Union. Belarus' economy has increasingly turned toward that of Russia, as its main supplier of energy, raw materials, and foreign financing on the one hand, and as its principal outlet for exports, on the other. However, closer economic interdependence evolved asymmetrically, not the least because of the sheer difference in size between the two economies. Based on 1998 respective GDPs, Russia's economy is about 20 times bigger than that of Belarus and Belarus is only the sixth trading partner of Russia.

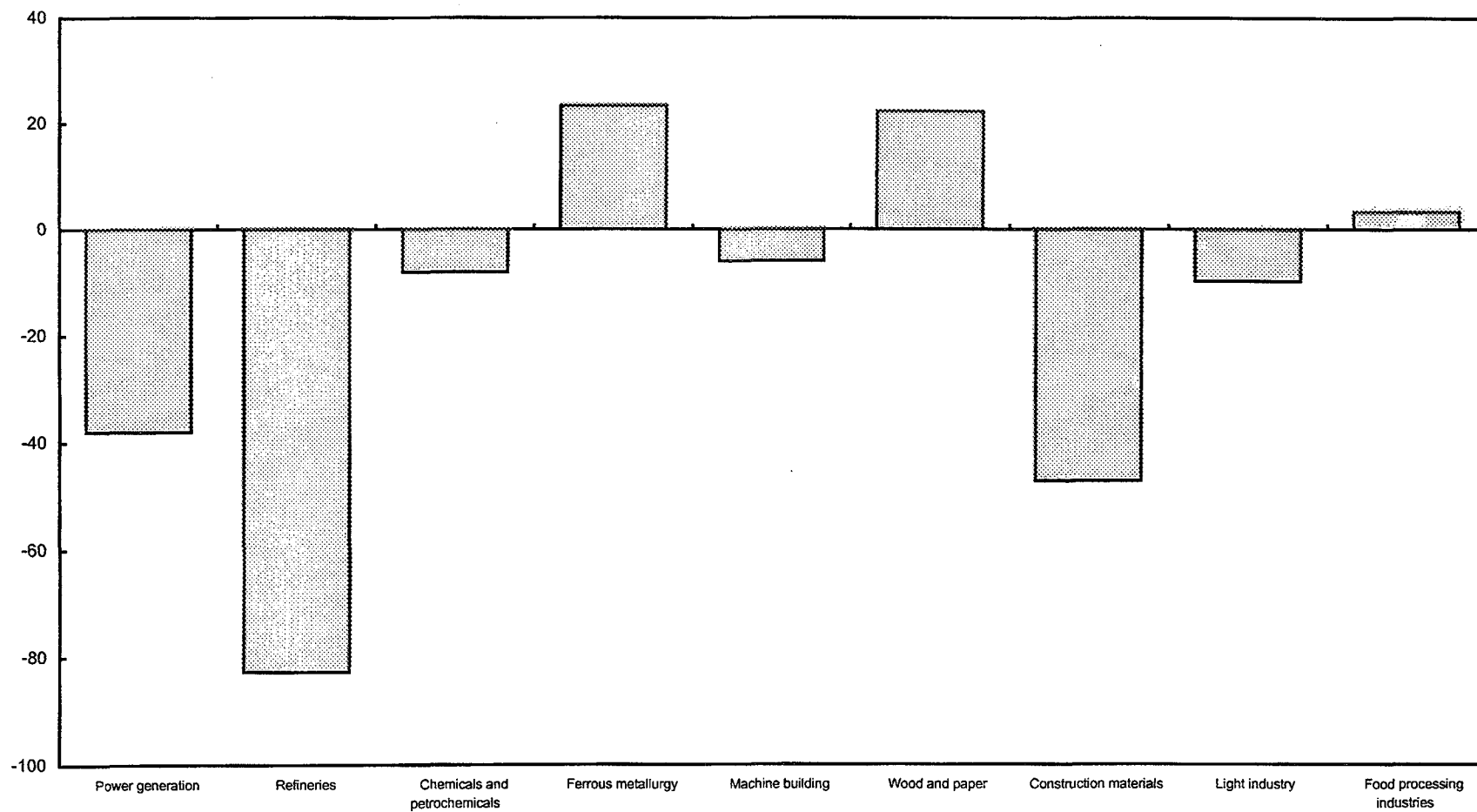
64. The August 1998 Russian crisis has not fundamentally altered the large degree of Belarus' economic dependence on Russia. While Belarussian exports to Russia, expressed in dollar terms, plummeted in the wake of the crisis as prices plunged, preliminary trade indicators would suggest that the volume of exports declined in a much less substantial manner. In spite of the strong real effective parallel exchange rate depreciation of the rubel since the crisis, Belarus managed to diversify away from the Russian market only on a limited scale. By contrast, the import contraction, both in dollar terms and in volume, was much larger, and illustrated Belarus' current inability to attract foreign financing from outside Russia, even at times when Russian direct and indirect financial assistance has dwindled. Despite substantial progress in some areas of integration, the prospects of achieving a full agreement on all outstanding aspects of the Union in the near future appear limited.

Figure 1. Belarus: Composition of GDP, 1994 and 1998  
(In percent)



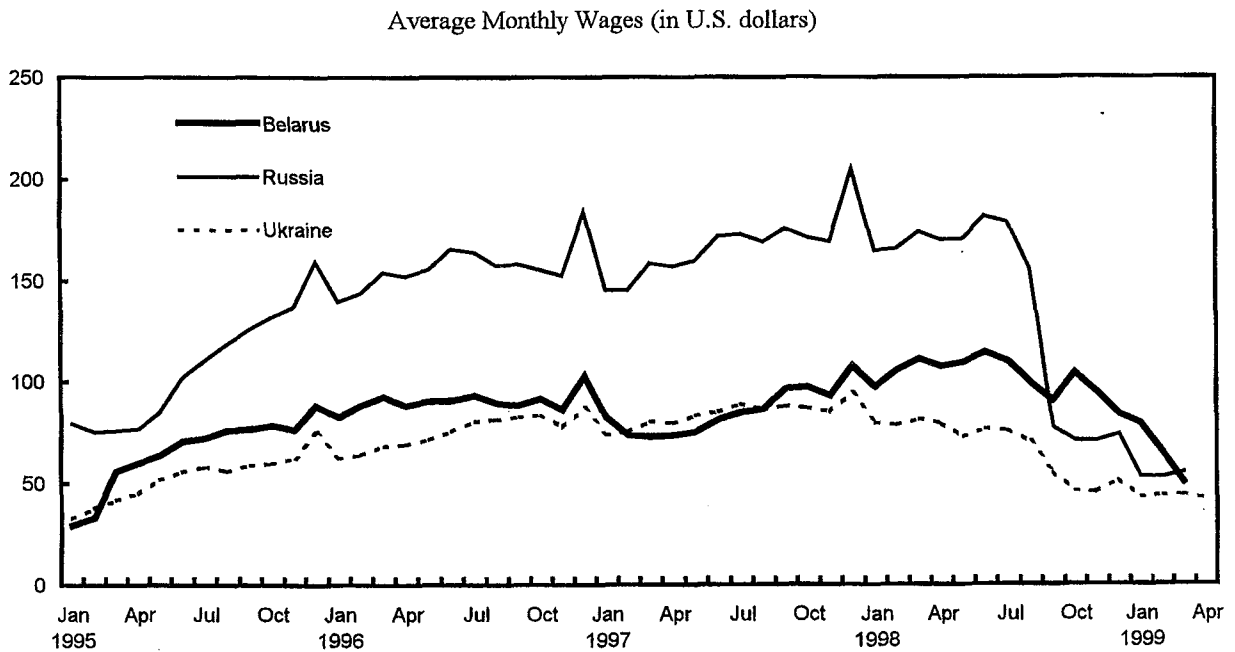
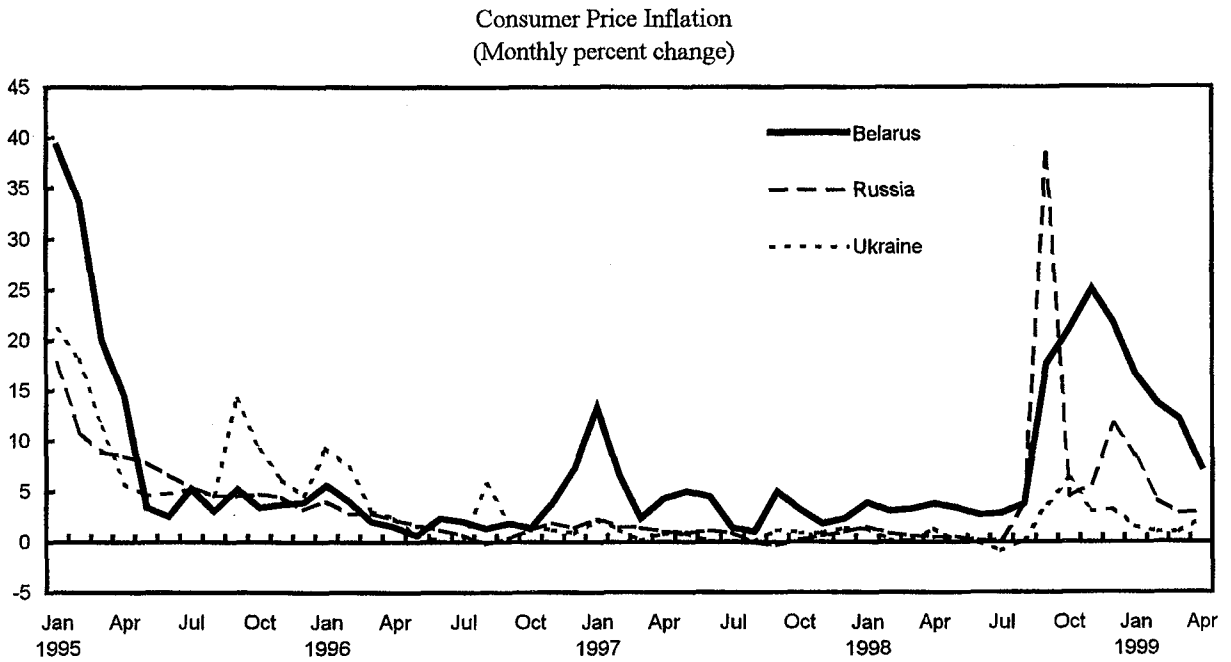
Source: Belarussian authorities.

Figure 2. Belarus: Industrial Production by Sector, 1998  
(Percent change at constant prices from 1991)



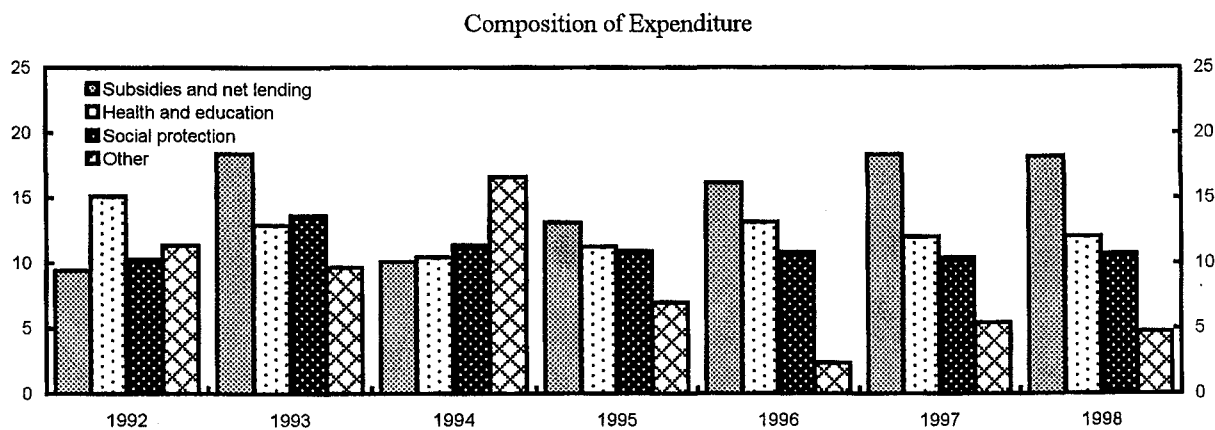
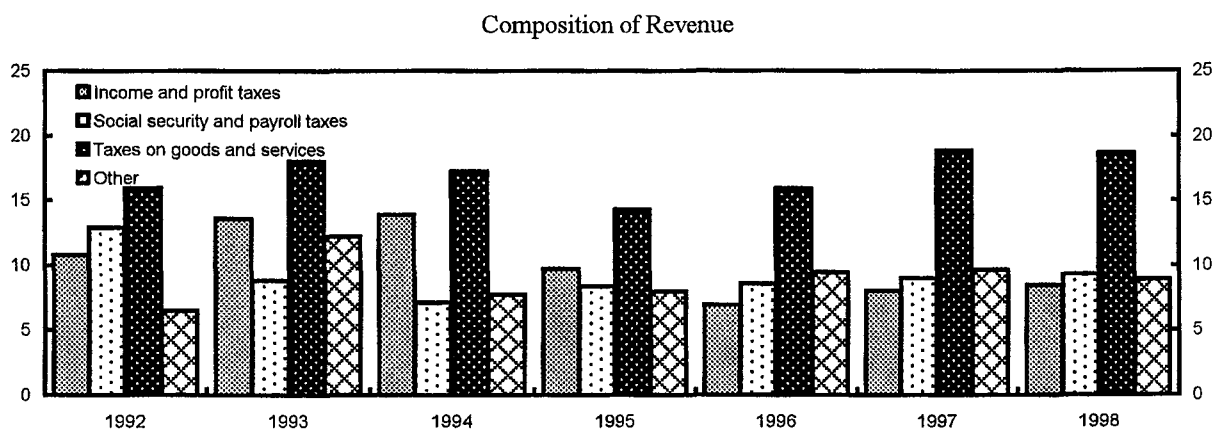
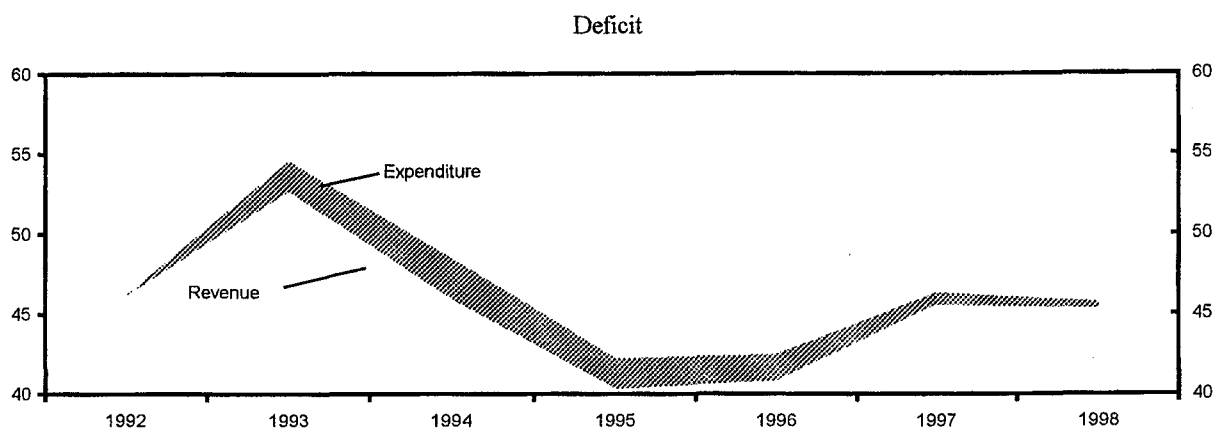
Source: Belarussian authorities.

Figure 3. Inflation and Wages in Selected Countries, 1994-99



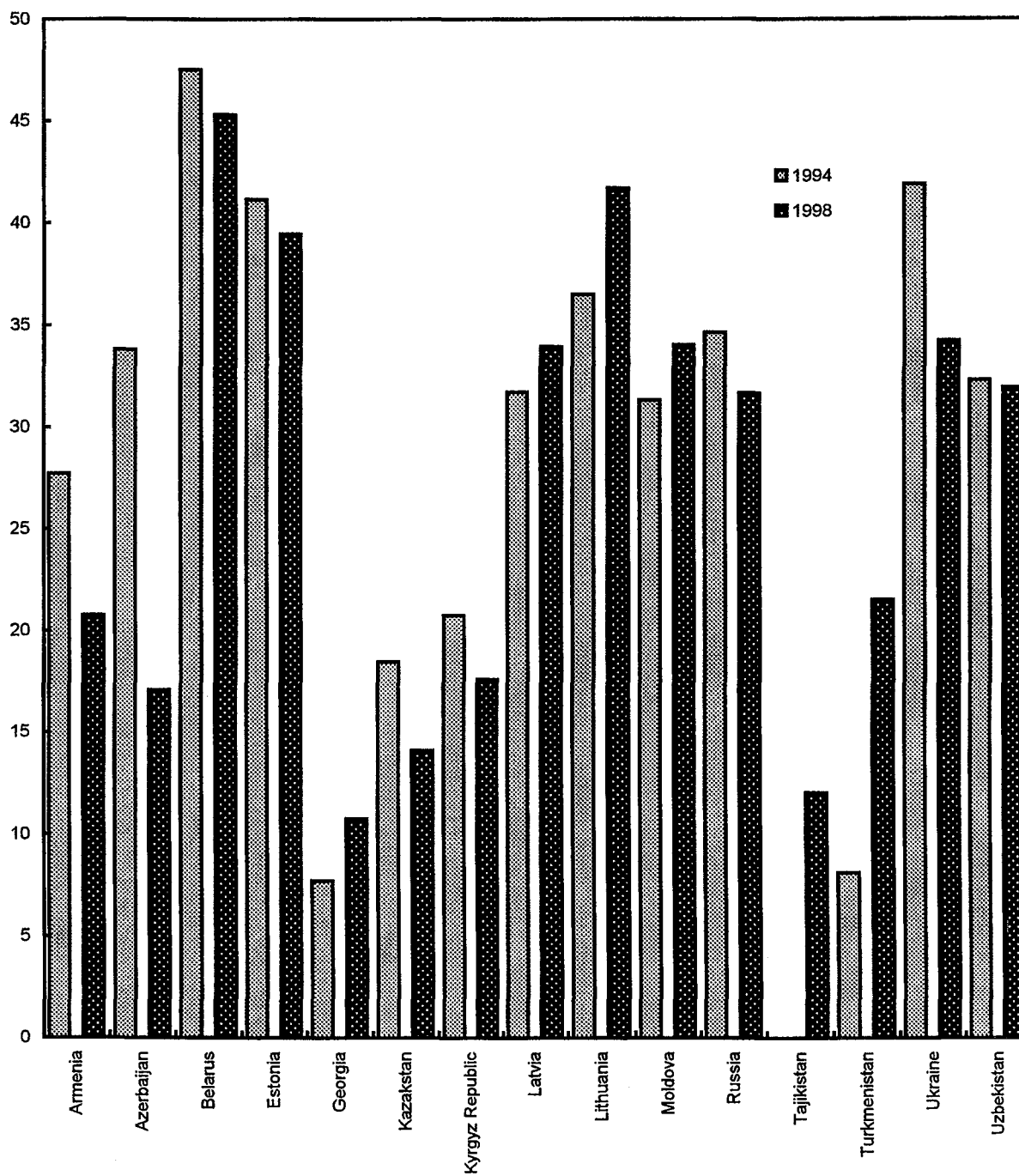
Sources: National authorities; and Fund staff estimates.

Figure 4. Belarus: Fiscal Indicators, 1992-98  
(In percent of GDP)



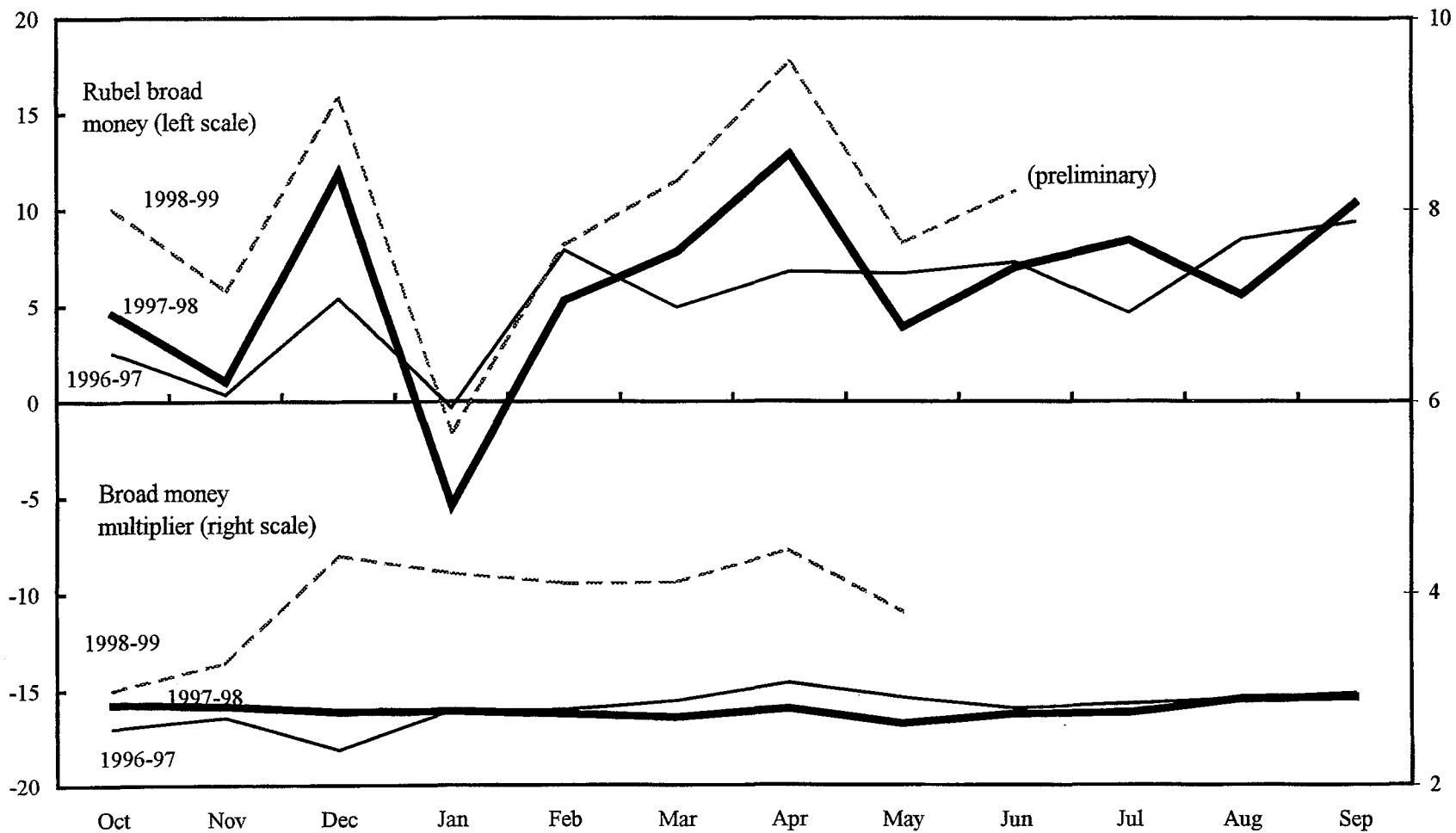
Sources: Belarussian authorities; and Fund staff estimates.

Figure 5. BRO: General Government Revenue, 1994 and 1998  
(In percent of GDP)



Sources: National authorities; and Fund staff estimates.

Figure 6. Belarus: Rubel Broad Money and Overall Broad Money Multiplier, 1996-June 1999  
 (Broad money in percent change from previous month; broad money multiplier relative to base money money)

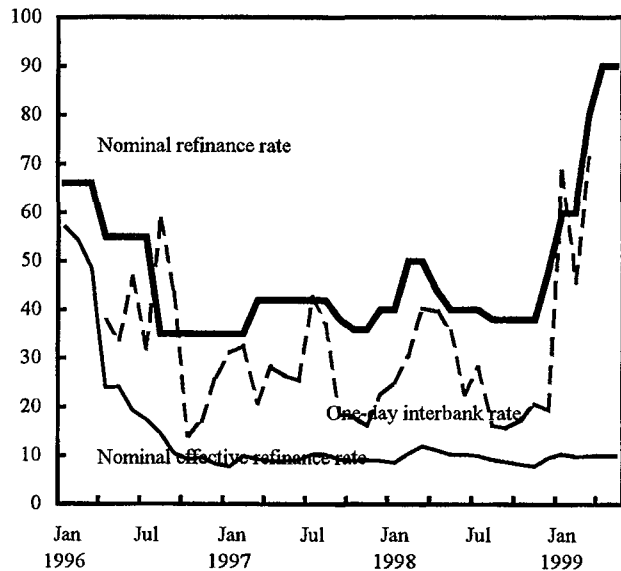


Sources: National Bank of Belarus; and Fund staff estimates.

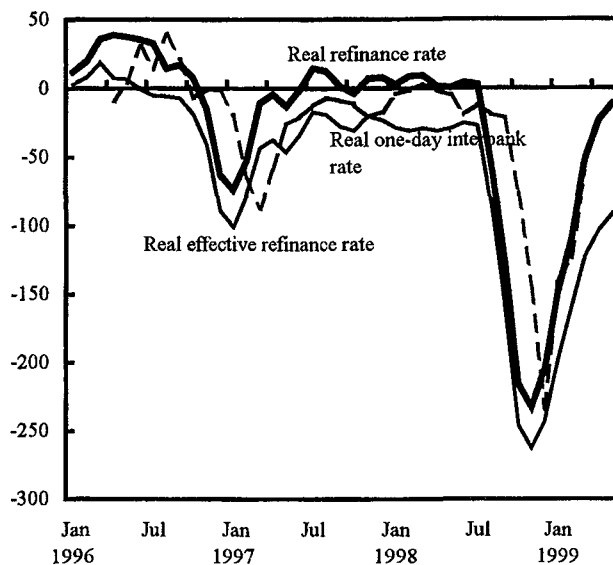


Figure 7. Belarus: Refinance, Deposit, and Lending Rates, 1996-May 1999  
(In percent per annum)

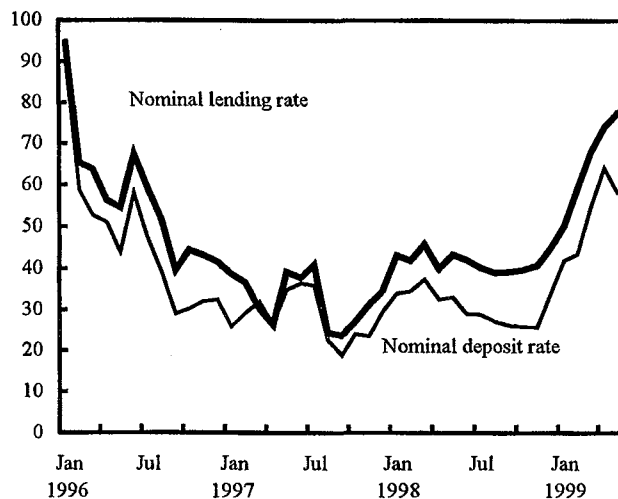
Nominal Refinance Rates



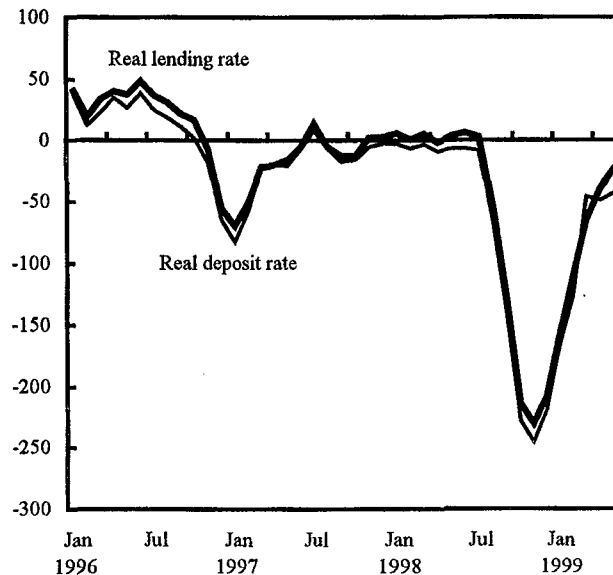
Real Refinance Rates



Nominal Lending and Deposit Rates

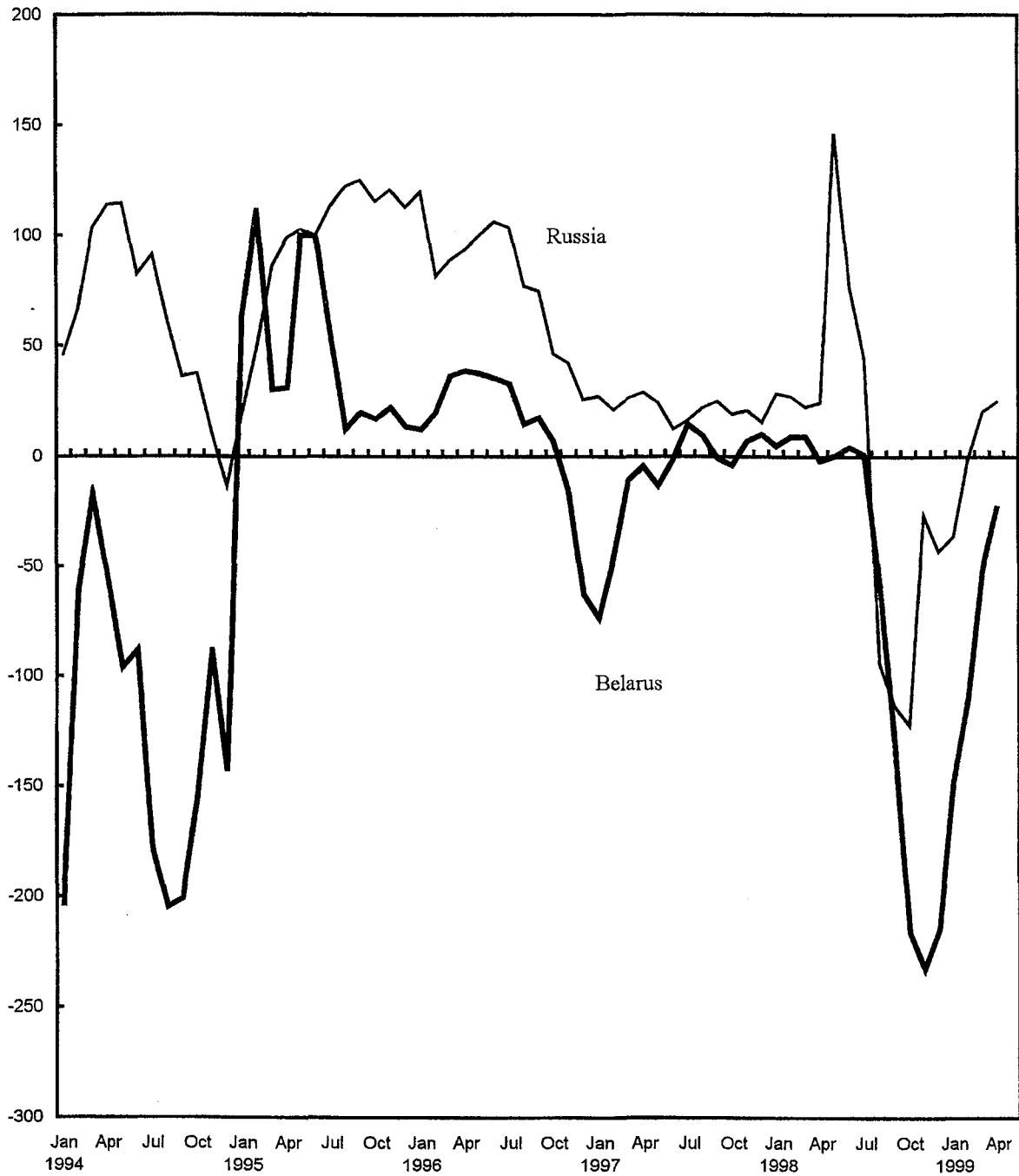


Real Lending and Deposit Rates



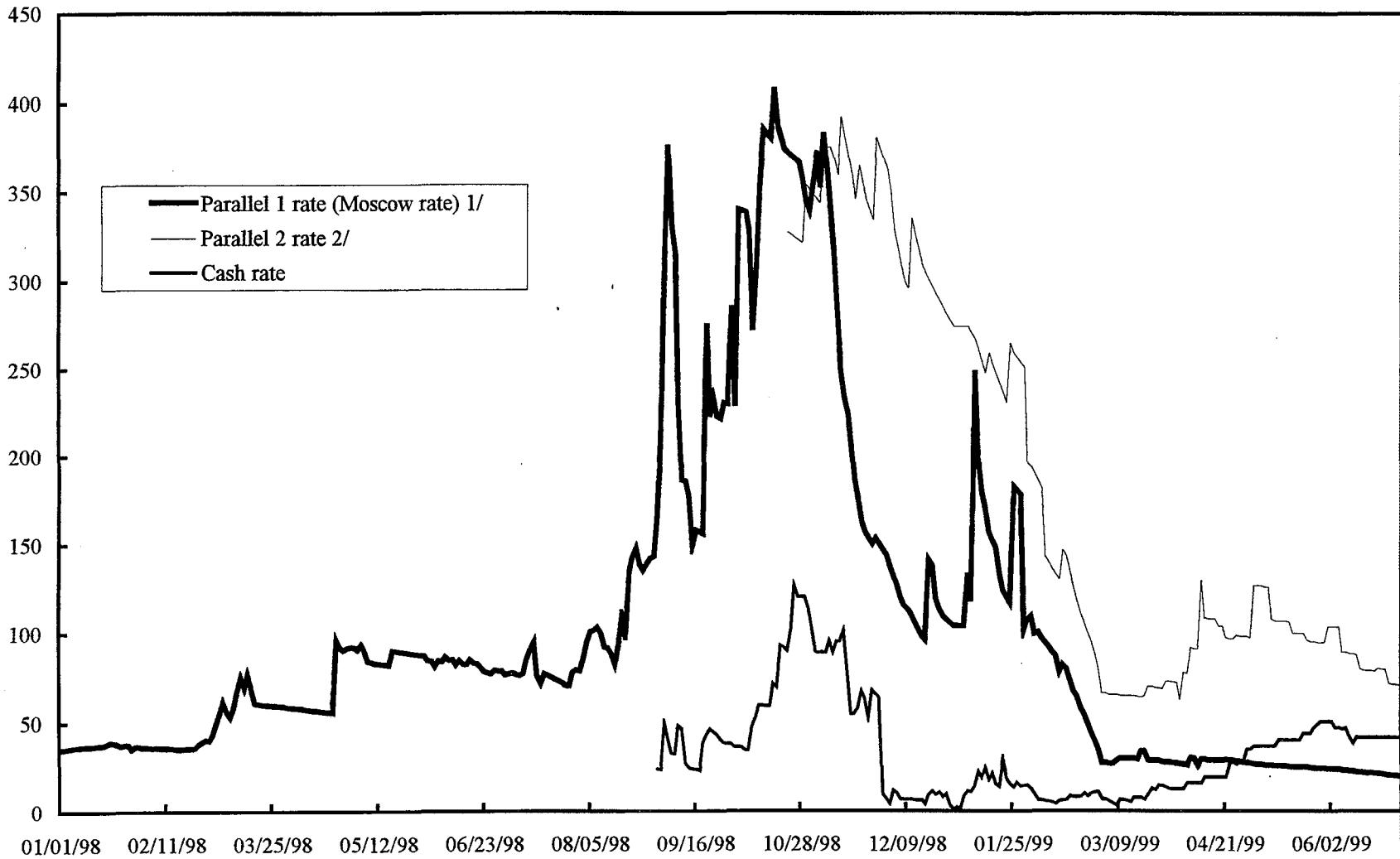
Sources: National Banks of Belarus; and Fund staff estimates.

Figure 8. Belarus and Russia: Real Refinance Rates, 1994-April 1999  
(Inflation-adjusted three-month moving average)



Sources: National Banks; and Fund staff estimates.

Figure 9. Belarus: Exchange Rate Spreads Between Official and Parallel Rates, 1998-June 1999  
(In percent)

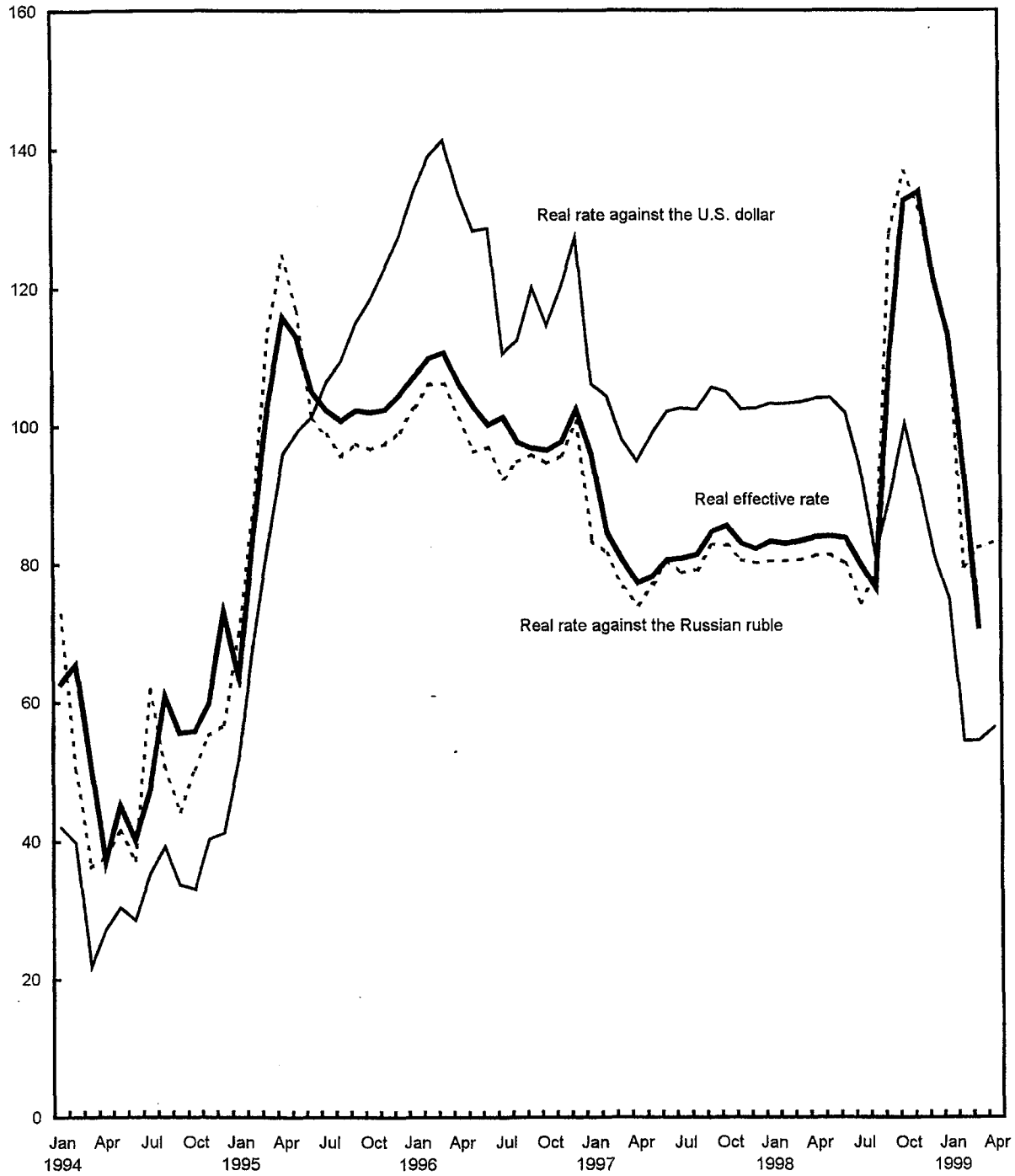


Sources: National Bank of Belarus; Belapan; and Fund staff estimates.

1/ The Moscow market for Belarussian rubels is thin and the National Bank of Belarus intervenes daily.

2/ Daily data extrapolated from weekly data as reported since late-October 1998 by the news agency Belapan.

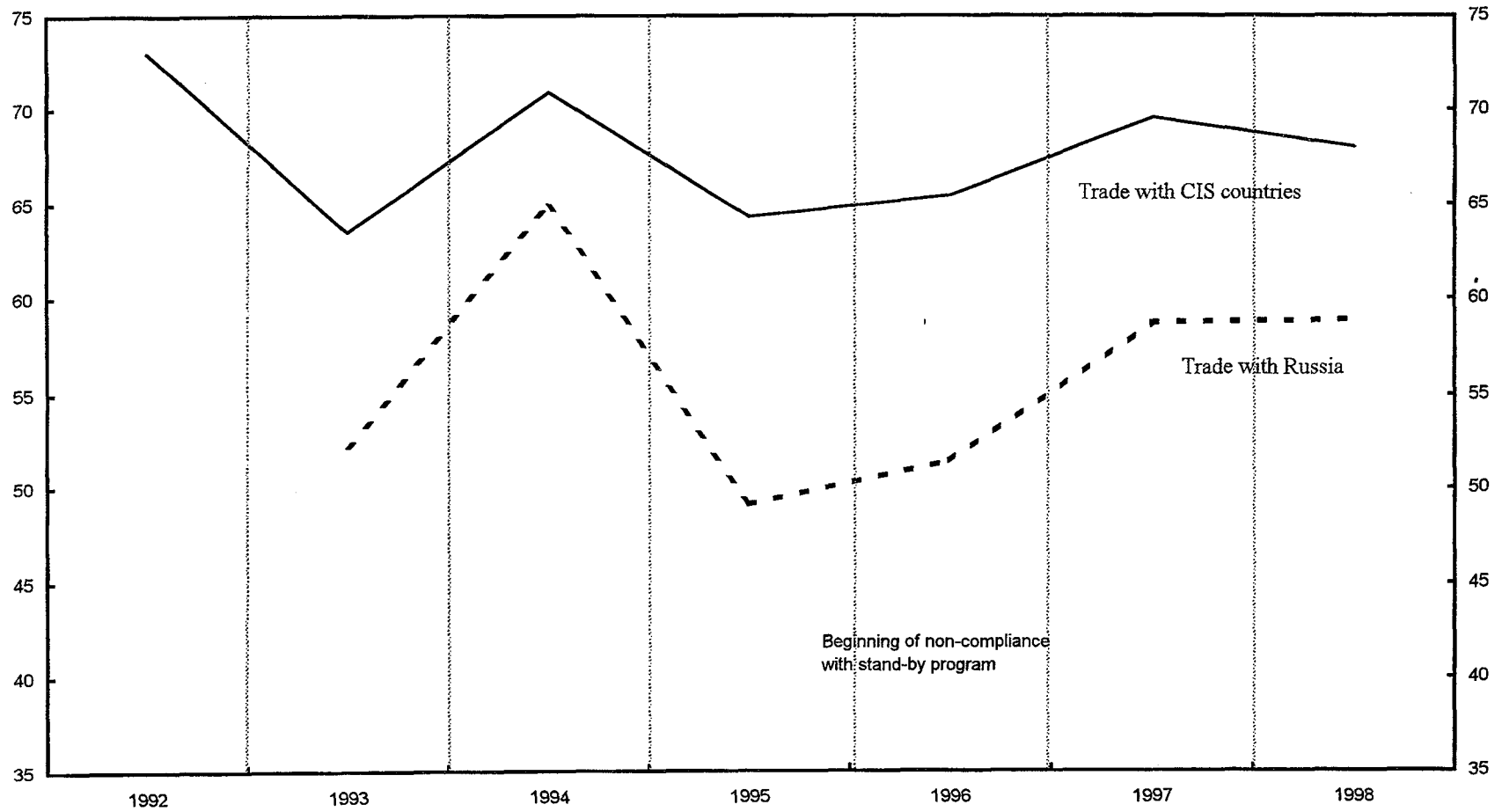
Figure 10. Belarus: Real Exchange Rates, 1994-April 1999 1/  
(Index, 1995=100)



Sources: Belarussian authorities; INS database; and Fund staff estimates.

1/ Based on the official exchange rates.

Figure 11. Belarus: Share of CIS Countries and of Russia in Total Trade, 1992-98  
(In percent)



Sources: Belarussian authorities; and Fund staff estimates.

Table 1. Belarus: Gross Domestic Product by Sector, 1994-98

	1994	1995	1996	1997	1998
(In billions of rubels)					
GDP at market prices	17,814.5	119,813.1	184,173.9	356,079.3	662,369.9
GDP at factor cost	16,140.5	108,036.6	163,350.5	309,325.4	564,381.3
Industry	4,974.9	33,921.5	56,518.6	110,727.0	205,735.6
Agriculture and forestry	2,417.8	19,103.6	26,073.5	45,536.5	71,588.9
Construction	992.5	6,562.8	8,943.0	20,274.7	39,848.4
Transportation/communications	2,116.8	14,867.3	21,046.2	37,545.5	66,034.1
Trade and catering	1,798.1	9,191.1	14,335.8	26,401.3	57,497.0
Material supply and procurement	830.9	3,713.9	2,766.3	5,422.4	9,848.3
Housing and public utilities	733.7	4,701.0	7,208.2	13,723.1	24,208.6
Health care	507.7	3,583.8	5,694.7	11,523.3	19,203.2
Education, culture, and science	827.1	5,707.8	9,909.2	18,839.8	33,314.9
Other	941.0	6,683.8	10,855.0	19,331.8	37,102.3
(In percent of nominal GDP at factor cost)					
Industry	30.8	31.4	34.6	35.8	36.5
Agriculture and forestry	15.0	17.7	16.0	14.7	12.7
Construction	6.1	6.1	5.5	6.6	7.1
Transportation/communications	13.1	13.8	12.9	12.1	11.7
Trade and catering	11.2	8.5	8.8	8.5	10.2
Material supply and procurement	5.1	3.4	1.7	1.8	1.7
Housing and public utilities	4.6	4.4	4.4	4.4	4.3
Health care	3.2	3.3	3.5	3.7	3.4
Education, culture and science	5.1	5.3	6.1	6.1	5.9
Other	5.8	6.1	6.5	6.3	6.5
Total	100.2	100.0	100.0	100.0	100.0

Sources: Ministry of Statistics and Analysis; and Fund staff estimates.

Table 2. Belarus: Gross Domestic Product by Expenditure, 1994-98  
(At current prices)

	1994	1995	1996	1997	1998
(In billions of rubels)					
GDP at market prices	17,814.5	119,813.1	184,173.9	356,079.3	662,369.9
Total consumption of goods and services	14,298.1	95,512.6	146,229.6	275,316.0	518,484.9
Household consumption	10,135.2	68,635.4	104,225.9	193,708.2	372,038.2
Public consumption	4,162.9	26,877.2	42,003.7	81,607.8	146,446.7
General government	3,581.5	23,156.6	36,627.0	72,441.0	128,921.3
Consumption of public organizations	581.4	3,720.6	5,376.7	9,166.8	17,525.4
Gross capital formation	5,860.4	30,047.4	45,118.7	98,445.5	173,023.5
Gross fixed capital formation 1/	5,918.1	29,984.2	40,938.2	92,554.7	172,338.1
Changes in inventories	-57.7	63.2	4,630.5	5,890.8	685.4
Balance of exports and imports 2/	-2,344.0	-5,746.9	-7,174.4	-22,400.5	-39,568.3
Statistical discrepancy	0.0	0.0	0.0	4,718.3	10,429.8
(In percent of nominal GDP at market prices)					
Total consumption of goods and services	80.3	79.7	79.4	77.3	78.3
Household consumption	56.9	57.3	56.6	54.4	56.2
Public consumption	23.4	22.4	22.8	22.9	22.1
Government consumption	20.1	19.3	19.9	20.3	19.5
Consumption of public organizations	3.3	3.1	2.9	2.6	2.6
Gross capital formation	32.9	25.1	24.5	27.7	26.1
Gross fixed capital formation 1/	33.2	25.0	22.2	26.0	26.0
Changes in inventories	-0.3	0.1	2.5	1.7	0.1
Balance of exports and imports 2/	-13.2	-4.8	-3.9	-6.3	-6.0
Statistical discrepancy	0.0	0.0	0.0	1.3	1.6

Sources: Ministry of Statistics and Analysis; and Fund staff estimates.

1/ Includes residential investment and fixed investment of businesses.

2/ Provisional data, not fully consistent with recently revised balance of payments data (Table 51).

Table 3. Belarus: Growth of Gross Domestic Product by Expenditure, 1994-98

	1994	1995	1996	1997	1998
	(Percent change in comparable prices) 1/				
Gross domestic product	-12.6	-10.4	2.8	11.4	8.3
Total consumption of goods and services	-12.1	-9.5	3.2	9.5	7.8
Household consumption	-14.5	-12.3	4.5	10.0	8.7
Public consumption	...	...	...	8.4	5.6
General government	...	...	...	8.9	5.8
Consumption of public organizations	...	...	...	5.1	4.4
Gross capital formation	-29.4	-28.7	7.2	15.9	5.5
Gross fixed capital formation 2/	-13.7	-29.6	-3.1	21.7	11.8
Changes in inventories	...	...	...	...	...
Balance of exports and imports	...	...	...	...	1.2
Statistical discrepancy	...	...	...	...	60.0
	(Contribution to growth)				
Total consumption of goods and services	-9.7	-7.6	2.5	7.3	6.1
Household consumption	-8.2	-7.0	2.5	5.4	4.9
Public consumption	-1.1	-0.6	...	1.9	1.2
General government	-1.1	-0.6	...	1.8	1.1
Consumption of public organizations	-0.2	0.0	...	0.1	0.1
Gross capital formation	-9.7	-7.2	1.8	4.4	1.4
Gross fixed capital formation 2/	-4.6	-7.4	-0.7	5.6	3.1
Changes in inventories	...	...	...	...	...
Balance of exports and imports 3/	6.8	4.4	-1.5	-0.3	-0.1
Statistical discrepancy	...	...	...	...	1.0

Sources: Ministry of Statistics and Analysis; and Fund staff estimates.

1/ At 1995 prices.

2/ Includes residential investment and fixed investment of businesses.

3/ Provisional data, not fully consistent with recently revised balance of payments data (Table 51).



Table 4. Belarus: Growth of Gross Domestic Product by Sector, 1994-98

	1994	1995	<u>1995 level</u> (1991=100)	1996	1997	1998	<u>1998 level</u> (1991=100)
(Percentage change at comparable prices) 1/							
Total GDP at market prices	-12.6	-10.4	65.4	2.8	11.4	8.3	81.1
Goods-producing sectors							
Industry	-19.2	-10.2	61.6	4.1	16.5	10.1	82.4
Agriculture	-15.3	-2.5	71.7	1.4	-5.9	-0.9	67.8
Forestry	0.5	-5.1	90.2	2.1	-9.4	21.5	101.3
Construction	-21.7	-33.2	37.6	-7.6	21.4	15.1	48.5
Service-producing sectors							
Transport	-17.5	-9.4	53.2	-2.1	5.2	0.0	54.8
Communications	-3.5	-13.3	48.2	-1.0	13.6	4.0	56.3
Trade and catering	-8.6	-24.0	50.1	21.2	18.4	20.0	86.3
Material supply and procurement	-19.0	-22.7	47.1	-1.3	4.3	-1.0	48.0
Housing	0.5	-0.3	106.0	0.6	1.3	0.8	108.9
Public utilities	-1.0	-5.6	82.3	-3.7	-1.3	-3.5	75.6
Health care	1.0	-0.6	105.2	1.8	14.2	9.3	133.7
Education	0.0	-1.5	92.5	2.8	14.7	7.4	117.2
Culture and science	-8.2	-9.2	53.5	1.8	-3.5	3.6	54.4
Banks and insurance	24.4	17.0	174.6	2.0	1.9	3.5	188.0
Public administration and defense	-6.7	-2.0	60.8	-0.8	6.7	2.8	66.1
(Contribution to growth)							
Good-producing sectors							
Industry	-5.9	-3.2	...	1.4	5.9	3.7	...
Agriculture	-2.2	-0.4	...	0.2	-0.8	0.1	...
Construction	-1.3	-2.0	...	-0.4	1.4	1.1	...
Service-producing sectors							
Transport	-2.1	-1.1	...	-0.2	0.5	0.0	...
Trade and catering	-1.0	-2.0	...	1.9	1.6	2.0	...
Material supply	3.9	-0.6	...	-0.1	0.2	0.1	...
Adjustments and price markup	-1.5	-0.6	...	0.6	2.6	1.3	...

Sources: Ministry of Statistics and Analysis; and Fund staff estimates.

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.

Table 5. Belarus: Capital Investment by Sectors in Comparable Prices, 1994-99 (Q1) 1/

	1994	1995	1996	1997	1998	1999 Q1 Percent change 2/
(1990=100)						
Total	56.5	39.2	37.3	44.6	47.8	6.5
Industry	74.5	47.7	47.7	56.6	57.2	9.0
Agriculture	17.4	11.6	9.8	9.8	12.1	1.1
Transport and communication	75.9	85.1	99.6	108.6	92.0	11.5
Construction	41.2	21.6	14.6	17.9	17.3	1.7
Residential construction	70.9	40.0	38.1	54.0	66.4	9.5
Other	75.6	56.4	45.6	53.3	60.4	7.5
(Share of total)						
Industry	32.1	29.7	31.2	30.9	29.2	33.7
Agriculture	8.9	8.5	7.5	6.4	7.3	4.7
Transport and communication	9.9	16.0	19.7	17.9	14.2	13.1
Construction	2.3	1.7	1.2	1.3	1.1	0.8
Residential construction	24.6	20.0	20.1	23.7	27.3	28.7
Other	22.2	24.1	20.3	19.8	20.9	19.0
<i>Of which</i>						
Trade and catering	3.0	1.6	2.0	2.0	2.2	1.1
Total	100.0	100.0	100.0	100.0	100.0	100.0
<i>Memorandum items:</i>						
Real gross investment (1991=100) 3/	64.0	45.6	48.9	56.7	59.8	...
Gross investment (in percent of GDP) 3/	32.9	25.1	24.5	27.7	26.1	...

Sources: Ministry of Statistics and Analysis; and Fund staff estimates.

1/ Some figures 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 data.

Table 6. Belarus: Industrial Production, 1994-98

	1994 Weight (in percent)	1995	1996	1997	1998	1998 level (1991=100)
	(Percentage change in comparable prices)					
Total	-17.1	-11.7	3.5	18.8	11.0	81.5
<i>Of which:</i>						
Power generation	-11.3	-15.8	-1.6	5.6	-7.5	62.0
Refineries	-48.9	12.3	-5.5	-1.0	0.7	17.3
Chemicals and petrochemicals	-16.8	8.9	7.2	19.4	6.0	91.9
Ferrous metallurgy	-12.5	-1.4	23.4	35.1	15.4	123.4
Machine building	-14.1	-20.3	1.6	25.7	13.2	94.0
Wood and paper	-12.7	-9.6	14.2	34.7	21.2	122.3
Construction materials	-28.8	-21.2	-4.0	26.1	14.3	52.8
Light industry	-23.0	-34.1	11.9	27.1	22.2	90.2
Food processing industries	-5.5	-12.7	5.5	21.0	19.0	103.4

Sources: Ministry of Statistics and Analysis; and Fund staff estimates.

Table 7. Belarus: Inventories of Ready-Made Products in the Warehouses of Industrial Enterprises, by Branches of the Economy, 1995-99 (Q1) 1/

	1995	1996	1997	1998	March 1999
	(In billions of rubels)				
Total	8,514	9,514	16,453	46,971	89,270
<i>Of which:</i>					
Fuel	...	76	164	1,376	1,402
Ferrous metallurgy	...	66	199	1,354	1,551
Nonferrous metallurgy	...	10	...	90	64
Chemicals and petrochemicals	...	1,063	2,065	8,318	10,732
Machine building and metal-working	...	5,446	9,180	20,896	45,461
Forestry, wood, and paper products	...	451	646	2,655	6,769
Construction materials industry	...	329	553	1,238	3,455
Light industry	...	783	1,361	5,952	10,443
Food processing industries	...	739	1,449	3,498	6,198
	(As a percent of current month's output)				
Total	75.2	52.2	38.0	85.9	52.3
<i>Of which:</i>					
Fuel	...	12.6	13.2	63.0	23.3
Ferrous metallurgy	...	13.5	16.6	67.7	23.5
Nonferrous metallurgy	...	...	...	160.5	52.9
Chemicals and petrochemicals	...	51.7	43.2	103.2	39.6
Machine building and metal-working	...	138.6	106.1	145.7	94.2
Forestry, wood, and paper products	...	52.3	34.3	79.9	58.5
Construction materials industry	...	58.6	47.9	59.4	64.9
Light industry	...	47.5	38.4	110.8	63.5
Food processing industries	...	26.5	23.2	36.6	28.7

Sources: Ministry of Statistics and Analysis; and Fund staff estimates.

1/ End-of-period stocks.

Table 8. Belarus: Selected Indicators of Industrial Production, 1994-98  
(Quantity index: 1992=100)

	1994	1995	1996	1997	1998
<b>Wood and paper</b>					
Timber	86	80	79	88	91
Plywood	66	60	65	77	88
Cardboard	73	71	75	90	101
Paper	19	23	25	31	38
<b>Construction material</b>					
Lime	56	43	43	52	65
Mineral fertilizers	73	82	83	95	101
Cement	66	55	65	83	90
Window glass	66	54	49	...	...
<b>Chemicals</b>					
Chemical fibers	56	55	47	52	51
<b>Power generation</b>					
Electricity	84	66	63	69	62
<b>Ferrous metallurgy</b>					
Steel	80	67	80	110	128
<b>Machine building</b>					
Tractors	45	29	28	29	28
Feed harvest combines	26	19	17	16	11
Elevators	30	22	20	23	32
Electric motors	44	39	37	43	51
Transformers	47	62	36	49	56
<b>Light industry and textiles</b>					
Electric bulbs	51	47	45	46	38
Motorcycles	33	25	18	14	12
Bicycles	53	37	39	44	23
Radio sets	76	38	19	24	16
Television sets	59	31	39	57	59
Refrigerators and freezers	100	101	102	107	108
Cameras	13	4	4	2	1
Cotton yarn	29	22	25	23	41
Wool yarn	73	39	42	51	54
Linen yarn	55	59	59	62	64

Sources: Ministry of Statistics and Analysis; and Fund staff estimates.

Table 9. Belarus: Share of Total Exports in Production of Selected Industrial Products, 1994-98 1/  
(In percent; in volume terms)

	1994	1995	1996	1997	1998
<b>Wood and paper</b>					
Particle boards	14.0	40.4	26.9	38.5	29.2
Wood fiber	57.9	59.5	59.5	56.3	54.1
Wood particles	14.0	...	...	...	...
<b>Chemicals</b>					
Potassium fertilizers	86.4	93.0	85.5	88.7	84.4
Nitrogen fertilizers	7.4	111.0	66.0	49.2	61.4
<b>Refined fuel</b>					
Diesel fuel	40.3	49.4	46.4	31.8	47.6
<b>Machine building</b>					
Metal-cutting machinery	42.8	85.1	74.8	86.7	61.5
Forge presses	27.9	...	...	...	...
<b>Light industry and textiles</b>					
Tractors	71.6	89.8	74.3	65.2	88.2
Trucks	69.9	73.7	71.9	99.0	89.1
Motorcycles	59.2	83.1	91.5	98.0	100.6
Refrigerators	71.9	67.7	72.2	84.8	57.8
Watches and clocks	75.1	66.1	46.4	27.9	40.5
Cameras 1/	66.1	193.3	111.2	60.9	16.0
Television sets	58.7	66.1	50.3	39.2	42.3
Radios	49.5	28.8	44.7	58.7	56.1
Synthetic fibers	78.3	82.8	77.3	92.3	54.0
Cotton and cotton-type textiles	26.7	...	...	...	...
Silk and silk-type textiles (including synthetics)	29.5	...	...	...	...

Sources: Ministry of Statistics and Analysis; and Fund staff estimates.

1/ Figures in some cases represented sales from inventories.

Table 10. Belarus: Agricultural Production, 1994-98

	1994	1995	1996	1997	1998
(In thousands of metric tons, unless otherwise indicated)					
Grain	6,095	5,502	5,792	6,420	4,830
Potatoes	8,241	9,504	10,881	6,942	7,574
Flax	49	60	49	26	36
Sugar beets	1,078	1,172	1,011	1,262	1,427
Meat	1,138	995	937	941	981
Milk	5,510	5,070	4,908	5,133	5,232
Eggs	3,400	3,373	3,403	3,459	3,481
Live animals (1,000 heads) 1/					
Cattle	5,403	5,054	4,855	4,802	4,686
Pigs	4,005	3,895	3,715	3,686	3,698
Sheep	230	204	155	127	106
Horses	220	229	232	233	229
(Percent change from previous year)					
Grain	-18.8	-9.7	5.3	10.8	-24.8
Potatoes	-29.2	15.3	14.5	-36.2	9.1
Flax	-14.0	22.4	-18.3	-46.9	38.5
Sugar beets	-31.3	8.7	-13.7	24.8	13.1
Meat	-8.4	-12.6	-5.8	0.4	4.2
Milk	-1.3	-8.0	-3.2	4.6	1.9
Eggs	-3.3	-0.8	0.9	1.7	0.6
Live animals 1/					
Cattle	-7.7	-6.5	-3.9	-1.1	-2.4
Pigs	-4.2	-2.7	-4.6	-0.8	0.3
Sheep	-15.1	-11.3	-23.7	-18.1	-16.7
Horses	2.3	4.1	1.3	0.7	-1.9
(Yield per hectare)					
Grain	22.4	20.4	21.7	23.6	18.3
Potatoes	118.0	131.0 p		99.0	109.0
Flax	5.9	6.1	6.2	3.6	4.8
Sugar beets	187.0	212.0	223.0	267.0	278.0

Sources: Ministry of Statistics and Analysis; and Fund staff estimates.

1/ End-of-period stocks.

Table 11. Belarus: Share of Private Sector in Agriculture, 1994-98 1/

	1994	1995	1996	1997	1998
	(In percent of total output)				
Gross agricultural output 2/	39.6	44.0	44.5	39.7	40.5
Crops	49.0	53.0	52.8	46.1	49.8
Livestock	32.2	35.9	36.2	34.6	33.8
In physical volumes:					
Potatoes	85.4	86.9	84.1	84.8	85.4
Vegetables	76.1	77.3	80.6	80.9	83.0
Fruits and berries	94.7	94.8	86.6	89.7	86.1
Grain	6.5	6.5	8.0	8.0	8.9
Sugarbeets	0.6	0.4	0.6	0.6	0.8
Meat	20.2	23.7	25.5	25.9	24.5
Milk	35.8	39.6	40.9	40.3	39.3
Eggs	42.6	41.6	40.1	38.4	37.3
	(In percent of end-of-period stocks)				
Live animals					
Cattle	15.1	16.2	16.3	16.1	15.8
Pigs	38.6	40.1	40.2	38.8	37.0
Sheep	74.8	82.5	87.3	89.8	90.7
Horses	24.7	29.9	34.9	38.7	41.8

Sources: Ministry of Statistics and Analysis; and Fund staff estimates.

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 1993 prices.



Table 12. Belarus: Distribution of Agricultural Land, 1994-98

	1994	1995	1996	1997	1998
(In thousands of hectares)					
Agricultural land	9,346.3	9,338.8	9,332.7	9,305.9	9,307.2
Collective farms	5,665.0	5,657.3	5,664.1	5,640.4	5,644.5
State farms	2,067.4	2,057.3	2,053.8	2,055.6	2,062.0
<i>Of which:</i>					
Sovkhozoes	1,948.3	1,921.6	1,895.3	1,877.2	1,865.1
Land plots utilized by individuals 1/	973.5	971.4	975.1	981.2	980.0
Collective gardens and orchards	72.0	79.3	81.9	81.2	81.5
Private farms 2/	52.1	53.1	52.4	52.5	58.2
Other	516.3	520.4	505.4	495.0	481.0
(As percent of total agricultural land)					
Agricultural land	100.0	100.0	100.0	100.0	100.0
Collective farms	60.6	60.6	60.4	60.6	60.6
State farms	22.1	22.0	22.0	22.1	22.2
<i>Of which:</i>					
Sovkhozoes	20.8	20.6	20.1	20.2	20.0
Land plots utilized by individuals 1/	10.4	10.4	10.4	10.5	10.5
Collective gardens and orchards	0.8	0.8	0.9	0.9	0.9
Private farms 2/	0.6	0.6	0.6	0.6	0.6
Other	5.5	5.6	5.4	5.3	5.2
(Number of units)					
Collective farms 3/	1,869	1,865	1,862	1,855	1,851
State farms 4/	1,761	1,771	1,757	1,743	1,765
Sovkhozoes	655	650	635	628	621
Mezkhoses	29	28	26	18	17
Other agro-industrial enterprises	1,077	1,093	1,096	1,099	1,127
Private farms 2/	2,961	3,029	2,980	2,677	2,641
(Average size of farms in hectares)					
Collective farms 3/	3,031	3,033	3,042	3,041	3,049
State farms 4/	1,174	1,162	1,169	1,178	1,168
Private farms	18	18	18	26	22

Sources: Ministry of Statistics and Analysis; and Fund staff estimates.

1/ Small plots, gardens, and orchards generally smaller than 0.5 hectare, 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.

3/ Including new collective farming enterprises.

4/ Including agro-industrial enterprises.

Table 13. Belarus: Share of Agricultural Production Sold Through State Procurement Organizations, 1994-98  
(In percent of total production)

	1994	1995	1996	1997	1998
Grain	30.5	31.4	30.2	28.1	30.8
Potatoes	3.3	1.8	1.9	2.2	2.5
Sugar beets	87.7	60.5	75.2	82.3	82.2
Vegetables	12.1	7.6	5.9	6.9	7.2
Meat 1/	73.9	58.5	58.2	58.2	60.6
Milk 1/	58.6	49.1	50.1	55.3	57.2
Eggs 1/	47.0	46.2	49.2	46.2	41.7

Sources: Ministry of Statistics and Analysis; and Fund staff estimates.

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

Table 14. Belarus: Production and Consumption of Energy, 1994-98

	1994	1995	1996	1997	1998
<b>Production</b>					
Electricity (million Kwh)	31,397	24,918	23,728	26,057	23,492
Natural gas (million cubic meters)	294	266	249	246	252
Crude oil (thousand tons)	2,000	1,932	1,860	1,822	1,830
Gasoline (thousand tons)	1,744	1,849	1,816	1,954	1,907
Diesel (thousand tons)	3,053	3,465	3,170	3,115	3,318
Heavy fuel oil (thousand tons)	4,962	5,592	4,812	4,524	4,254
<b>Import</b>					
Electricity (billion Kwh)	7.7	7.2	8.6	7.7	10.7
Natural gas (million cubic meters)	14.2	13.5	14.3	16.2	16.0
Crude oil (million tons)	11.3	11.5	10.6	10.5	10.1
Gasoline (thousand tons)	31	53	72	56	...
Diesel (thousand tons)	117	24	18	33	...
Heavy fuel oil (thousand tons)	614	36	16	27	...
<b>Export</b>					
Electricity (million Kwh) 1/	3,944	2,907	2,601	2,688	2,073
Crude oil (thousand tons)	250	200	300	400	...
Gasoline (thousand tons)	720	551	683	665	...
Diesel (thousand tons)	1,231	1,711	1,470	990	...
Heavy fuel oil (thousand tons)	57	233	901	713	...
<b>Change in stocks</b>					
Natural gas (million cubic meters)	71	43	-7	-17	...
Crude oil (thousand tons)	-191	-25	250	-95	...
Gasoline (thousand tons)	39	-82	100	-85	...
Diesel (thousand tons)	27	27	182	-258	...
Heavy fuel oil (thousand tons)	616	-217	189	-133	...
<b>Consumption</b>					
Electricity (million Kwh)	27,461	22,018	21,136	33,677	34,166
<i>Of which:</i>					
Industrial sector (million Kwh)	14,993	13,383	13,456	15,321	15,741
Natural gas (million cubic meters)	14,662	13,840	14,587	16,402	...
<i>Of which:</i>					
For production of heating and electricity (million meter)	11,262	9,903	10,748	12,449	...
Crude oil (thousand tons)	1,570	1,719	1,821	11,788	...
Gasoline (thousand tons)	1,094	1,269	1,305	1,260	...
Diesel (thousand tons)	1,966	1,805	1,900	1,916	...
Heavy fuel oil (thousand tons)	6,135	5,178	4,711	3,705	...
<i>Of which:</i>					
For production of heating and electricity (million meter)	5,113	4,238	4,073	3,592	...
<b>Losses in distribution 1/</b>					
Electricity (million Kwh)	3,837	3,636	3,757	3,801	3,796
Natural gas (million cubic meters)	126	139	155	135	...

Sources: Ministry of Statistics and Analysis; and Fund staff estimates.

1/ Included in consumption.

Table 15. Belarus: Change in Consumer and Producer Prices  
1995-99 (April)

	Consumer Prices: CPI 1/		Producer Prices: IPPI 2/	
	Monthly percentage change	Percentage change on the year-earlier period	Monthly percentage change	Percentage change on the year-earlier period
<b>1995</b>				
January	39.2	1,938	44.4	2,181
February	33.7	2,196	10.6	2,049
March	20.0	2,400	6.4	1,943
April	14.5	2,125	5	1,467
May	3.4	1,688	2.6	1,114
June	2.5	1,433	1.2	906
July	5.2	1,174	1.9	772
August	3.0	755	5.1	543
September	5.2	616	4.7	377
October	3.4	489	2.5	245
November	3.7	335	2	174
December	3.9	244	2.2	122
<b>1996</b>				
January	5.6	161	3.8	59
February	4.0	103	0.6	45
March	2.0	73	1.3	38
April	1.5	53	1.7	34
May	0.6	49	0.4	31
June	2.3	49	2.3	32
July	2.0	44	1.9	32
August	1.3	42	3.8	31
September	1.8	37	2.1	28
October	1.3	34	1.5	26
November	3.9	35	2.3	27
December	7.4	39	6.0	31
<b>1997</b>				
January	13.3	49	18.5	50
February	6.6	53	14.3	70
March	2.3	54	5.3	77
April	4.3	58	6.8	86
May	5.0	65	6.0	97
June	4.5	68	3.1	98
July	1.4	67	2.7	100
August	1.0	67	1.4	95
September	5.0	72	2.1	95
October	3.2	75	2.2	96
November	1.8	71	2.2	96
December	2.3	63	2.3	89
<b>1998</b>				
January	3.9	50	4.1	66
February	3.1	45	3.8	51
March	3.3	46	3.0	48
April	3.8	45	2.5	42
May	3.4	43	2.5	37
June	2.7	41	3.4	37
July	2.8	43	5.0	40
August	3.8	47	6.3	47
September	17.6	65	12.1	61
October	21.0	93	16.0	83
November	25.0	137	21.7	118
December	21.7	182	40.7	200
<b>1999</b>				
January	16.6	216	29.1	272
February	13.7	249	18.2	324
March	12.1	279	15.0	374
April	7.4	292	6.3	392
<b>Average</b>				
1992	30.6	971	49.9	1,939
1993	29.2	1,190	31.3	1,536
1994	29.1	2,220	28.6	2,171
1995	11.5	709	7.4	462
1996	2.8	53	2.3	34
1997	4.2	64	5.6	89
1998	9.3	73	10.1	70

Sources: Ministry of Statistics and Analysis; and Fund staff estimates.

1/ The Consumer Price Index (CPI) uses weights from the previous year's Household Expenditure Survey.

2/ Industrial Production Price Index (IPPI) 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 16. Belarus: Changes in Administered Prices of Household Services, 1998-99 (April)

(Percentage change)

	Annual change			1998												1999			
	Dec. 96/ Dec. 95	Dec. 97/ Dec. 96	Dec. 98/ Dec. 97	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
	Utilities																		
Rent	13.5	20.0	20.0	...	...	...	20.0	...	...	...	...	...	...	...	...	...	...	...	...
Water	13.5	58.7	662.7	...	...	...	30.0	...	...	...	...	...	328.0	13.1	21.2	25.0	...	...	...
Sewage	13.5	58.7	534.4	...	...	...	30.0	...	...	256.0	...	...	...	13.1	21.2	25.0	...	...	...
Heating	13.5	38.0	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Hot water	13.5	38.0	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Electricity																			
City dwellers	...	33.0	88.3	...	...	...	...	29.0	...	...	...	...	...	46.0	...	...	...	...	...
Rural dwellers	...	61.2	88.3	...	2.2	2.2	...	...	...	...	...	...	...	...	...	...	...	...	...
Transportation																			
Urban transport	100.0	87.4	50	...	30.0	...	...	...	...	...	...	...	...	15.4	...	33.0	...	...	...
Commuter transport	87.0	65.8	139.1	...	2.2	2.2	...	15.0	...	...	...	...	29.6	...	57.0	...	...	...	45.5
Energy																			
Crude oil	59.7	87.2	85.2	7.2	...	...	2.0	...	8.6	7.9	4.9	...	...	10.3	25.0	...	...	...	...
Natural gas 1/	32.8	87.2	...	2.0	3.6	10.7	2.0	...	...	...	...	...	...	...	...	...	...	...	...
Gasoline 2/																			
Unleaded AI-76	52.9	87.2	117.7	6.5	...	...	3.0	...	7.4	11.0	2.5	...	7.2	10.1	37.8	14.0	39.0	...	...
Leaded AI-93	55.3	87.2	261.2	7.5	...	...	2.8	...	8.1	10.0	13.6	...	19.0	28.6	58.2	...	...	66.1	...
Diesel fuel 2/	40.0	0.0	117.4	6.5	...	...	2.0	...	8.0	11.0	...	...	6.7	11.0	40.8	15.0	40.9	...	...
Fuel oil 2/	58.8	0.0	67.3	7.2	...	...	2.0	...	8.6	...	5.0	...	10.7	8.0	12.2	26.8	31.0	8.6	...
Electricity (industrial tariff)																			
Use above 750 Kwh	52.9	...	...	...	...	...	...	...	...	...	...	...	...	...	9.5	...	...	...	...
Use below 750 Kwh	46.5	...	...	...	...	...	...	...	...	...	...	...	...	...	9.5	...	...	...	...
Memorandum items:																			
Crude oil (1000 Rbl/ton)	59.7	...	...	2,767	2,767	2,767	2,822	2,822	3,065	3,307	3,467	3,467	3,467	3,823	4,778	...	...	...	...
CPI (percentage change)	39.3	63.1	181.7	3.9	3.1	3.3	3.8	3.4	2.7	2.8	3.8	17.6	21.0	25.0	21.7	16.6	13.7	12.1	7.4

Sources: Ministry of Economy; and Fund staff estimates.

1/ Domestic resale.

2/ For preferred users.

Table 17. Belarus: Tariffs and Cost Coverage for Households, 1997-99 (April)

	January 1, 1997			January 1, 1998			January 1, 1999			April 1, 1999		
	Unit tariff 1/ (Rubels)	Unit tariff 2/ (Rubels)	Cost coverage (Percent)	Unit tariff 1/ (Rubels)	Unit tariff 2/ (Rubels)	Cost coverage (Percent)	Unit tariff 1/ (Rubels)	Unit tariff 2/ (Rubels)	Cost coverage (Percent)	Unit tariff 1/ (Rubels)	Unit tariff 2/ (Rubels)	Cost coverage (Percent)
Rent	1,020	30,600	46.8	1,224	36,720	29.2	1,469	44,070	18.7	1,469	44,070	8.5
Heating	3,528	105,840	60.5	1,868	146,040	40.7	4,868	146,040	21.6	4,868	146,040	8.3
Water	358	9,666	33.1	569	15,339	21.5	3,327	89,835	71.0	4,159	112,293	29.6
Sewage	352	9,504	39.6	559	15,081	28.2	3,049	82,341	89.5	3,811	102,897	38.2
Hot water	10,582	31,746	50.8	14,603	43,809	22.9	14,603	43,809	12.2	14,603	43,809	4.7
Radio	...	...	...	4,200	4,600	80.0	...	...	...	...	...	...
Telephone	...	...	...	44,650	34,650	55.5	...	...	...	...	...	...
Television antenna	...	...	...	3,400	3,400	70.0	...	...	...	...	...	...
Gas	4,222	12,666	72.4	...	...	72.4	...	...	...	...	...	72.4
Electricity	280	48,000	52.1	280	48,000	52.1	...	...	...	280	48,000	52.1

Sources: Ministry of Housing and Communal Services; Ministry of Economy; 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 a two-bedroom apartment is 30 square meters; and 2) each person consumes 9 cubic meters of water and 50 Kwh of electricity per month.

Table 18. Belarus: Average Monthly Wages, 1994-98  
(In rubels)

	1994	1995	1996	1997	1998
	(Annual survey) 1/				
Average	98,203	755,129	1,212,157	2,270,110	4,618,877
(Excluding collective farms)	104,275	803,141	1,287,374	2,416,316	4,910,303
Good-producing sectors	102,455	748,816	1,180,188	2,273,179	4,775,149
Construction	135,245	1,048,468	1,474,191	2,851,602	6,006,560
Industry	119,917	861,856	1,366,422	2,689,149	5,703,425
Forestry	75,628	727,899	1,099,660	2,017,834	3,851,434
Agriculture 2/	62,780	468,313	757,694	1,328,881	2,719,237
Service-producing sectors	92,549	743,295	1,211,392	2,189,049	4,311,672
Banks and insurance	214,865	1,612,084	2,206,532	4,352,990	9,108,663
Administration	124,837	1,192,259	1,749,663	3,446,410	6,270,684
Information and computing services	94,984	959,781	1,513,121	2,709,361	6,153,886
Transport	115,385	935,745	1,462,602	2,553,281	5,047,837
Science	96,880	815,598	1,353,925	2,584,659	5,221,536
Communication	94,679	919,400	1,351,527	2,345,219	4,630,907
Housing and communal services	86,685	752,864	1,203,367	2,070,891	4,374,647
Health	80,105	651,907	1,117,562	1,957,721	3,629,673
Trade and catering	86,301	607,429	1,070,314	1,944,619	4,184,809
Education	78,810	594,554	1,015,356	1,873,949	3,613,750
Culture	66,707	517,685	893,280	1,595,980	3,107,724
Arts	68,246	516,556	859,082	1,544,836	3,072,003
<i>Memorandum item:</i>					
Collective farms	59,122	436,762	699,691	1,220,579	2,510,930
	(Percentage change from the previous year)				
Average	1,504	669	61	87	104
(Excluding collective farms)	1,537	670	60	88	102
Good-producing sectors	1,490	631	58	93	110
Construction	1,553	675	41	93	102
Industry	1,596	619	59	97	108
Forestry	1,389	862	51	83	90
Agriculture 2/	1,222	646	62	75	110
Service-producing sectors	1,535	703	63	81	97
Banks and insurance	1,565	650	37	97	111
Administration	1,545	855	47	97	91
Information and computing services	1,609	910	58	79	95
Transport	1,521	711	56	75	93
Science	1,549	742	66	91	101
Communication	1,458	871	47	74	101
Housing and communal services	1,520	769	60	72	104
Health	1,545	714	71	75	87
Trade and catering	1,495	604	76	82	112
Education	1,535	654	71	85	95
Culture	1,443	676	73	79	95
Arts	1,427	657	66	80	96
<i>Memorandum items:</i>					
Minimum wage (in rubels, end-of-period)	20,000	60,000	100,000	200,000	350,000
Real average monthly wage index (1991=100)	57	54	57	65	76

Sources: Ministry of Statistics and Analysis; and Fund staff estimates.

1/ The average monthly wage of workers for 1994-95 provided the basic annual data observations for full-year accounting of enterprises; 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 1997.

2/ Including collective farms.

Table 19. Belarus: Price and Wage Developments, 1994-99 (Q1)

(Percentage change from previous period)

	1994	1995	1996	1997	1998				Year	1999
					Q1	Q2	Q3	Q4		
Consumer prices (period average)	2,221	709	53	64	9.5	10.5	14.9	70.9	73.2	60.5
Change at end-of-period	1,960	244	39	63	10.6	10.2	25.5	84.1	181.7	48.6
Goods (period average)	1,936	220	41	63	9.7	10.2	15.9	75.0	75.4	62.0
Food	2,109	213	43	66	10.4	10.9	14.7	72.8	75.9	64.8
Non-food	1,566	259	30	49	7.2	7.7	20.6	83.7	73.7	53.3
Services (period average)	2,241	477	30	66	5.3	12.3	8.6	40.8	55.7	46.2
Industrial producer prices (period average)	2,171	462	34	89	6.8	8.7	17.0	63.4	69.9	102.1
Change at end-of-period	1,867	122	31	91	10.4	9.1	23.3	99.0	195.6	75.3
Industrial goods	1,848	102	26	95	...	...	...	...	...	...
Consumer goods	1,921	173	42	84	...	...	...	...	...	...
Minimum wage (end-of-period)	900	200	67	100	...	...	...	...	75	43
Average monthly wage	1,504	669	61	88	15.3	15.7	15.0	49.4	104.5	52.2
Real wage (period average)	-31	-5	5	14.5	5.3	4.8	0.7	-12.5	21.7	-5.8

Sources: Ministry of Statistics and Analysis; and Fund staff estimates.



Table 20. Belarus: Money Income and Expenditures of Population, 1995-99 (Q1)  
(In billions of rubels; unless otherwise indicated)

	1995	1996	1997	1998	1999 Q1
Money incomes	76,524	136,979	238,228	491,890	256,339
Salaries and wages of workers, and employees of collective farms	40,271	63,553	127,231	261,812	130,890
Remuneration from sales of agricultural products	1,093	1,726	3,308	7,790	1,704
Pensions, benefits, and scholarships	14,435	23,159	42,109	77,559	41,027
Receipts from financial system	240	1,622	8,267	17,790	7,639
Revenues of population from officially unaccounted business and other activities	20,485	46,919	57,313	126,939	75,079
Expenditures	73,745	134,801	232,738	484,503	253,869
Consumption of goods and payments for services	52,385	100,033	185,893	384,702	211,796
Taxes and other obligatory payments and voluntary contributions	4,601	7,903	22,565	46,670	24,646
Accumulation of savings in deposits, securities and foreign currency purchases	16,759	26,865	24,280	53,131	17,427
Unallocated income	2,779	2,178	5,490	7,387	2,470
	(As a percent of income)				
Wages, salaries, and other incomes	53	46	53	53	51
Unaccounted business and other activities	27	34	24	26	29
Saving rate	23	21	11	12	8

Sources: Ministry of Statistics and Analysis; Ministry of Economy; and Fund staff estimates.

Table 21. Belarus: Labor Market Indicators, 1994-99 (Q1)

	1994	1995	1996	1997	1998	1999 1/ Q1
(In thousands of persons)						
Employment 1/	4,701.0	4,410.0	4,365.0	4,370.0	4,390.0	4,304.0
Job leavers	721.0	799.0	769.0	779.2	870.0	180.6
Jobs taken up	551.0	585.0	678.0	797.0	894.0	181.2
Number of unemployed at the end of the period 2/						
Officially recognized	101.0	131.0	182.0	126.2	105.9	105.5
<i>Of which:</i>						
Benefit recipients	52.0	69.0	85.0	49.1	40.8	42.1
Long-term unemployed 3/	9.6	20.5	28.0	30.9	19.8	...
Activity of the Employment Bureau						
Applications from job seekers	205.0	232.0	300.0	271.4	308.5	60.4
Placements	106.0	119.0	150.0	207.7	241.1	41.2
Vacancies	18.0	11.0	16.0	29.4	30.3	40.6
Unemployment rate (in percent) 4/	2.1	2.7	3.9	2.8	2.3	2.3
<i>Of which:</i>						
Benefit recipients (in percent)	1.0	1.4	1.8	1.0	0.9	0.9
(In percent)						
<i>Memorandum items:</i>						
Economically active population 5/	5,008.0	4,721.0	4,724.0	4,692.9	4,640.0	...
Labor force participation rate 6/	48.6	45.9	46.1	45.9	45.5	...
Economically active population as share of working-age population	87.5	82.4	82.3	81.4	79.9	...
Share of women in the labor force 7/	53.9	54.5	53.6	53.4	53.2	...
Share of women in total number of unemployed	63.7	64.3	63.8	66.6	66.7	...

Sources: Belarussian authorities; and Fund staff estimates.

1/ 1999 data are preliminary.

2/ Average employment during the year for annual data; end-of-period data for March 1999.

3/ Unemployed for more than one year.

4/ 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.

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

6/ Working-age population comprises all people fit to work older than 16 years and below the retirement age. The economically active population excludes students, housewives, members of the armed forces, and some other groups from the working-age population.

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

Table 22. Belarus: Average Monthly Employment by Branches, 1994-99 (Q1)

	1994	1995	1996	1997	1998	1999 Q1	1994	1995	1996	1997	1998	1999 Q1
	(In thousands)						(Percentage change over previous period)					
Annual survey 1/	4,701	4,410	4,365	4,370	4,390	...	-2.6	-6.2	-1.0	0.1	0.5	...
Monthly survey	4,124	3,813	3,685	3,708	3,738	3,698	-4.5	-7.5	-3.4	0.6	0.8	0.4
Good-producing sectors	2,512	2,241	2,088	2,063	2,036	1,967	...	-10.8	-6.8	-1.2	-1.3	-0.9
Industry	1,294	1,160	1,081	1,072	1,073	1,075	-5.1	-10.4	-6.8	-0.8	0.1	-0.3
Agriculture 2/	882	803	759	738	698	632	-6.2	-9.0	-5.5	-2.8	-5.4	-4.2
Construction	336	278	248	253	265	260	-10.2	-17.3	-10.8	2	4.7	0.5
Service-producing sectors	1,612	1,572	1,597	1,645	1,702	1,731	...	-2.5	1.6	3.0	3.5	2.7
Transport and communication	297	280	277	279	284	279	-3.6	-5.7	-1.1	0.7	1.8	-1.3
Trade and related services 3/	253	223	216	227	238	247	-6.3	-11.9	-3.1	5.1	4.8	5.6
Communal services 3/	104	110	125	128	133	138	3.0	5.8	13.5	1.6	3.9	5.6
Health and social services	261	260	264	271	279	281	2.4	-0.4	1.5	2.7	3	1.4
Education, culture, and science	466	461	471	489	506	518	0.6	-1.1	2.2	3.8	3.5	3.3
Banks and insurance	39	45	45	46	49	50	18.2	15.4	0.0	2.2	6.5	4.8
Administration	70	73	75	75	78	82	6.1	4.3	2.7	0.0	4	4.2
Other 3/	122	120	124	130	135	136	-15.3	-1.6	3.3	4.8	3.8	2.2
	(Share in total) 2/						(Percentage change of share in total)					
Good-producing sectors	60.9	58.8	56.7	55.7	54.5	53.2	...	-3.5	-3.6	-1.7	-2.1	-1.6
Industry	31.4	30.4	29.3	28.9	28.7	29.1	-0.7	-3.0	-3.6	-1.3	-0.9	0.0
Agriculture 2/	21.4	21.1	20.6	19.9	18.7	17.1	-1.8	-1.5	-2.2	-5.9	-6.0	-5.1
Construction	8.1	7.3	6.7	6.8	7.1	7.0	-5.9	-10.5	-7.7	1.5	3.9	0.7
Service-producing sectors	39.1	40.9	43.4	44.6	45.5	46.8	...	4.4	6.1	2.7	2.1	1.9
Transport and communication	7.2	7.3	7.5	7.5	7.6	7.5	1.0	2.0	2.4	0.2	0.9	-2.7
Trade and related services 3/	6.1	5.5	5.9	6.1	6.4	6.7	-1.9	-10.3	6.6	4.6	4.4	4.2
Communal services 3/	2.5	2.9	3.4	3.4	3.5	3.7	7.8	14.4	18.5	-0.6	2.9	3.7
Health and social services	6.3	6.8	7.2	7.3	7.5	7.6	7.2	7.7	5.1	2.2	2.5	1.1
Education, culture, and science	11.3	12.1	12.8	13.2	13.5	14.0	5.4	7.0	5.7	3.3	2.3	1.9
Banks and insurance	1.0	1.2	1.2	1.2	1.3	1.4	23.7	18.0	3.5	1.7	4.7	9.3
Administration	1.7	1.9	2.0	2.0	2.1	2.2	11.0	12.8	6.3	-0.5	3.7	4.9
Other 3/	3.0	3.1	3.4	3.7	3.6	3.7	-11.3	6.4	6.9	10.0	-2.7	2.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	...	...	...	...	...	...

Sources: Ministry of Statistics and Analysis; and Fund staff estimates.

1/ Based on comprehensive annual survey data that include enterprises of all types of ownership (including small businesses) and individuals engaged in private enterprises.

2/ Approximately two thirds from collective farms.

3/ Data for 1994 through 1996 reflect reclassification.

Table 23. Belarus: Enterprise Profits and Losses, 1994-98

	1994	1995	1996	1997	1998
Profitability of profitable enterprises 1/					
Total economy	20.7	9.9	9.7	10.1	11.0
Industry	29.0	10.1	10.6	13.2	13.9
<i>Of which:</i>					
Power generation	3.9	-0.8	2.7	3.9	...
Refineries	30.9	18.1	24.4	23.7	17.9
Ferrous metallurgy	38.6	8.0	12.0	14.4	14.8
Chemicals	40.2	13.9	10.4	14.5	20.6
Petrochemicals	14.6	1.7	9.4	10.8	8.8
Machine building	38.5	9.2	9.1	15.4	15.7
Wood and paper	40.7	16.9	13.4	17.5	21.4
Construction materials	17.9	11.4	5.9	8.6	6.0
Light industry	43.6	11.7	11.0	14.5	18.5
Food industry	14.6	11.7	12.8	12.7	12.6
Agriculture					
Collective farms	12.9	18.2	11.8	12.9	17.3
State farms	12.1	11.8	8.7	6.7	8.6
Number of loss-making enterprises 2/					
Total	618	1,571	1,737	1,351	1,563
<i>Of which:</i>					
Industry	46	192	324	262	...
Agriculture 3/	179	380	430	244	...
Loss-Making Enterprises (Share in percent of total within category)					
Total economy	7.3	17.9	18.4	12.3	14.2
Industry	3.1	11.6	17.6	12.5	...
<i>Of which:</i>					
Power generation	20.0	25.0	...	...	...
Refineries	...	...	...	...	...
Ferrous metallurgy	...	...	...	...	...
Chemicals	2.9	9.1	11.1	2.5	...
Petrochemicals	...	9.1	...	...	...
Machine building	1.8	10.2	13.4	7.9	...
Wood and paper	...	8.7	9.1	7.9	...
Construction materials	13.2	19.1	33.8	25.3	...
Light industry	0.9	18.5	39.0	25.1	...
Food industry	2.5	8.2	9.8	7.7	...

Sources: Ministry of Statistics and Analysis; and Fund staff estimates.

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

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

3/ Includes state and collective farms.

Table 24. Belarus: Interenterprise Arrears and the Barter Economy, 1995-99 (Q1)  
(End-of-period stocks in current prices)

	1995	1996	1997	1998	1999 Q1	1995	1996	1997	1998	1999 Q1
	(In billions of rubels)					(In percent of GDP)				
<b>Overdue accounts receivable</b>										
Total	18,217	31,238	41,656	109,666	222,444	15.2	17.0	11.7	16.6	23.7
Industry	5,242	14,529	20,354	41,183	76,184	4.4	7.9	5.7	6.2	8.1
Agriculture	499	678	900	1,264	2,139	0.4	0.4	0.3	0.2	0.2
Construction	1,041	1,371	1,510	2,836	3,927	0.9	0.7	0.4	0.4	0.4
Transport	6,373	9,061	11,149	39,703	86,684	5.3	4.9	3.1	6.0	9.2
Communications	32	112	184	139	275	0.0	0.1	0.1	0.0	0.03
Trade and public catering	343	306	410	939	1,857	0.3	0.2	0.1	0.1	0.2
Supply and sales	497	633	809	5,493	7,268	0.4	0.3	0.2	0.8	0.8
Housing and communal services	4,121	4,418	6,147	17,880	43,626	3.4	2.4	1.7	2.7	4.6
<b>Overdue accounts payable 1/</b>										
Total	24,327	33,590	47,224	156,012	321,495	20.3	18.2	13.3	23.6	34.2
Industry	8,032	18,872	25,753	76,047	147,756	6.7	10.2	7.2	11.5	15.7
Agriculture	1,649	3,978	6,659	13,725	22,676	1.4	2.2	1.9	2.1	2.4
Construction	848	1,246	1,443	2,629	4,328	0.7	0.7	0.4	0.4	0.5
Transport	6,575	3,460	4,486	29,014	62,456	5.5	1.9	1.3	4.4	6.6
Communications	0	4	52	529	2,680	0.0	0.0	0.0	0.1	0.3
Trade and public catering	808	970	1,510	3,448	8,953	0.7	0.5	0.4	0.5	1.0
Supply and sales	314	561	935	11,455	20,849	0.3	0.3	0.3	1.7	2.2
Housing and communal services	6,014	4,378	6,202	18,603	51,031	5.0	2.4	1.7	2.8	5.4
<b>Barter transactions</b>										
Total	...	...	...	254,261	182,209	...	...	...	38.4	19.4
Industry	...	...	...	217,174	160,835	...	...	...	32.8	17.1
Agriculture	...	...	...	11,591	5,791	...	...	...	1.7	0.6
Construction	...	...	...	8,065	3,715	...	...	...	1.2	0.4
Transport	...	...	...	2,213	1,272	...	...	...	0.3	0.1
Communications	...	...	...	739	292	...	...	...	0.1	0.03
Trade and public catering	...	...	...	3,267	2,607	...	...	...	0.5	0.3
Supply and sales	...	...	...	3,407	3,043	...	...	...	0.5	0.3
Storage	...	...	...	...	...	...	...	...	...	...
Housing and communal services	...	...	...	6,886	4,171	...	...	...	1.0	0.4
<b>Memorandum item:</b>										
GDP (billions of rubels)	119,813	184,174	351,043	662,370	380,344	...	...	...	...	...

Sources: Ministry of Statistics and Analysis; and Fund staff estimates.

1/ 1999 quarter 1 ratios calculated with the nominal GDP of 1998 Q2-1999 Q1.

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

Table 25. Belarus: Sectoral Distribution of Energy Debts of Enterprises, 1997-99 (April 1/)

	January 1, 1997				January 1, 1998				January 1, 1999				April 1, 1999			
	Total	Gas	Oil	Electricity	Total	Gas	Oil	Electricity	Total	Gas	Oil	Electricity	Total	Gas	Oil	Electricity
(In billions of rubels)																
Domestic debts	23,537	15,208	401	7,394	30,297	19,049	...	9,591	96,023	60,310	...	33,708	224,613	142,955	...	75,204
Industry	13,805	7,829	32	5,823	15,773	9,554	...	5,981	53,573	27,559	...	25,248	117,926	60,463	...	54,365
Agriculture	1,354	251	32	1,004	3,613	508	...	2,970	9,054	1,634	...	7,149	21,791	4,922	...	16,406
Transportation, including pipelines	117	3	2	108	115	6	...	47	533	204	...	140	2,430	1,915	...	395
Communications	2	0	0	2	1	0	...	0	3	...	...	2	45	2	...	41
Construction	77	14	2	53	95	13	...	60	225	36	...	156	601	96	...	376
Trade and public catering	65	0	0	63	23	0	...	21	66	1	...	57	497	6	...	130
Supply and sale	519	3	320	11	1,126	7	...	25	578	1	...	54	892	3	...	134
Housing and communal services	7,583	7,107	13	317	9,529	8,958	...	471	31,931	30,866	...	857	80,277	75,525	...	3,251
Other	15	1	0	13	22	3	...	16	60	9	...	45	154	23	...	106
(In millions of U.S. dollars)																
Foreign debts	249	210	7	32	131	101	1	29	374	236	8	129	374	223	7	145
Industry	38	...	6	32	...	...	1	29	139	1	8	129	151	0	6	145
Agriculture	...	...	...	...	30	...	...	...	...	...	...	...	...	...	...	...
Transportation, including pipelines	210	210	0	0	...	...	...	...	...	...	...	...	...	...	...	...
Communications	...	...	...	...	101	101	...	...	234	234	...	...	222	222	...	...
Construction	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Trade and public catering	0	0	...	0	...	...	...	...	...	...	...	...	...	...	...	...
Supply and sale	0	...	0	...	...	...	...	...	...	...	...	...	1	...	1	...
Housing and communal services	...	...	...	...	0	...	...	...	2	1	...	...	0	...	...	...
Other	0	...	...	0	...	...	...	...	...	...	...	...	...	...	...	...
(As a percent of domestic debts, total and by type of energy)																
Domestic debts by sector	59	51	8	79	52	50	...	62	56	46	...	75	53	42	...	72
Industry	6	2	8	14	12	3	...	31	9	3	...	21	10	3	...	22
Foreign debts by sector	15	...	98	100	23	...	100	100	37	1	100	100	40	0	92	100
Industry	85	100	0	0	77	100	...	...	62	99	...	...	59	100	...	...
(As a percent of GDP)																
Memorandum items: 2/	13	8	0	4	9	5	...	3	14	9	...	5	...	...	...	...
Domestic energy debts	2	2	0	0	1	1	0	0	6	4	0	2	...	...	...	...
Foreign energy debts	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...

Sources: Ministry of Statistics and Analysis; and Fund staff estimates.

1/ These debts are not necessarily overdue.

2/ For the first quarter of 1999, GDP is annualized.

Table 26. Belarus: General Government Operations, 1994-1999 (Q1)

(In millions of rubels)

	1994	1995	1996	1997	1998	1999 Q 1
Revenue and grants	8,188,542	48,300,371	75,198,851	159,895,690	304,163,842	187,264,308
Revenue	8,188,541	48,300,371	75,198,816	159,895,690	304,163,842	...
Current revenue	8,084,398	47,544,678	74,539,161	158,362,267	301,144,602	...
Tax revenue	7,909,930	45,321,521	68,706,591	150,037,577	280,690,826	...
Income, profits, capital gains	2,469,845	11,636,389	12,735,379	28,195,400	55,994,782	...
Social security contributions	1,274,506	10,009,068	15,795,611	31,638,603	61,480,288	...
Payroll taxes	412,632	3,233,919	4,870,273	7,794,137	10,802,856	...
Taxes on property	103,169	1,216,591	1,851,685	4,934,970	9,029,060	...
Domestic taxes on goods and services	3,065,900	17,082,657	29,257,643	66,152,527	123,663,945	...
Taxes on international trade and transactions	583,878	2,142,897	3,169,440	8,963,606	15,269,188	...
Non-tax revenue	174,468	2,223,157	5,832,570	8,324,691	20,453,777	...
Capital revenue	104,143	755,693	659,655	1,533,423	3,019,240	...
Grants	1	0	35	0	0	...
<i>Functional classification</i>						
Expenditure, adjusted	8,633,912	50,576,818	78,152,100	162,351,532	306,275,055	174,807,795
Expenditure, unadjusted	8,422,700	51,559,039	78,654,104	164,311,694	307,632,168	...
General public services	291,602	3,135,511	3,720,949	8,727,099	15,265,759	...
Defense	607,880	1,934,681	2,264,441	6,079,781	9,836,876	...
Public order	317,203	2,261,034	2,979,046	4,985,459	8,500,871	...
Education	1,355,711	6,651,710	11,688,488	26,283,220	47,610,252	...
Health	941,860	5,826,281	9,012,512	19,913,396	32,218,275	...
Social security and welfare	2,025,854	13,055,548	19,871,893	36,592,047	70,973,419	...
Housing and communal amenities	633,307	2,928,916	4,040,520	10,562,615	17,163,294	...
Recreation and culture	156,116	1,076,046	1,628,544	4,291,805	7,718,649	...
Fuel and energy sectors	61,658	775,550	555,686	1,078,331	2,904,247	...
Agriculture, forestry, fishing, and hunting	219,011	3,501,010	4,943,516	12,313,754	23,321,636	...
Mining, manufacturing, and construction	225,871	370,238	119,683	1,639,810	887,384	...
Transport and communications	423,864	3,596,787	4,352,365	11,663,306	22,236,957	...
Other economic affairs and services, including research	469,443	1,211,022	1,798,835	6,217,026	19,856,851	...
Other expenditure, including disaster and emergencies	683,320	5,234,705	11,677,626	13,964,045	29,137,697	...
Adjustment	211,212	-982,221	-502,004	-1,960,161	-1,357,113	...
<i>Economic classification</i>						
Expenditure and net lending, adjusted	8,633,912	50,576,818	78,152,100	162,351,532	306,275,055	174,807,795
Expenditure and net lending, unadjusted	8,422,700	51,559,039	78,654,104	164,311,693	307,632,168	...
Expenditure	8,422,700	51,559,039	78,687,651	162,531,866	307,808,141	...
Current expenditure	6,876,031	43,362,501	64,922,635	130,213,879	248,252,672	...
Expenditure on goods and services	5,042,250	27,332,470	33,942,054	65,158,316	122,521,788	...
Wages and salaries	867,594	7,201,368	15,274,353	28,437,708	54,347,321	...
Goods and services	4,174,656	20,131,102	18,667,701	36,720,608	68,174,468	...
Interest payments	39,558	293,832	1,226,812	2,373,654	5,086,848	...
Subsidies and current transfers	1,794,223	15,736,199	29,753,769	62,681,910	120,644,036	...
Subsidies	787,573	2,263,158	7,821,240	16,897,599	37,217,579	...
Transfers to households	1,227,926	12,649,853	21,708,563	45,784,311	81,899,051	...
Transfers abroad	2,291	3,941	223,966	0	1,532,448	...
Capital expenditure	1,546,669	8,196,538	13,765,016	32,317,986	59,555,469	...
Net lending	0	0	-33,547	1,779,828	-175,973	...
Adjustment	211,212	-982,221	-502,004	-1,960,161	-1,357,113	...
Balance	-445,370	-2,276,447	-2,953,249	-2,455,842	-2,111,212	12,456,513
Financing	445,370	2,276,447	2,953,249	2,455,842	2,111,212	-12,456,513
Foreign	-160,340	-599,065	95,776	1,271,670	266,835	-779,100
Domestic	605,710	2,875,512	2,857,473	1,184,172	1,844,377	-11,677,413

Sources: Belarusian authorities; and Fund staff estimates.

Table 27. Belarus: General Government Operations, 1994-99 (Q1)

(In percent of GDP)

	1994	1995	1996	1997	1998	1999
						Q 1
Revenue and grants	46.0	40.3	40.8	45.5	45.9	49.2
Revenue	46.0	40.3	40.8	45.5	45.9	...
Current revenue	45.4	39.7	40.5	45.1	45.5	...
Tax revenue	44.4	37.8	37.3	42.7	42.4	...
Income, profits, and capital gains	13.9	9.7	6.9	8.0	8.5	...
Social security contributions	7.2	8.4	8.6	9.0	9.3	...
Payroll taxes	2.3	2.7	2.6	2.2	1.6	...
Taxes on property	0.6	1.0	1.0	1.4	1.4	...
Domestic taxes on goods and services	17.2	14.3	15.9	18.8	18.7	...
Taxes on international trade and transactions	3.3	1.8	1.7	2.6	2.3	...
Nontax revenue	1.0	1.9	3.2	2.4	3.1	...
Capital revenue	0.6	0.6	0.4	0.4	0.5	...
Grants	0.0	0.0	0.0	0.0	0.0	...
<i>Functional classification</i>						
Expenditure, adjusted	48.5	42.2	42.4	46.2	46.2	47.4
Expenditure, unadjusted	47.3	43.0	42.7	46.8	46.4	...
General public services	1.6	2.6	2.0	2.5	2.3	...
Defense	3.4	1.6	1.2	1.7	1.5	...
Public order	1.8	1.9	1.6	1.4	1.3	...
Education	7.6	5.6	6.3	7.5	7.2	...
Health	5.3	4.9	4.9	5.7	4.9	...
Social security and welfare	11.4	10.9	10.8	10.4	10.7	...
Housing and communal amenities	3.6	2.4	2.2	3.0	2.6	...
Recreation and culture	0.9	0.9	0.9	1.2	1.2	...
Fuel and energy sectors	0.3	0.6	0.3	0.3	0.4	...
Agriculture, forestry, fishing, and hunting	1.2	2.9	2.7	3.5	3.5	...
Mining, manufacturing, and construction	1.3	0.3	0.1	0.5	0.1	...
Transport and communications	2.4	3.0	2.4	3.3	3.4	...
Other economic affairs and services, incl. research	2.6	1.0	1.0	1.8	3.0	...
Other expenditure, incl. disaster and emergencies	3.8	4.4	6.3	4.0	4.4	...
Adjustment	1.2	-0.8	-0.3	-0.6	-0.2	...
<i>Economic classification</i>						
Expenditure and net lending, adjusted	48.5	42.2	42.4	46.2	46.2	47.4
Expenditure and net lending, unadjusted	47.3	43.0	42.7	46.8	46.4	...
Expenditure	47.3	43.0	42.7	46.3	46.5	...
Current expenditure	38.6	36.2	35.3	37.1	37.5	...
Expenditure on goods and services	28.3	22.8	18.4	18.6	18.5	...
Wages and salaries	4.9	6.0	8.3	8.1	8.2	...
Goods and services	23.4	16.8	10.1	10.5	10.3	...
Interest payments	0.2	0.2	0.7	0.7	0.8	...
Subsidies and current transfers	10.1	13.1	16.2	17.9	18.2	...
Subsidies	4.4	1.9	4.2	4.8	5.6	...
Transfers to households	6.9	10.6	11.8	13.0	12.4	...
Transfers abroad	0.0	0.0	0.1	0.0	0.2	...
Capital expenditure	8.7	6.8	7.5	9.2	9.0	...
Net lending	0.0	0.0	0.0	0.5	0.0	...
Adjustment	1.2	-0.8	-0.3	-0.6	-0.2	...
Balance	-2.5	-1.9	-1.6	-0.7	-0.3	3.3
Financing	2.5	-1.9	1.6	0.7	0.3	-3.3
Foreign	-0.9	-0.5	0.1	0.4	0.0	-0.2
Domestic	3.4	2.4	1.6	0.3	0.3	-3.1
<i>Memorandum item:</i>						
Quasi-fiscal deficit	...	...	-2.4	-2.9	-3.0	...

Sources: Belarussian authorities; and Fund staff estimates.



Table 28. Belarus: Tax Arrears, 1994-98  
(In billions of rubels, unless otherwise indicated; end of period)

	1994	1995	1996	1997	1998
Total tax arrears	180	2,509	3,923	3,560	4,469
State budget tax arrears 1/	119	1,364	1,722	1,401	2,012
Taxes on income and profits	62	339	231	546	531
Personal income tax	...	2	...	102	24
Profit tax	62	329	...	439	500
Enterprise income tax	...	7	...	5	6
Chernobyl tax	6	226	215	102	135
Taxes on property	2	126	443	189	401
Real estate tax	2	92	79	75	188
Land tax	...	34	364	113	214
Domestic taxes on goods and services	48	674	833	565	945
Value-added tax	39	531	546	456	857
Excises	7	73	40	59	81
Fuel tax	3	10	10	0	0
Natural resource tax	...	15	75	47	6
Forestry tax and other taxes	...	44	162	3	2
Social Protection Fund	61	960	1,783	1,841	2,180
Fund for Support of Agricultural Producers	...	185	418	318	278
<i>Memorandum items:</i>					
Total tax arrears					
(In percent of GDP)	1.0	2.1	2.2	1.0	1.3
Deferred taxes 2/	...	1	1,419	3,873	5,668

Sources: Belarussian authorities; and Fund staff estimates.

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

2/ Tax deferrals, end-of-period outstanding stock.

Table 29. Belarus: General Government Debt, 1994-99 (Q1)  
(In billions of rubels, unless otherwise indicated; end-of-period)

	1994	1995	1996	1997	1998	1999 March
Total debt, net	13,042	18,623	17,884	31,532	201,025	211,477
Domestic debt, net 1/	-219	1,223	3,066	1,530	-9,307	-10,894
Republican government 2/	242	2,598	2,772	4,168	-6,668	-3,278
Local governments	-146	-535	-896	-2,638	-2,638	-7,616
Extrabudgetary accounts 3/	-129	-136	...	...	...	...
Budgetary organizations 4/	-187	-704	...	...	...	...
Foreign debt 5/	13,261	17,400	14,818	30,002	210,332	222,372
<i>Memorandum items:</i>						
Domestic debt (in percent of GDP) 6/	-1.2	1.0	1.7	0.4	-1.4	-0.4
Foreign debt (millions of U.S. dollars) 5/	1,251	1,513	956	976	956	942
Exchange rate, end-of-period (Rbl/U.S. dollar)	10,600	11,500	15,500	30,740	220,000	236,000

Sources: Belarussian authorities; and Fund staff estimates.

1/ The data are derived from NBB balance sheets; a break in the series occurs in December 1995. Negative net debt since end-1998 reflects the revaluation of the government's foreign exchange credits to banks at increasingly depreciated exchange rates.

2/ From 1996, central government, including all budgeting funds.

3/ Including social funds.

4/ Cash balances at end of period.

5/ As recorded in the balance of payments under public and publicly guaranteed debt; includes IMF.

6/ Annualized GDP for end-March 1999.

Table 30. Belarus: Monetary Survey, 1997-99 (April)

(In billions of rubels; end-of-period)

	1997		1998			1999			
	December	March	June	September	December	January	February	March	April
Accounting exchange rate (in rubels per U.S. dollar)	30,740	33,660	37,540	53,200	220,000	224,000	229,000	236,000	244,000
Net foreign assets	9,012	5,503	6,189	8,361	43,228	48,274	69,360	67,830	75,310
Net foreign assets (convertible)	8,491	5,366	5,551	8,183	39,764	45,493	65,922	64,061	71,594
Foreign assets	20,606	18,757	21,135	30,066	139,890	144,666	154,877	162,806	163,145
Foreign liabilities	-12,115	-13,391	-15,585	-21,883	-100,126	-99,173	-88,955	-98,746	-91,552
Net foreign assets (nonconvertible)	521	136	638	178	3,464	2,782	3,438	3,769	3,716
Foreign assets	3,096	3,033	2,340	1,261	4,681	3,640	4,497	4,806	4,823
Foreign liabilities	-2,576	-2,897	-1,702	-1,082	-1,217	-859	-1,059	-1,036	-1,107
Net domestic assets	48,768	56,219	69,995	90,077	174,024	170,868	169,470	194,320	208,557
Net domestic credit	62,271	68,073	84,409	111,043	247,452	249,692	263,463	283,260	295,814
Net credit to general government	12,745	12,966	15,692	19,272	49,548	43,872	40,378	46,224	43,039
Net claims on central government	12,723	12,925	15,676	19,227	49,405	43,754	40,310	46,130	42,946
Gross credit to local government	22	41	16	45	143	118	68	94	93
Claims on economy	49,526	55,107	68,716	91,771	197,903	205,820	223,085	237,037	252,774
Claims on nonfinancial public enterprises	18,666	21,129	26,031	34,283	84,081	85,458	92,196	96,263	101,714
Claims on private sector	30,363	33,591	42,308	57,082	113,343	119,883.0	130,380.0	140,302.1	150,577.8
Claims on non-bank financial institutions	498	387	377	406	480	479.6	509.2	471.4	482.2
Other items, net	-13,503	-11,854	-14,414	-20,965	-73,427	-78,824.3	-93,993.0	-88,939.7	-87,257.2
Capital	-22,567	-16,404	-16,891	-18,925	-31,513	-36,217.5	-38,651.3	-42,809.4	-45,855.6
Other assets, net	9,064	4,550	2,477	-2,040	-41,914	-42,606.9	-55,341.6	-46,130.3	-41,401.6
Broad money	57,779	61,721	76,184	98,438	217,252	219,142	238,830	262,151	283,867
Rubel broad money	42,026	45,124	56,616	71,529	96,495	94,960	102,731	114,572	134,874
Currency outside banks	12,300	12,236	16,152	18,238	27,074	25,873	33,142	32,014	40,390
Domestic currency deposits	29,727	32,888	40,464	53,291	69,422	69,088	69,589	82,558	94,484
Foreign currency deposits	15,753	16,597	19,568	26,909	120,757	124,182	136,099	147,579	148,993

Sources: National Bank of Belarus; and Fund staff estimates.

Table 31. Belarus: Accounts of the National Bank of Belarus, 1997-99 (April)

(In billions of rubels; end-of-period)

	1997		1998			1998			
	December	March	June	September	December	January	February	March	April
Accounting exchange rate (in rubels per U.S. dollar)	30,740	33,660	37,540	53,200	107,000	135,000	211,000	236,000	244,000
National Bank of Belarus									
Net foreign assets	2,542	-33	109	258	5,745	8,565	14,044	10,863	5,612
Net foreign assets (convertible)	2,732	-155	53	358	5,324	8,003	13,402	10,447	5,199
Foreign assets	12,102	9,816	11,221	16,435	75,863	79,093	83,004	80,955	77,860
Foreign liabilities	-9,370	-9,971	-11,168	-16,077	-70,539	-71,089	-69,602	-70,508	-72,661
Net foreign assets (nonconvertible)	-191	122	56	-101	420	562	642	416	413
Foreign assets	230	505	102	73	602	625	696	456	569
Foreign liabilities	-421	-382	-46	-174	-181	-63	-54	-40	-156
Net domestic assets	22,696	28,378	35,005	41,304	60,637	59,464	62,511	69,235	74,501
Net domestic credit	29,656	34,897	42,424	51,448	100,035	98,278	100,666	106,987	112,174
Net credit to general government	12,438	13,902	13,137	16,394	48,441	47,048	49,784	54,376	57,568
Claims on nonfinancial public enterprises	101	100	21	23	22	26	28	28	27
Claims on private sector	71	70	207	207	343	357	357	728	729
Claims on banks	17,047	20,824	29,059	34,824	51,229	50,847	50,496	51,855	53,850
Other items, net	-6,961	-6,519	-7,419	-10,144	-39,398	-38,814	-38,155	-37,752	-37,673
Reserve Money	25,237	28,345	35,114	41,562	66,381	68,029	76,555	80,098	80,113
Currency issue outside banking system	12,300	12,236	16,152	18,238	27,074	25,873	33,142	32,014	40,390
Due to banks	12,414	15,184	17,883	21,536	37,855	40,913	42,567	46,805	37,810
Required reserves	7,442	8,492	9,531	10,734	18,519	19,494	22,837	26,700	21,031
Excess reserves	4,972	6,692	8,352	10,802	19,336	21,419	19,730	20,105	16,780
Deposits of other sectors (excluding central government.)	523	925	1,079	1,788	1,453	1,244	845	1,279	1,913

Sources: National Bank of Belarus; and Fund staff estimates.

Table 32. Belarus: Deposit Money Banks' Accounts, 1997-99 (April)  
(In billions of rubels; end-of-period)

	1997	1998				1999			
	December	March	June	September	December	January	February	March	April
Net foreign assets	6,470	5,536	6,080	8,103	37,484	39,709	55,316	56,967	69,698
Net foreign assets (convertible)	5,759	5,522	5,498	7,824	34,440	37,489	52,520	53,613	66,395
Assets (convertible)	8,504	8,941	9,914	13,631	64,027	65,573	71,874	81,851	85,285
Liabilities (convertible)	-2,745	-3,419	-4,416	-5,806	-29,587	-28,084	-19,353	-28,238	-18,891
Net foreign assets (nonconvertible)	711	14	582	279	3,044	2,220	2,796	3,353	3,303
Assets (nonconvertible)	2,866	2,528	2,239	1,187	4,080	3,015	3,800	4,350	4,255
Liabilities (nonconvertible)	-2,155	-2,515	-1,656	-909	-1,035	-795	-1,005	-997	-951
Net domestic assets	38,486	43,025	52,873	70,309	151,242	152,317	149,527	171,890	171,866
Net domestic credit	45,619	49,249	60,839	82,693	185,963	190,307	208,400	226,089	227,635
Net credit to general government	307	-936	2,555	2,878	1,107	-3,176	-9,406	-8,153	-14,529
Net credit to central government	285	-977	2,539	2,833	965	-3,294	-9,475	-8,246	-14,622
Claims on local government	22	41	16	45	143	118	68	94	93
Claims on nonfinancial public enterprises	18,565	21,029	26,009	34,260	84,059	85,432	92,168	96,235	101,687
Claims on private sector	30,292	33,521	42,101	56,874	112,999	119,526	130,023	139,574	149,849
Claims on nonbank financial institutions	498	387	377	406	480	480	509	471	482
Net claims on the National bank	-4,042	-4,752	-10,204	-11,725	-12,683	-11,954	-4,893	-2,039	-9,855
Other items, net	-7,133	-6,223	-7,966	-12,384	-34,720	-37,991	-58,874	-54,198	-55,769
Liabilities to nonfinancial institutions, excluding central government	44,956	48,561	58,953	78,412	188,726	192,026	204,843	228,857	241,564
Demand deposits	21,052	22,504	27,228	38,589	52,487	50,200	50,807	62,262	69,975
Time and savings deposits	8,172	9,480	12,180	12,944	15,562	17,819	18,115	19,224	22,817
Foreign currency deposits	15,732	16,577	19,545	26,879	120,678	124,006	135,920	147,371	148,772

Sources: National Bank of Belarus; and Fund staff estimates.

Table 33. Belarus: National Bank's Directed Credits, 1996-99 (Q1)

(In billions of rubels; end-of-period)

	1996	1997				1998				1999
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Directed credit	5,131	5,645	7,202	12,222	13,724	17,231	25,027	29,225	31,392	31,908
Agriculture	2,225	2,723	2,351	1,849	1,457	2,258	3,921	4,882	4,601	4,422
Trade	109	0	...	...	...	...	439	500	499	496
Industry	332	276	468	3,809	5,947	5,334	6,458	5,632	4,206	2,221
Housing	1,282	1,808	3,543	5,738	7,510	8,854	13,447	17,473	20,831	23,546
State emergency reserves	285	0	...	...	...	...	...	...	...	...
Other	898	838	840	825	810	785	762	738	1,255	1,223

Sources: National Bank of Belarus; and Fund staff estimates.

Table 34. Belarus: Composition of Bank Lending by Type of Credit and Sector, 1995-99 Q1

	1995	1996	1997	1998	1999	1995	1996	1997	1998	1999
	(In billions of rubels)					(Share of total)				
	Q1					Q1				
Total bank credit	8,771.8	21,488.5	48,505.8	193,569.2	229,605.1	100.0	100.0	100.0	100.0	100.0
Type of credit										
Short-term credit	7,662.4	14,877.7	27,378.2	94,534.1	110,982.6	87.4	69.2	56.4	48.8	48.3
Industry	1,777.8	6,713.6	14,457.7	42,178.7	45,425.3	20.3	31.2	29.8	21.8	19.8
Agriculture	477.2	1,382.1	2,810.2	5,131.4	8,763.3	5.4	6.4	5.8	2.7	3.8
Construction	222.7	492.9	617.3	1,329.9	1,956.4	2.5	2.3	1.3	0.7	0.9
Trade and catering	1,113.0	2,285.9	4,340.7	22,886.7	27,255.8	12.7	10.6	8.9	11.8	11.9
Other	4,071.7	4,003.2	10,772.7	33,270.2	45,108.4	46.4	18.6	22.2	17.2	19.6
Long-term credit	1,109.4	6,610.8	21,127.6	99,035.0	118,622.5	12.6	30.8	43.6	51.2	51.7
Industry	83.3	2,718.3	6,961.1	48,187.5	53,814.0	0.9	12.7	14.4	24.9	23.4
Agriculture	92.1	146.1	639.2	6,547.8	9,154.3	1.0	0.7	1.3	3.4	4.0
Housing construction	321.7	1,322.0	8,987.3	24,861.3	32,143.1	7.0	11.3	9.4	10.0	10.2
Other	612.3	2,424.4	4,540.0	19,438.4	23,511.1	3.7	6.2	18.5	12.8	14.0
Type of borrower										
Short-term credit	6,766.9	14,877.7	27,378.1	94,534.1	110,982.6	77.1	69.2	56.4	48.8	48.3
State enterprises	4,417.4	6,769.7	11,574.5	41,922.2	46,049.4	50.4	31.5	23.9	21.7	20.1
Cooperatives	2,257.0	6,305.5	13,551.4	44,969.5	56,538.3	25.7	29.3	27.9	23.2	24.6
Private sector	38.4	861.9	1,329.2	4,655.9	4,956	0.4	4.0	2.7	2.4	2.2
Households	51.1	443.7	861.2	2,747.7	3,353.9	0.6	2.1	1.8	1.4	1.5
Other	3.0	496.9	61.8	238.9	85.0	0.0	2.3	0.1	0.1	0.0
Long-term credit	2,004.9	6,610.8	21,127.6	99,035.0	118,622.4	22.9	30.8	43.6	51.2	51.7
State enterprises	435.7	1,649.6	5,216.5	32,488.1	37,592.6	5.0	7.7	10.8	16.8	16.4
Cooperatives	76.9	2,453.7	4,905.8	32,328.3	39,251.7	0.9	11.4	10.1	16.7	17.1
Private sector	181.4	701.3	1,809.3	27,890.6	34,687.3	2.1	3.3	3.7	14.4	15.1
Households	225.8	1,246.2	8,017.3	5,111.4	5,169.8	2.6	5.8	16.5	2.6	2.3
Other	1,085.1	560.0	1,178.6	1,216.6	1,921.0	12.4	2.6	2.4	0.6	0.8

Sources: National Bank of Belarus; and Fund staff estimates.

Table 35. Belarus: Auctions of National Bank of Belarus Credits, 1999 1/

	Interest rate (annualized, in percent)					Volume (in billions of rubels)							
	Average	Seven days	Fifteen days	One month	Two months	More than two months	Total	Seven days	Twelve days	Fifteen days	One month	Two months	More than two months
1999	...	...	...	...	...	...	4,711	630	1,432	2,649	...	...	...
January	...	...	...	...	...	...	...	...	...	...	...	...	...
February	100	100	...	...	...	...	300	300	...	...	...	...	...
March	150	150	150	150	...	...	4,411	330	1,432	2,649	...	...	...
April	...	...	...	...	...	...	...	...	...	...	...	...	...

Sources: National Bank of Belarus; and Fund staff estimates.

1/ There were no auctions in 1998.



Table 36. Belarus: Auction of Securities Issued by the Ministry of Finance, 1998-99

Maturity (days)	Amount	Amount	Percent	Revenue raised	Price bids			Weighted average	Annualized yield	Monthly average yield	Number of participants per auction	
					low	cut-off	high					
In billions of rubels					In percent							
1998												
Short-term securities												
Jan	325	1200	273	22.7	201	67.3	73.5	74.7	73.9	39.7	3.3	11
Feb	337	2000	361	18.1	263	60.5	72.8	73.3	72.9	40.2	3.4	11
Mar	323	2800	1605	57.3	1128	60.0	67.4	69.5	67.5	54.4	4.5	14
Apr	323	1700	1239	72.9	887	60.0	71.2	72.0	71.4	45.3	3.8	10
May	273	1660	1818	109.5	1388	65.8	78.3	74.3	76.3	41.7	3.5	7
Jun	280	2800	4560	162.8	3466	50.0	77.5	74.8	76.0	41.2	3.4	6
Jul	252	1500	2118	141.2	1651	50.0	77.1	74.4	78.0	41.5	3.5	10
Aug	275	2300	3134	136.3	2429	72.9	77.7	75.1	77.5	39.0	3.3	7
Sep	303	3200	2971	92.8	2259	70.0	77.5	75.5	76.0	38.1	3.2	7
Oct	316	2300	1539	66.9	1157	70.0	75.1	75.3	75.2	38.2	3.2	12
Nov	302	2100	2431	115.7	1853	70.2	76.4	75.5	76.3	37.8	3.1	4
Dec	244	1400	631	45.0	497	66.4	76.4	72.7	78.9	41.1	3.4	4
Long-term securities												
May	549	300	300	100.0	300	100.0	100.0	100.4	100.2	...1/	...1/	5
Jun	639	400	400	100.0	400	100.0	100.0	100.0	100.0	...2/	...2/	4
Jul	731	400	130	32.6	130	100.0	100.0	100.0	100.0	...3/	...3/	8
Aug	731	400	57	14.1	57	100.0	100.0	100.0	100.0	...4/	...4/	4
1999												
Short-term securities												
Jan	316	0	7	...	5	0.0	72.8	0.0	72.8	43.2	3.6	1
Feb	228	1700	1375	80.9	1044	49.0	78.7	64.0	75.9	51.4	4.3	2
Mar	325	4400	1422	32.3	830	46.9	63.5	83.0	58.4	82.0	6.8	4
Apr	160	5400	2127	39.4	1574	50.0	74.1	82.4	74.0	89.1	7.4	6
May	123	6800	3552	52.2	2741	78.0	75.9	80.2	77.2	89.8	7.5	4
Jun	104	3400	2349	69.1	1870	75.0	79.9	79.0	79.6	90.0	7.5	8

Sources: National Bank of Belarus; and Fund staff estimates.

1/ Coupon rate: May 19, 1998 - 48.41 percent; September 19, 1998 - 41.96 percent; November 19, 1998 - 38.07 percent February 19, 1999 - 40.87 percent, May 19, 1999 - 82.28 percent.

2/ Coupon rate: June 23, 1998 - 46.03 percent; September 23, 1998 - 40.22 percent; December 23, 1998 - 38.85 percent, March 23, 1999 - 74.67 percent.

3/ Coupon rate: July 28, 1998 - 42.75 percent; November 28, 1998 - 38.35 percent; January 28, 1999 - 39.41 percent, April 28, 1999 - 81.08 percent.

4/ Coupon rate: August 25, 1998 - 41.96 percent; November 25, 1998 - 38.06 percent; February 25, 1999 - 42.24 percent, May 25, 1999 - 82.62 percent.

Table 37. Belarus: Minimum Reserve Requirements, 1995-99 (April)  
(In percent of eligible deposits; beginning of period)

	1995				1996		1997		1998		1999
	March	June	July	August	May	July	May	September	July	August	April
Category of deposits:											
Domestic currency deposits											
Demand deposits	10	12	12	12	12	15	17	21	18	16	16
Time deposits whose maturity is:											
less than one year	10	12	12	12	12	15/10/5	17	21	18	16	16
between one and three years	10	12	12	12	12	5	13	17	18	16	16
greater than three years	10	12	12	12	12	5	5	5	18	16	16
Deposits of nonresident banks	...	...	...	...	...	...	...	...	54	46	46
Belarusbank	10	12	12	12	12	15/10/5	17/13/5	21/17/5	18	16	16
Foreign exchange deposits	5.5	8	10	12	12	15/10/5	17/13/5	21/17/5	18	16	16

Sources: National Bank of Belarus; and Fund staff estimates.

Table 38. Belarus: Interest Rates of the National Bank of Belarus, 1997-99 (April)

(In percent per annum; beginning of period)

	1997	1998												1999				
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	
Required reserves																		
Commercial banks, excl. Belarusbank	12	12	12	12	12	12	12	12	12	12	0	0	0	0	0	0	0	0
Belarusbank	20	20	20	25	22	22	20	20	19	19	19	19	24	24	30	30	45	
Correspondent account overdrafts 1/	120	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
General government deposits	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9
Credit auctions 2/	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	100	150	
Basic Lombard rate																		
for period less than 14 days	42	42	50	55	55	50	45	45	42	42	42	42	52	52	64	64	150	
for 15 to 30 days	46	46	54	60	60	55	50	50	46	46	46	46	54	54	66	66	160	
Refinance rate	40	40	40	50	44	44	40	40	38	38	38	38	48	48	60	60	90	
Basic rate	40	40	40	50	44	44	40	40	38	38	38	38	48	48	60	60	90	
Average refinance rate	9	9	9	10	12	11	10	10	9	9	8	8	10	10	10	11	11	
Special refinance rates																		
Belpromstroibank	5-42	5-42	5-42	5-52	5-46	5-42	5-42	5-42	5-40	5-40	5-40	5-40	5-50	5-62	5-62	5-84	5-92	
Belagroprombank	1-80	1-80	1-80	1-100	1-88	1-80	1-80	1-80	1-76	1-76	1-76	1-76	1-76	1-60	1-60	1-82	1-90	
Individual farmers	1-20	1-20	1-20	1-25	1-22	1-20	1-20	1-20	1-19	1-19	1-19	1-19	1-24	1-30	1-30	1-41	1-45	
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	2-6.5	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 3/	40	40	40	50	44	44	40	40	38	38	38	38	48	0/6.5/48	0/6.5/60	0/6.5/60	0/6.5/90	

Sources: National Bank of Belarus; and Fund staff estimates.

1/ Prohibited since 1998.

2/ Calculated at the average rate of the last Lombard auction of the previous month.

3/ In 1999, the interest rate on credit to government depends upon the credit type: 0 percent - on credits, financing the budgetary expenditure on compensation of losses of deposits of the population, budgetary directed credits to the agro-industrial complex and housing construction, the refinance rate - on financing the 1999 budget deficit; 6.5 percent - on deficit financing of the previous years.

Table 39. Interest Rates on Commercial Banks' Time Deposits With the National Bank of Belarus, 1998 1/  
(In percent per annum, beginning of period)

	Maturity (in days)						
	1	2-4	5-7	8-14	15-30	3-180	Above 180
Jan-98	43	43	43	45	45	47	50
Feb-98	30	33	33	35	35	38	40
Mar-98	32	34	34	37	40	43	50
Apr-98	...	28	28	32	36	40	44
May-98	...	18	22	22	26	29	33

Sources: National Bank of Belarus; and Fund staff estimates.

1/ There were no time deposits from June 1998 to end-March 1999.

Table 40. Belarus: Interest Rates on Bank Deposits, 1998-99 (April)

(In percent per annum)

	1998												1999			
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
Deposits with commercial banks 1/	14.8	15.3	16.5	15.8	15.1	14.8	14.5	13.9	13.0	13.0	12.3	13.0	14.2	17.7	21.4	23.5
<i>Of which:</i> Belarusbank	10.7	11.4	11.4	11.2	10.6	10.3	9.8	9.7	9.4	9.1	8.9	9.4	10.6	11.8	14.0	18.7
Belpromstroibank	14.4	15.2	15.6	14.5	14.4	14.7	15.2	14.5	13.2	12.7	13.1	11.7	8.9	10.9	17.7	19.8
Belagroprombank	18.7	18.8	21.0	19.4	18.2	18.0	18.1	17.2	15.5	16.5	16.0	17.9	19.2	21.7	22.8	23.5
New deposits 2/	34.0	34.6	37.3	32.5	33.0	29.0	28.9	27.2	26.2	25.9	25.7	34.0	41.9	43.6	55.0	...
Up to 1 month	35.1	34.3	36.5	31.9	34.4	22.3	24.3	22.3	23.0	23.7	25.6	37.6	45.2	47.3	63.0	...
1 to 3 months	33.8	38.4	39.3	37.0	34.4	31.5	32.0	32.2	31.0	30.4	24.6	38.4	46.5	49.9	64.0	...
3 to 6 months	38.0	39.8	42.8	37.4	37.6	35.6	38.3	37.5	36.7	32.5	36.2	42.4	49.8	52.4	56.1	...
6 to 12 months	40.3	43.5	45.1	40.9	38.1	37.4	41.6	35.3	29.5	39.9	35.9	34.5	45.6	52.5	69.1	...
1 to 3 years	40.3	42.0	46.1	42.0	38.8	39.0	40.7	34.7	44.7	62.8	47.0	49.6	51.4	58.2	63.7	...
More than 3 years	45.0	45.0	45.0	45.1	45.1	45.0	23.8	45.0	41.7	45.0	45.1	57.0	57.0	57.0	66.7	...

Sources: National Bank of Belarus; and Fund staff estimates.

1/ Deposits received between the twenty first day of the preceeding month and the twentieth day 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 eight days to one month; the overall average includes the rates on deposits for one week or less.

Table 41. Belarus: Interest Rates on Bank Credit, 1998-99

(In percent per annum; period average)

	1998												1999			
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
Average lending interest rate 1/	27.5	27.6	29.8	29.1	27.5	26.9	26.7	25.8	25.2	25.2	25.2	27.4	30.1	36.7	43.4	50.0
<i>Of which:</i>																
Belarusbank	17.0	17.0	18.0	17.5	16.4	16.0	16.0	16.0	16.1	16.3	16.1	16.8	18.5	21.9	27.5	34.4
Promstroibank	41.3	41.2	44.4	44.7	43.4	42.8	42.3	39.8	38.2	36.9	36.1	40.3	43.2	53.5	57.6	68.1
Agroprombank	27.6	27.8	31.2	29.2	27.3	26.3	26.3	25.1	24.4	24.2	24.5	27.6	29.7	13.9	40.3	45.0
<b>By forms of property</b>																
Public	34.2	34.7	37.8	36.9	35.2	34.7	34.9	33.7	32.5	32.6	32.7	36.0	39.3	48.3	57.6	67.2
Collective	36.5	37.0	39.2	37.7	35.6	34.9	34.9	33.4	32.8	32.6	33.2	36.6	39.8	47.1	55.5	63.5
Private	48.6	44.4	46.2	46.8	52.1	51.3	48.2	48.1	46.7	46.6	47.0	47.3	50.4	58.0	68.2	76.8
Other	51.0	47.1	49.8	50.6	48.7	46.1	46.3	44.7	42.8	42.4	44.0	44.3	47.2	56.3	63.4	77.9
<b>By type of business</b>																
Industry	31.3	31.7	35.2	33.9	31.9	31.4	32.0	31.3	30.4	30.1	30.4	34.4	38.1	47.6	59.8	72.8
Agriculture	28.0	27.6	28.2	26.6	25.0	23.6	22.7	21.3	20.6	19.9	19.2	20.6	22.1	25.7	28.4	31.9
Forestry	51.6	48.5	51.9	53.1	53.0	52.3	51.5	46.8	45.0	42.8	42.3	45.8	48.5	49.2	59.3	68.7
Construction	44.4	45.1	47.5	49.4	47.5	45.4	45.0	43.6	41.7	41.7	39.5	44.5	47.1	53.9	62.5	71.7
Trade and Catering	47.1	47.3	49.3	49.5	48.8	47.8	46.8	45.4	44.5	44.3	44.0	46.3	49.0	58.1	66.7	78.4
Information services	47.5	50.8	52.3	53.1	52.5	49.8	49.5	51.5	49.0	49.0	49.4	47.6	49.7	59.5	74.5	86.5
Real estate transactions	53.7	52.1	55.7	55.2	55.0	53.3	54.4	52.7	54.2	53.0	52.6	54.8	56.5	64.5	67.9	73.4
Residential services	42.9	41.9	43.5	44.5	45.0	43.8	43.5	40.6	38.7	36.3	35.3	38.3	44.3	51.6	59.9	72.0
Other	45.2	45.2	46.7	48.1	46.9	46.4	46.7	44.9	45.1	44.9	46.1	48.4	50.6	58.0	66.6	73.6
<b>Bank credit for</b>																
Housing	5.4	5.7	5.9	5.7	5.7	5.6	5.6	5.5	5.5	5.5	5.5	5.6	5.7	5.8	5.9	5.8
Purchase of consumer goods	31.8	31.7	31.8	31.6	31.6	31.5	31.8	31.8	32.3	32.7	33.2	34.2	35.0	35.8	43.7	47.8
<b>Other credit</b>																
Interbank	40.7	40.3	36.8	23.8	28.4	19.3	18.9	19.1	22.3	22.4	28.1	43.6	65.0	45.8	71.2	39.9
Arrears	41.9	36.5	39.8	44.5	51.9	55.9	59.0	61.4	64.3	57.5	56.5	60.1	61.1	69.1	70.2	71.9
<b>Term structure of lending rates</b>																
on new loans 2/	43.2	42.0	43.9	40.0	43.3	42.1	40.3	39.0	39.2	39.6	40.7	44.9	50.1	54.1	67.4	...
Up to 1 month	41.5	41.5	51.6	50.5	49.3	47.6	47.3	47.1	45.4	46.5	45.9	50.9	54.7	63.4	75.4	...
1 to 3 months	46.1	47.8	50.4	49.0	48.0	47.5	47.1	45.3	44.6	45.0	45.3	48.7	52.8	59.3	73.6	...
3 to 6 months	43.4	49.7	50.5	40.1	42.8	44.6	38.1	38.9	45.2	45.8	45.7	50.5	57.2	60.1	71.0	...
6 to 12 months	46.7	40.2	39.3	35.2	45.0	45.5	42.3	37.5	38.4	37.4	44.3	45.1	53.6	52.5	69.2	...
1 to 3 years	27.4	38.4	36.2	45.0	40.2	40.7	38.4	41.3	39.3	39.6	39.3	48.8	51.7	56.5	63.5	...
More than 3 years	23.2	15.7	12.8	9.4	9.8	9.5	14.5	13.9	12.7	11.6	13.3	14.3	12.5	13.5	15.4	...

Sources: National Bank of Belarus; and Fund staff estimates.

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

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

Table 42. Belarus: Interest Rates on New Foreign Exchange Deposits and Credits, 1998-99 (March)  
(In percent per annum)

	1998												1999		
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Credits 1/	17.3	18.3	18.5	19.6	19.1	17.4	17.8	18.0	18.9	19.2	19.2	18.8	19.8	19.5	17.5
Up to 1 month	14.1	16.0	15.4	25.5	20.1	21.6	25.9	18.7	20.7	25.0	19.8	20.7	21.0	20.8	18.7
1 to 3 months	18.3	14.2	21.0	21.0	21.2	23.9	23.0	22.1	19.9	20.1	18.8	19.6	21.5	20.5	23.7
3 to 6 months	20.1	19.4	18.7	20.7	18.3	18.4	23.4	21.1	21.2	21.3	22.5	21.5	22.7	20.3	20.5
6 to 12 months	20.9	20.7	18.6	17.6	19.1	14.1	14.9	15.6	19.6	18.4	20.3	19.3	21.6	21.9	15.2
1 to 3 years	13.1	19.0	18.1	16.9	17.6	16.2	14.9	15.2	14.8	16.7	14.2	15.9	16.7	15.5	17.6
More than 3 years	14.7	14.3	15.6	17.5	14.9	15.3	17.4	14.0	15.0	13.1	12.5	13.4	13.1	13.2	12.2
Deposits 1/	7.6	8.2	9.5	9.9	11.1	10.4	9.7	10.6	10.8	10.9	11.3	7.7	10.2	12.3	10.7
Up to 1 month	4.3	5.6	4.9	12.4	3.4	4.6	9.5	10.2	9.2	12.2	11.5	4.7	5.3	8.5	5.8
1 to 3 months	7.1	6.6	7.1	7.7	7.3	7.2	6.7	8.3	9.7	10.2	10.2	11.5	11.6	11.3	10.5
3 to 6 months	10.9	9.2	10.3	10.3	12.2	11.8	9.7	12.0	12.7	11.8	12.1	11.1	11.3	11.7	11.5
6 to 12 months	8.9	12.0	12.6	11.2	12.5	12.0	12.0	12.1	11.5	11.5	12.2	12.5	13.7	14.8	12.5
1 to 3 years	8.8	12.1	10.1	9.7	12.4	11.6	11.1	11.8	11.1	12.3	12.4	13.0	11.5	13.5	12.6
More than 3 years	19.0	...	12.0	12.0	12.0	12.0	12.0	16.5	14.5	14.6	13.3	10.7	15.9	12.3	8.3

Sources: National Bank of Belarus; and Fund staff estimates.

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

Table 43. Belarus: Structural Characteristics of the Banking Sector, 1997-99 (March)  
(In percent of total; end-of-period)

	Former specialized banks	Belagroprom- bank	Belpromstroj- bank	Belvneshekonom- bank	Belarusbank	Other commercial banks
<b>Paid-in capital</b>						
1997						
December	46.8	3.0	3.3	13.7	26.8	53.2
1998						
December	30.2	0.0	7.2	12.0	11.0	69.8
1999						
March	36.8	7.6	9.5	9.7	10.0	63.2
<b>Domestic currency loans</b>						
1997						
December	84.8	34.2	11.8	2.0	36.8	15.2
1998						
December	82.2	29.6	9.7	1.9	41.0	17.8
1999						
March	81.0	25.7	9.9	2.5	42.9	19.0
<b>Domestic currency deposits</b>						
1997						
December	70.3	13.5	18.6	3.0	35.2	29.7
1998						
December	70.4	11.5	26.3	2.7	29.9	29.6
1999						
March	71.4	14.2	16.2	3.1	37.9	28.6
<b>Refinancing from NBB</b>						
1997						
December	99.7	40.4	0.8	0.1	58.4	0.3
1998						
December	99.8	37.0	1.0	0.0	61.8	0.2
1999						
March	99.8	35.9	0.9	0.0	63.0	0.2

Sources: National Bank of Belarus; and Fund staff estimates.



Table 44. Belarus: Commercial Banks, Selected Indicators, 1995-99  
(In billions of rubels, unless otherwise indicated; end-of-period)

	1995	1996	1997	1998		March 1999	
				Unadjusted 1/	Adjusted 2/	Unadjusted 1/	Adjusted 2/
<b>Capital fund</b>	3,054.4	3,335.4	5,402.2	20,526.0	10,807.3	26,206.1	15,946.2
Authorized funds	3,644.8	3,202.2	5,608.1	7,312.8	7,312.8	9,706.7	9,706.7
Unrealized exchange rate gains	48.6	219.6	800.2	11,941.2	11,941.2	13,643.9	13,225.4
Retained profits	-134.4	371.2	370.2	765.4	765.4	1,200.3	1,200.3
Reevaluation fund	...	788.8	1,521.4	2,796.6	2,796.6	3,668.2	3,647.7
Idle resources	...	16.7	...	...	...	...	...
Main funds amortization	442.8	600.0	1,038.5	...	...	...	...
Long-term capital investments	35.1	24.6	47.3	...	...	...	...
Nonmaterial assets	23.3	33.0	73.1	138.5	138.5	212.3	211.3
Reserves of nonconvertible currencies	0.4	...	...	...	...	...	...
Shortfall in provisions against unrealized losses	...	542.3	1,731.4	2,137.0	11,855.7	1,795.2	11,591.6
Shares purchased by banks	3.1	29.7	7.4	14.5	14.5	5.5	5.5
<b>Assets</b>							
Balance sheet assets	42,401.0	77,833.6	169,055.0	580,532.0	580,532.0	747,876.8	747,876.8
Risk weighted assets	17,213.7	20,919.0	44,767.5	181,208.1	181,208.1	224,164.7	218,665.2
(In percent of balance sheet assets)	40.6	26.9	26.5	31.2	31.2	30.0	29.2
Capital adequacy ratio	17.7	15.9	12.1	11.3	6.0	11.7	7.3
<b>Gross credit</b>	16,771.0	26,263.1	61,407.4	241,607.5	241,607.5	298,405.5	298,405.5
(In percent of assets)	39.6	33.7	36.3	41.6	41.5	39.9	39.9
<b>Arrears to banks</b>	1,887.8	2,933.2	6,496.9	29,514.8	29,514.8	31,867.6	31,867.6
(In percent of gross credit)	11.3	11.2	10.6	12.2	12.2	10.7	10.7
(In percent of capital fund)	61.8	87.9	120.3	143.8	143.8	121.6	121.6
<b>Principal arrears</b>	1,618.7	2,626.9	6,047.2	27,563.6	27,563.6	29,593.3	29,593.3
(In percent of gross credit)	9.7	10.0	9.9	11.4	11.4	9.9	9.9
<b>Interest arrears</b>	269.1	306.3	449.7	1,951.2	1,951.2	2,274.4	274.4
(In percent of gross credit)	1.6	1.2	0.7	0.8	0.8	0.8	0.8
<b>Required provisions against bad loans</b>	...	2,058.8	4,228.6	23,961.9	23,961.9	25,910.3	25,910.3
(In percent of total loans)	8.2	8.0	6.9	9.9	9.9	8.7	8.7
(In percent of capital fund)	45.1	61.7	78.3	116.7	221.7	98.9	162.5
<b>Actual provisions against bad loans</b>	...	1,548.4	2,484.0	12,106.2	12,106.2	14,318.7	14,318.7
(In percent of total loans)	7.3	6.0	4.1	5.0	5.0	4.8	4.8
(In percent of capital fund)	40.2	46.4	46.0	59.0	112.0	54.6	89.8
<b>Profits</b>	1,005.7	676.9	743.3	2,102.6	2,102.6	1,009.9	1,009.9
(In percent of gross credit)	6.0	2.6	1.2	0.9	0.9	0.3	0.3

Sources: National Bank of Belarus and Fund staff estimates.

1/ Including waivers on compliance with bad loan provisioning.

2/ Excluding waivers on compliance with bad loan provisioning.

Table 45. Belarus: Six Largest Commercial Banks, Selected Indicators, 1995-99 (March) 1/  
(In billions of rubels, unless otherwise indicated; end-of-period)

	1995	1996	1997	1998		March 1999	
				Unadjusted 2/	Adjusted 3/	Unadjusted 2/	Adjusted 3/
Capital fund	2,230.2	2,196.2	3,208.2	8,114.6	1,151.1	13,844.3	5,046.5
(In percent of all banks' capital fund)	73.0	65.8	59.4	39.5	10.7	52.8	31.6
Assets							
Balance sheet assets	35,322.3	67,571.4	151,136.7	494,923.3	494,923.3	625,585.7	625,585.7
(In percent of all banks' assets)	83.3	86.8	89.0	85.3	85.3	83.6	83.6
Risk weighted assets	14,271.0	18,039.1	39,524.4	142,528.2	142,528.2	173,843.5	173,843.5
(In percent of all banks' assets)	82.9	85.8	88.3	78.7	78.7	79.5	79.5
(In percent of balance sheet assets)	40.4	26.7	26.2	28.8	28.8	27.8	27.8
Capital adequacy ratio	15.6	12.2	8.1	7.7	0.8	9.9	2.9
Gross credit	12,959.0	22,755.5	54,454.4	201,147.6	201,147.6	257,495.7	257,495.7
(In percent of total banks gross credit)	77.3	86.6	88.2	83.3	83.3	86.3	86.3
(In percent of assets)	36.7	33.7	36.0	40.6	40.6	41.2	41.2
Arrears to banks	1,328.0	2,528.6	6,107.4	26,003.3	26,003.3	27,890.9	27,890.9
(In percent of total arrears)	70.4	86.2	92.0	88.1	88.1	87.5	87.5
(In percent of gross credit)	10.2	11.1	11.2	12.9	12.9	10.8	10.8
(In percent of capital fund)	59.5	115.1	190.4	320.5	2,259.0	201.5	552.7
Principal arrears	1,146.2	2,261.5	5,696.0	24,184.1	24,184.1	25,788.0	25,788.0
(In percent of gross credit)	8.8	9.9	10.5	12.0	12.0	10.0	10.0
Interest arrears	181.9	267.1	411.4	1,819.2	1,819.2	2,102.9	2,102.9
(In percent of gross credit)	1.4	1.2	0.8	0.9	0.9	0.8	0.8
Required provisions against bad loans	...	1,845.0	3,978.6	21,636.3	21,636.3	23,339.6	23,339.6
(In percent of total loans)	8.5	7.2	7.4	10.8	10.8	9.1	9.1
(In percent of capital fund)	49.3	84.0	124.0	266.6	1,879.6	168.6	462.5
Actual provisions against bad loans	...	1,326.0	2,298.1	11,140.5	11,140.5	13,319.3	13,319.3
(In percent of total loans)	7.5	5.1	4.3	5.5	5.5	5.2	5.2
(In percent of capital fund)	43.3	60.4	71.6	137.3	112.1	96.2	96.2
Profits	925.3	559.1	569.6	1,248.0	1,248.0	686.4	686.4
(In percent of total profits)	92.0	82.6	76.6	59.4	59.4	68.0	68.0
(In percent of gross credit)	7.1	2.5	1.1	0.6	0.6	0.3	0.3

Sources: National Bank of Belarus; and Fund staff estimates.

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

Vnesheconombank.

2/ Including waivers on compliance with bad loan provisioning.

3/ Excluding waivers on compliance with bad loan provisioning.

Table 46. Belarus: Commercial Banks and Branches of Foreign Banks  
(As of April 1, 1999)

		Date of establishment	Number of branches	Total assets (in billions of rubels)
1	Belagrobank	Sep 3, 1991	132	86,501,122
2	Belpromstroibank	Dec 28, 1991	60	94,081,678
3	Belarusbank	Oct 28, 1995	178	255,729,721
4	Belbusinessbank	Sep 1, 1992	45	36,167,379
5	Belbank Razvitiye	Nov 5, 1993	6	10,311,139
6	Priorbank	Jul 12, 1991	29	63,468,429
7	Belkombank	May 7, 1991	15	6,826,795
8	Belvneshekonombank	Dec 12, 1991	23	89,637,433
9	Poisk	May 15, 1991	17	9,030,338
10	Belnarodni	Apr 16, 1992	...	780,045
11	Profbank	Oct 30, 1991	5	897,740
12	Belgazprombank	Aug 19, 1991	5	11,637,669
13	Absolutbank	Dec 29, 1993	1	1,189,818
14	Belkoopbank	Feb 20, 1992	12	1,410,622
15	Gem-Bank	Aug 26, 1991	...	1,595,441
16	Belbirzhevoibank	Oct 7, 1992	6	7,914,878
17	Minsk Kompleksbank	Feb 21, 1994	...	20,567,244
18	Bank Reconverzi i Pazvitiya	Feb 22, 1994	...	1,198,846
19	Minsk Tranzitnibank	Mar 14, 1994	5	2,626,008
20	Novokom	Apr 1, 1994	...	482,280
21	Corpobank	Jun 20, 1994	...	22,871
22	Belbaltiya	Jun 30, 1994	1	9,119,894
23	Tekhnobank	Aug 5, 1994	6	6,606,887
24	Zolotoi Taler	Oct 5, 1994	...	3,880,485
25	Infobank	Nov 11, 1994	3	4,871,810
26	Mosbusinessbank Minsk branch	Dec 28, 1994	...	14,900,227
27	Slavneftebank	Oct 7, 1996	1	5,271,495
28	Mezhtorgbank	Jan. 28, 1999	...	1,148,551

Sources: National Bank of Belarus; and Fund staff estimates.

Table 47. Belarus: Liquidity Ratios of Functioning Banks, 1995-99 (April)  
(End-of-period)

	1995	1996	1997	1998	April 1999
Requirement	1.0	1.0	1.0	1.0	1.0
Unweighted average	3.2	3.0	2.4	3.3	1.7
<i>Of which: six largest banks</i>	1.7	1.4	1.2	1.6	1.3

Sources: National Bank of Belarus; and Fund staff estimates.

Table 48. Belarus: Official Exchange Rates, 1995-99 (Q1)

	1995	1996	1997	1998	1996				1997				1998				1999
					QI	QII	QIII	QIV	QI	QII	QIII	QIV	QI	QII	QIII	QIV	QI
Nominal exchange rate																	
Rubel per U.S. dollar																	
Average	11,529	13,292	26,193	46,376	11,500	12,548	13,977	15,141	26,456	27,349	29,428	32,178	32,178	35,341	45,388	72,599	172,255
End-of-period	11,500	15,500	30,740	107,000	11,500	13,100	14,650	15,500	24,850	26,980	27,830	30,740	33,660	37,540	53,200	107,000	236,000
Rubel per Russian ruble																	
Average	2.53	2.59	4.52	5.17	2.41	2.50	2.67	2.77	4.56	4.67	4.95	5.32	5.32	5.74	5.53	4.10	7.48
End-of-period	2.48	2.79	5.16	5.18	2.36	2.57	2.71	2.79	4.31	4.55	5.86	5.16	5.51	6.05	3.31	5.18	9.76
Real exchange rate index (Jan. 1994=100) 1/																	
Rubel per U.S. dollar																	
Average	238	300	243	230	329	310	273	288	244	235	247	247	247	247	211	217	146
End-of-period	303	303	245	193	337	307	286	303	232	244	252	245	247	243	215	193	130
Rubel per Russian ruble																	
Average	138	136	110	132	145	135	130	134	111	106	110	112	111	111	129	178	126
End-of-period	137	139	110	167	146	133	132	139	105	111	114	110	111	110	176	167	113

Sources: National Bank of Belarus; and Fund staff estimates.

1/ An increase in the index indicates a real appreciation.

Table 49. Belarus: Direction of Trade: Exports and Imports, 1994-98 1/  
(In millions of U.S. dollars, unless otherwise indicated)

	1994	1995	1996	1997	1998
Total exports	2,501	4,704	5,652	7,301	7,016
CIS exports 2/	1,609	2,930	3,764	5,379	5,107
<i>Of which:</i>					
Russia	1,260	2,089	3,024	4,730	4,555
Ukraine	267	607	478	425	387
Kazakhstan	27	76	85	53	48
Other countries	55	153	177	121	117
Non-CIS exports	1,032	1,776	1,888	1,922	1,909
Germany	155	268	198	217	200
Poland	104	271	338	245	185
Other countries	718	1,180	1,268	1,367	1,421
Total imports	3,351	5,564	6,939	8,689	8,509
CIS imports 2/	2,376	3,677	4,570	5,817	5,507
<i>Of which:</i>					
Russia	2,128	1,965	3,522	4,673	4,623
Ukraine	172	509	889	968	740
Kazakhstan	39	56	59	39	36
Other countries	37	87	100	137	108
Non-CIS imports	975	1,887	2,369	2,872	3,003
Germany	299	424	601	691	757
Poland	112	197	195	250	283
Other countries	513	1,168	1,422	1,793	1,838
<i>Memorandum items: 3/</i>					
Share of CIS Exports to total exports	61	62	67	74	73
<i>Of which:</i>					
Russia	48	44	54	65	65
Share of CIS Imports to total imports	71	66	66	67	65

Source: Ministry of Statistics and Analysis.

1/ There is a statistical discrepancy with Table 52.

2/ The Baltic countries were included in CIS trade in 1993. Barter transactions included in the earlier figures were revised extensively in 1998.

3/ In percent of total.

Table 50. Belarus: External Trade in Goods by Economic Branches, 1995-98  
(In billions of rubels)

	1995			1996			1997			1998		
	Imports	Exports	Trade balance	Imports	Exports	Trade balance	Imports	Exports	Trade balance	Imports	Exports	Trade balance
Total	63,753	54,036	-9,717	92,851	75,142	-17,708	230,294	193,084	-37,210	428,703	364,260	-64,443
CIS	42,106	33,559	-8,547	61,430	49,777	-11,653	153,830	142,583	-11,247	274,422	255,664	-18,758
Non-CIS	21,647	20,477	-1,170	31,421	15,368	-16,053	76,463	50,501	-25,962	154,281	108,596	-45,685
Industry	62,056	53,504	-8,552	88,229	73,633	-14,597	221,827	189,810	-32,017	410,697	356,406	-54,291
CIS	41,376	33,294	-8,081	58,036	45,368	-12,668	148,830	140,215	-8,616	261,910	249,864	-12,046
Non-CIS	20,680	20,209	-471	30,199	24,565	-5,634	72,997	49,596	-23,401	148,787	106,542	-42,245
Power generation	1,413	6	-1,407	2,415	4	-2,411	4,515	70	-4,445	11,365	6	-11,358
CIS	1,104	6	-1,099	1,556	4	-1,552	3,192	1	-3,191	5,719	6	-5,713
Non-CIS	310	...	-310	857	0	-857	1,322	69	-1,254	5,646	0	-5,645
Refineries products	20,871	6,301	-14,570	25,545	8,843	-16,702	55,299	15,813	-39,486	85,872	18,231	-67,641
CIS	20,588	4,739	-15,849	25,262	5,545	-19,717	54,622	11,504	-43,118	84,757	15,146	-69,611
Non-CIS	283	1,562	1,279	311	3,397	3,086	676	4,308	3,632	1,115	3,086	1,970
Metallurgy	5,173	2,610	-2,563	10,789	5,354	-5,436	27,792	15,475	-12,317	55,796	31,449	-24,347
CIS	4,451	550	-3,901	8,667	3,105	-5,562	21,896	10,109	-11,788	44,511	20,167	-24,344
Non-CIS	1,722	2,040	318	1,922	2,049	126	5,896	5,366	-530	11,285	11,282	-3
Chemicals and petrochemicals	9,986	14,353	4,367	15,294	16,952	1,659	38,802	40,440	1,638	70,955	79,765	8,811
CIS	5,469	5,596	127	8,062	8,086	24	20,378	22,054	1,677	37,876	45,012	7,136
Non-CIS	4,516	277	-4,239	7,232	8,877	1,645	18,425	18,385	-39	33,079	34,753	1,674
Machine building and metal processin	13,641	17,728	4,087	17,554	23,660	6,106	49,934	64,957	15,023	107,686	112,490	4,804
CIS	5,109	14,239	9,130	7,366	18,054	10,688	26,231	54,230	27,999	50,880	89,535	38,654
Non-CIS	8,532	3,490	-5,042	10,188	5,597	-4,591	23,703	10,727	-12,976	56,806	22,956	-33,850
Wood and paper	1,418	2,999	1,581	2,379	4,255	1,877	6,436	13,732	7,296	13,323	25,711	12,389
CIS	577	2,143	1,566	1,206	3,193	1,987	3,616	11,332	7,716	7,295	19,769	12,474
Non-CIS	840	856	16	1,173	1,062	-110	2,820	2,399	-420	6,027	5,942	-86
Construction materials	626	1,395	769	853	1,755	902	3,772	4,809	1,037	5,207	7,837	2,631
CIS	365	1,072	706	535	1,458	923	2,888	4,143	1,254	2,723	6,369	3,646
Non-CIS	261	324	63	318	296	-22	883	666	-217	2,483	1,468	-1,015
Light industry	2,188	3,806	1,618	3,935	6,107	2,172	10,584	18,289	7,705	18,477	35,042	16,564
CIS	613	1,859	1,245	916	3,127	2,211	4,855	12,120	7,264	7,441	21,037	13,596
Non-CIS	1,575	1,947	373	2,719	2,680	-39	5,729	6,170	441	11,036	14,005	2,969
Food processing industries	6,109	3,884	-2,225	8,180	5,648	-2,532	22,093	14,599	-7,494	33,717	31,672	-2,045
CIS	2,732	2,883	150	3,131	5,438	2,307	9,533	13,955	4,423	14,211	30,264	16,053
Non-CIS	3,377	1,002	-2,375	5,046	210	-4,835	12,561	644	-11,917	19,506	1,409	-18,097
Other industry	631	421	-209	1,286	1,054	-231	2,602	1,628	-974	8,300	14,202	5,902
CIS	367	209	-158	859	658	-201	1,619	767	-852	6,496	2,560	-3,936
Non-CIS	264	213	-51	427	397	-30	983	861	-122	1,804	11,642	9,838
Agriculture	1,656	502	-1,154	4,566	1,467	-3,098	8,465	3,273	-5,193	12,299	4,645	-7,654
CIS	702	244	-458	3,363	676	-2,687	5,000	2,368	-2,632	7,253	2,593	-4,660
Non-CIS	954	258	-696	1,209	797	-412	3,466	905	-2,561	5,046	2,052	-2,994
Other activities	41	31	-11	56	43	-13	1	1	0	5,707	3,209	-2,498
CIS	29	21	-8	37	30	-7	1	1	0	5,259	3,207	-2,052
Non-CIS	13	10	-3	19	13	-6	0	0	0	448	2	-446

Source: Ministry of Statistics and Analysis.

Table 51. Belarus: Balance of Payments, 1994-99  
(In millions of U.S. dollars, unless otherwise indicated)

	1994	1995	1996	1997	1998	1999 Jan.-Mar.
Current account balance	-443.8	-458.3	-515.9	-787.6	-944.6	26.2
Merchandise trade balance	-489.8	-665.7	-1,148.5	-1,335.4	-1,447.3	-33.9
Exports	2,510.0	4,803.0	5,790.1	7,382.6	7,081.0	1,357.5
Imports	-2,999.8	-5,468.7	-6,938.6	-8,718.0	-8,528.3	-1,391.4
Services (net)	52.1	182.4	572.1	554.0	439.8	64.6
Income (net)	-28.8	-51.0	-30.8	-84.6	-77.5	-18.0
Transfers (net)	22.7	76.0	91.3	78.4	140.4	13.5
Capital and financial accounts	168.4	211.3	447.9	673.1	419.4	7.8
Capital account	23.8	7.3	101.1	133.2	170.1	45.5
Financial account	144.6	204.0	346.8	539.9	249.3	-37.7
Direct investment (net)	10.5	14.7	72.6	197.9	141.5	88.0
Portfolio investment (net)	0.0	0.0	-14.5	-19.8	14.6	8.9
Trade Credits (net)	-52.0	-3.0	93.2	418.6	38.2	-64.1
Loans (net)	239.4	103.7	76.9	45.8	4.8	-1.7
Assets	0.0	14.0	0.0	1.7	-1.0	-0.3
Liabilities	239.4	89.7	76.9	44.1	5.8	-1.4
General government	239.4	81.7	33.4	41.4	22.0	-13.8
Disbursements	329.4	185.4	108.3	138.2	90.7	5.8
Amortization	-90.0	-103.7	-74.9	-75.8	-68.7	-19.6
Other Sectors	0.0	8.0	43.5	2.7	-16.2	12.4
Other (net)	-53.3	88.6	118.6	-102.6	50.2	-68.8
Errors and omissions	-37.0	173.1	-146.2	156.9	110.2	-54.7
Overall balance	-312.4	-73.9	-214.2	42.4	-415.0	-20.7
Financing	312.4	73.9	214.2	-42.4	415.0	20.7
Reserve assets 1/	-63.2	-286.7	-78.6	77.0	53.7	2.7
Use of Fund resources	0.0	176.3	0.0	0.0	-24.4	-16.7
Exceptional financing	375.6	184.3	292.8	-119.4	385.7	34.7
<i>Memorandum items:</i>						
Current account (as percent of GDP)	-9.1	-4.4	-3.7	-5.8	-6.6	1.3
Trade balance (as percent of GDP)	-10.1	-6.4	-8.3	-9.8	-10.1	-1.7
Overall balance (as percent of GDP)	-6.4	-0.7	-1.5	0.3	-2.9	-1.0
Gross convertible official reserves 2/ (in months of imports)	101.0	377.0	369.2	393.7	345.0	343.0
Medium and long-term debt 3/ (as percent of GDP)	1,251.0	1,513.0	955.1	976.8	956.1	928.0
Short-term debt 4/ (as percent of reserves in convertible currencies)	25.7	14.6	6.9	7.2	6.7	...
Debt service ratio 5/ (excluding bartered exports)	1,036.0	1,274.7	1,245.3	1,449.4	1,762.0	1,597.5
Export value index (annual percentage change)	1,025.8	338.1	337.3	368.2	510.7	...
Import value index (annual percentage change)	4.3	2.9	2.3	2.0	1.6	2.8
	...	3.5	2.7	2.8	2.4	4.5
	27.4	91.4	20.6	27.5	-4.1	-23.4
	20.1	82.3	26.9	25.6	-2.2	-38.4

Sources: Belarussian authorities; and Fund staff estimates.

1/ Adjusted for valuation changes.

2/ End-1996 figure is adjusted for exceptional short-term credits.

3/ Refers to public and publicly guaranteed debt only. The 1996 figure reflects the cancellation by Russia of \$471 million in technical credits.

4/ Includes energy arrears, short-term non-equity external liabilities, and principle on medium- and long-term debt falling due next year.

5/ Amortization and interest payments on medium- and long-term public and publicly guaranteed debt over exports of goods and services.



Table 52. Belarus: Selected International Assets, 1994-99 (Q1)  
(In millions of U.S. dollars; end-of-period)

	1994	1995	1996	1997	1998	1999 March
Short-term foreign assets (end-of-period)	675	1,133	1,346	1,250	948	1,075
Trade Credits	214	444	538	479	291	365
Assets of the Banking System	461	689	808	771	657	710
National Bank	113	400	478	401	348	345
Commercial Banks	348	290	330	370	310	365

Sources: Belarussian authorities; and Fund staff estimates.

Table 53. Belarus: Selected International Liabilities, 1994-99 (Q1)  
(In millions of U.S. dollars, unless otherwise indicated; end-of-period)

	1994	1995	1996	1997	1998	1999 March
Total medium- and long-term public and publicly guaranteed external debt	1,251	1,513	956	976	956	928
Multilateral (including IMF)	307	424	500	532	534	532
IMF	102	283	277	259	234	208
World Bank	102	109	125	138	146	139
EBRD	10	32	61	102	121	118
European Union	0	0	37	33	33	32
Bilateral	944	1,089	456	444	423	396
<i>Of which:</i>						
Russia 1/	586	621	14	65	78	88
United States	59	71	86	86	86	86
Germany	232	322	277	206	177	168
Japan	0	47	39	30	30	31
Total short-term external debt (end-of period)	946	1,171	1,186	1,369	1,562	1,571
Trade credits	139	151	338	697	641	651
Liabilities of the banking system	386	414	561	478	461	423
Arrears	419	600	247	155	430	464
<i>Of which:</i>						
Gas	410	595	203	94	232	248
Oil	0	0	0	0	1	0
Electricity	0	0	31	21	129	145
Other	3	6	40	39	30	33
<i>Memorandum items:</i>						
Debt/GDP (in percent)	45.2	25.8	15.4	17.3	17.6	...
Debt service/exports of goods and services (in percent)	4.3	2.9	2.3	2.0	1.6	2.8

Sources: Belarussian authorities; and Fund staff estimates.

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

Table 54. Belarus: Gas Supply and Arrears, 1997-99 (April)  
(In millions of U.S. dollars; end-period stocks)

	Cost of gas supplied	Total stock of arrears for gas supplied 1/	Of which:		Supply of natural gas (in millions of m3)	Net Price (\$ per thousand m3)
			Arrears to Gazprom	Arrears to other creditors		
1997 Dec	70.0	217.1	94.4	122.7	1,427	49.0
1998 Jan	85.9	222.2	156.4	65.8	1,719	50.0
Feb	75.6	241.3	181.4	59.9	1,512	50.0
Mar	69.6	259.3	210.9	48.4	1,391	50.0
Apr	54.3	272.1	206.9	65.2	1,085	50.0
May	55.8	288.6	226.4	62.2	1,099	50.0
Jun	45.4	305.8	241.1	64.7	895	50.0
Jul	49.9	313.8	238.5	75.3	982	50.0
Aug	48.4	311.0	205.6	105.4	951	50.0
Sep	49.7	289.0	212.3	76.7	976	50.0
Oct 4/	64.3	300.4	241.6	58.8	1,269	50.0
Nov	62.8	331.4	290.2	41.2	1,240	50.0
Dec	78.8	369.1	232.2	136.9	1,579	50.0
1999 Jan	46.2	317.6	188.8	128.8	1,538	30.0
Feb	36.4	289.6	212.7	76.9	1,214	30.0
Mar	34.7	240.3	218.6	21.7	1,155	30.0
Apr	33.8	251.3	225.7	25.6	1,128	30.0

Source: Belarussian authorities.

1/ Arrears include penalties on arrears accumulated.

Table 55. Belarus: Transformation of Republican Property, 1994-99 (Q1)

	1994	1995	1996	1997	1998	1999 Q1
Number of transformed enterprises	184	53	136	193	140	26
Cumulative since 1991	375	428	564	757	897	923
Share in total eligible	4.2	4.3	4.9	5.7	6.8	7.0
Number of privatized enterprises	143	33	83	113	127	26
Cumulative since 1991	328	361	444	557	684	710
Share in total eligible	2.8	3.0	3.2	3.6	4.8	4.9
Transformed by activity						
Industry	58	15	37	75	38	9
Construction	40	3	26	33	32	4
Agro-processing	9	27	22	13	11	2
Transport	10	1	25	26	7	5
Services	23	...	...	1	...	...
Trade and catering	15	3	6	5	15	1
Other	28	4	16	31	25	2
Transformed by method						
Conversion into joint-stock companies	152	52	92	96	40	1
Buy-outs of leased enterprises	28	1	5	1	11	0
Sale by competitive bidding	...	...	...	...	...	...
Sale in auctions	3	...	...	...	...	...
Sale to individuals	...	...	...	...	...	...
Sale to juridical persons	1	...	...	...	...	...
Other	...	...	39	96	89	25

Sources: Ministry for the Management of State Property and Privatization; and Fund staff estimates.

Table 56. Belarus: Transformation of Communal Property, 1994-99 (Q1)

	1994	1995	1996	1997	1998	1999 Q1
Number of privatized enterprises	457	412	390	380	278	24
Cumulative since 1991	761	1,173	1,563	1,943	2,221	2,245
Share in total eligible	10.9	10.1	7.8	7.3	8.3	8.4
Transformed by activity						
Industry	5	2	...	5	24	12
Construction	3	2	3	6	1	1
Agro-processing	39	191	103	57	14	0
Transport	...	...	...	...	...	...
Service	54	21	41	43	49	1
Trade and catering	279	158	204	227	136	10
Other	18	29	28	36	53	0
Transformed by method						
Conversion into joint-stock companies	64	205	129	82	49	15
Buy-outs of leased enterprises	124	34	53	75	42	5
Sale by competitive bidding	165	140	166	182	163	3
Sale in auctions	93	32	42	41	24	1
Sale to individuals	36	1	...	...	...	...
Sale to juridical persons	11	1	...	...	...	...

Sources: Ministry for the Management of State Property and Privatization; and Fund staff estimates.

Table 57. Belarus: Number of Employees in Transformed Enterprises, 1994-99 (Q1) 1/

	1994	1995	1996	1997	1998	1999 Q1
Total increase at transformed enterprises during the period	141.6	73.9	74.0	100.5	38.2	2.5
Cumulative increase since 1991	340.1	414.0	488.0	588.5	626.7	629.2
Total increase at republican transformed enterprises	115.0	31.1	47.1	78.8	23.9	0.3
Cumulative republican transformed	288.6	319.7	366.8	445.6	469.5	469.8
Total increase at communal transformed enterprises	26.6	42.8	26.9	21.7	14.3	2.2
Cumulative communal transformed	51.5	94.3	121.2	142.9	157.2	159.4
<i>Memorandum items:</i>						
Number of employed at transformed enterprises since 1991	7.4	9.3	13.1	15.9	17.4	17.4
<i>Average size</i>						
Transformed republican enterprises	625.0	587.0	346.0	416.0	170.0	11.0
Transformed communal enterprises	59.0	104.0	78.0	57.0	51.0	91.0

Sources: Ministry for the Management of State Property and Privatization; and Fund staff estimates.

1/ Number of employees at the time of transformation.

Table 58. Belarus: Housing Privatization, 1994-98

	1994	1995	1996	1997	1998 Q1
Number of apartments privatized during the period					
In thousands	200.3	112.2	75.3	77.4	25.7
In percent of total government and public owned housing 1/	13.8	8.1	5.8	6.3	2.1
Cumulative number of apartments privatized (In thousands) 2/	513.0	625.3	700.6	778.0	803.7
Number of square meters of housing privatized (In millions)	10.4	5.8	3.9	3.9	1.3
<i>Of which:</i>					
Given free of charge	0.1	0.1	0.0	0.0	0.0
Cumulative	27.0	32.8	36.7	40.6	42.0
Average size of privatized apartments (In square meters)	52.0	52.0	51.0	51.0	52.0

Sources: Ministry of Statistics and Analysis; and Fund staff estimates.

1/ The total number of dwelling units that had been privatized during 1989-98 corresponds to 44 percent of the total stock of Government and publicly-owned housing. Adding annual percentages will give a different result due to expansion of the housing stock during this period.

2/ Since 1989.

## Belarus: Monetary Policy Instruments and the Banking System

### A. Introduction

1. This Appendix provides a retrospective background for the analysis of recent developments in the monetary and financial sector discussed in the main text. The main conclusion is that many current macroeconomic and financial problems confronting Belarus' economy date from the very start of the transition period:

- General mistrust in market forces in government circles has led to a disregard of the importance of macroeconomic stability—the main precondition for efficient allocation of resources in market economies.
- High inflation and exchange rate instability have been considered to be a fair price for officially reported economic growth.
- Serious efforts at liberalization of the financial system and macroeconomic stabilization were tried only once, in 1995, but the lack of structural reform resulted in a rapid erosion of the positive effects of temporary stabilization.
- The lack of conservatism in the conduct of monetary policy has been predicated on a strong belief that the economy is *undermonetized* and needs continuous injections of liquidity. The interest rate policy of the National Bank of Belarus (NBB) has been generally passive, and consequently demand for rubel denominated financial assets has never seriously been considered as an important economic issue, except in 1995.
- The banking system and the NBB in particular have been largely considered to be quasi-fiscal agents of the government, in charge of implementing government directives regarding credit allocation.
- Expansionary monetary policy and an intensive state involvement in lending decisions of major state-owned and private commercial banks have led to a significant deterioration in the financial situation of these banks. At the same time, a number of smaller privately owned banks have been able to develop a wide range of financial services and maintain their financial stability through the dollarization of their activities.
- A monetary union with the Russian Federation has continued to be considered a way out of macroeconomic difficulties, which delayed stabilization efforts on several occasions.

2. The recent history of Belarus' monetary system can be divided into three periods. During the first period (1992–January 1995), Belarus was a part of the ruble area as the Russian ruble continued to be legal tender in Belarus. This period was characterized by the



absence of clarity in institutional arrangements and macroeconomic instability, as reflected in within-year inflation averaging 1,800 percent per year during 1992–94. During the second period (February 1995–late 1995), Belarus made an attempt to proceed with macroeconomic stabilization and reform. In this context, the NBB relied on market-oriented mechanisms in the conduct of monetary policy to a greater extent than during the first period. The experience of the first half of 1995 demonstrated that the NBB could achieve a rapid price and exchange rate stabilization, even though it possessed only a limited set of market-based monetary policy instruments. During the third period (from late 1995 up to now), the NBB mainly relied on subsidized directed credits in the conduct of monetary policy, which was an important element of a broader program of a *socially oriented market economy* with a clear preference for strong administrative guidance. At the same time, many new market instruments of monetary policy were introduced, but they were used only on a limited scale with a view to offsetting liquidity effects of nonmarket instruments. A rapid expansion of NBB's subsidized directed credits entailed a dramatic buildup of macroeconomic and financial imbalances and of repressed inflation. The financial weakness and balance of payments pressures manifested themselves in the first quarter of 1998 in the form of a currency slide in off-shore markets, and the authorities aggravated these strains by reacting to the Russian crisis in August 1998 with an accommodating monetary policy.

#### **B. Towards an Independent Monetary System (1992–January 1995)**

3. The road towards a fully independent monetary system in Belarus was extremely rocky and fraught with confusion and uncertainties. The unstable macroeconomic situation in Russia initially contributed to inflationary pressures in Belarus to some extent, given the common legal tender and trade linkages between the two countries. However, the Belarussian authorities pursued an increasingly more expansionary monetary policy than that of Russia, which made high inflation mainly domestic in its origin. A summary of major historical events from 1992 to January 1995 is provided in Box 2.

4. During these three years, the monetary system of Belarus depended on the Russian monetary policy, given the fact that the Soviet ruble and the Russian ruble (both called thereafter “ruble”) were legal tender in Belarus circulating along with the Belarussian rubel (thereafter “rubel”) introduced in May 1992. The absence of clarity in the institutional framework led to the emergence of a complex system of payments instruments in Belarus, including cash and noncash rubles, as well as cash and noncash rubels. All four payment instruments were convertible into each other at varying exchange rates in official and parallel exchange markets from 1992 to mid-1994, though accounting was basically conducted at fixed parities (the cash rubel had the official exchange rate of 10 to 1 vis-à-vis both the noncash rubel and the ruble). Given more expansionary credit policy in Belarus than in Russia, the noncash rubel depreciated rapidly against the Russian ruble; however the shortages of cash rubels led to the conversion of noncash rubels into cash rubels at discounts from the official parity and limitations on withdrawals of rubel deposits. Finally, frequent changes to regulations governing the foreign exchange market added to the nontransparency of the monetary and exchange system in Belarus.

## **Box 2. Towards an independent monetary system (1992–January 1995)**

May 1992—The introduction of the cash Belarussian rubel (payment note of the NBB) complementing the circulation of Russian rubles. In some transactions (mainly rationed foodstuffs) only rubels were accepted. The cash Belarussian rubel was initially worth 10 Russian rubles.

July 1992—The introduction of the Belarussian noncash rubel, at par with the Russian ruble.

November 1992—The Belarussian noncash rubel started to float vis-à-vis the Russian ruble. However, most transactions involving Russian rubles had to be booked at par.

January 1993—A unified exchange rate of the noncash Belarussian rubel vis-à-vis hard currencies was instituted. It was equal to the average exchange rate or the Minsk Interbank Currency Exchange (MICE). A separate investment rate applied to foreign direct investment.

March 1993—The interbank MICE market was closed, but hard and soft currency auctions, controlled by the NBB, were instituted in the MICE.

June 1993—The ceiling on the spread between the average lending and the average deposit rates of banks was abolished.

July 1993—The investment exchange rate was eliminated, but a surrender requirement exchange rate was instituted (40 percent more appreciated than the market rate).

July–August 1993—Pre-1993 ruble banknotes were replaced with Belarussian cash rubels in the aftermath of the banknote exchange conducted in Russia. However, after August 1993, Russian rubles continued to be legal tender in Belarus.

August 1993—Currency crisis provoked by the exchange of banknotes by Russia. The official rate was kept more appreciated than the auction rate.

End-September 1993—The official rate was depreciated to the level of the auction rate.

December 1993—The surrender requirement rate was eliminated, and all hard currency proceeds, including in Russian rubles, were subject to a 65 percent surrender requirement at the auction exchange rate.

December 1993—NBB credit auctions were suspended.

February 1994—The ceiling on the spread between the average lending and the average deposit rates of banks was reinstated. The market for government securities was launched.

May 1994—The Belarussian rubel was declared the sole legal tender. However, payments in Russian rubles between residents were allowed.

August 1994—The Belarussian rubel became a unit of account. This implied the redenomination of all noncash assets and liabilities by 10, and the shift to the market exchange rate in the valuation of Russian ruble denominated assets and liabilities.

August 1994—NBB credit auctions were resumed.

September 1994—The ceiling on the spread between the average lending and the average deposit rates of banks was abolished.

October 1994—Minimum interest rates on deposits were introduced.

January 1995—Payments in Russian rubles between residents were forbidden.

5. Inflation was not considered by the authorities to be a direct effect of the expansionary monetary policy but rather a consequence of external pressures. Therefore, instead of implementing a stabilization program, the authorities hoped to resolve the macroeconomic problems through a monetary union with Russia. Negotiations on a monetary union were conducted in 1993 and 1994 but yielded no result.

6. The rubel became sole legal tender in three stages. First, it was declared sole legal tender in May 1994, but the circulation of rubles was not prohibited. Second, all accounts were redenominated into rubels (i.e. one zero was eliminated) in September 1994, so as to establish a 1 to 1 parity between cash and noncash rubels; moreover, restrictions on withdrawals of rubels were gradually lifted. Third, the Law on the NBB was amended in January 1995 with a view to proclaiming the rubel as sole legal tender and eliminating the ruble as parallel legal tender.

7. During this period, the NBB was in practice dependent on the government and Parliament in the conduct of monetary policy. The main annual target of NBB activities set by Parliament was rubel net domestic credit (NDC). Moreover, the NBB was directed by the government on matters such as the refinance rate, interventions in the foreign exchange market, and the use of other important operational instruments of monetary policy. This institutional framework limited the ability for the NBB to use direct and indirect instruments of monetary policy to offset expansionary credit targets set by Parliament. Directed credit to banks and direct credit to government were the main sources of growth of reserve money while market-based instruments were used on a limited scale. Poor enforcement of required reserves and numerous waivers and exemptions from compliance led to a significant increase in the multiplier and an uncontrolled expansion of rubel broad money. As a result, hyperinflation beset Belarus in 1994.

### **C. From monetary independence towards temporary stabilization (1995)**

8. Hyperinflation in 1994 and lack of progress in negotiations with Russia on a monetary union led to the emergence of a consensus among policy-makers on the need for macroeconomic stabilization. The authorities realized that macroeconomic stabilization required a greater reliance on market-based instruments of monetary policy. The 1995 stabilization effort was supported by financial assistance from the Fund in the context of the Systemic Transformation Facility (STF) in early 1995; and a stand-by arrangement in late 1995.

9. All macroeconomic indicators displayed a dramatic improvement in the first half of 1995 (Figure 12). The exchange rate depreciated by about 100 percent from end-September 1994 to end-January 1995, but then it remained stable until November 1995 in spite of an absence of administrative controls. Rather, the NBB had to buy foreign exchange to prevent the rubel from appreciating. These purchases and a Fund disbursement under the STF contributed to the increase in gross official reserves to \$400 million at end-June 1995, from

\$93 million at end-December 1994. Inflation declined from 44 percent in January 1995 to 1¼ percent in June 1995. The increase in adjusted reserve money<sup>1</sup> was 183 percent for January–June 1995, and rubel broad money growth decelerated to 208 percent. Even though these rates of growth remained relatively high, they were substantially lower than those prevailing in 1994 and in part reflected the pick up in demand for rubel broad money associated with higher real interest rates, and the prohibition to use foreign currencies in transactions between residents.

10. The stabilization of the exchange rate and prices was achieved by mid-1995 through the establishment of a de facto fixed exchange rate regime supported by a significant increase in the refinance rate and a tightening of NBB's credit policy. This was reflected in the average cost of the NBB's refinancing of banks which turned positive in real terms in the second quarter of 1995 (Figure 13). The provision of liquidity was mainly conducted through nonsterilized purchases of foreign exchange in the open market and auctioning of NBB credit to banks at market-determined interest rates, while direct credit to government was limited. In addition, there was a net repayment of directed credits. The beginning of macroeconomic stabilization in Russia, and a significant real and nominal appreciation of the Russian ruble vis-à-vis hard currencies, created favorable external conditions for macroeconomic stabilization in Belarus.

11. By mid-1995, the NBB started to disburse directed credits to the unreformed agricultural sector under pressure from the government. This together with preceding massive nonsterilized purchases of foreign exchange fostered a loosening of liquidity conditions and subsequently adversely affected the foreign exchange market. In response to growing pressures, the NBB tried to mop up the liquidity effects of subsidized credits through a number of market instruments, including nonsterilized sales of foreign exchange, operations with government securities, the issuance of its own securities, the auctioning of deposits, and a further increase in required reserves. The usage of these instruments helped the NBB to contain the increase in rubel broad money and inflation during the summer months. Once the NBB gradually reduced the recourse to the offsetting instruments during September–November, the foreign exchange market was further destabilized—despite significant interventions—and the NBB resorted to a tightening of exchange controls in November, after significant losses of reserves. The pressures in the foreign exchange market further intensified in December when the NBB resumed the direct financing of the budget at a large scale and the over-valued exchange rate led to balance of payments pressures.

12. Despite some loosening of monetary policy and the concomitant destabilization of the foreign exchange market, inflation continued at a relatively moderate rate in the second half of 1995, partially owing to the intensification of price controls. Open inflation picked up to 4 to 5 percent a month during August–September, but then it stabilized at around 2 percent a

---

<sup>1</sup> Reserve money minus foreign currency deposits of residents and deposits of local governments.

month. The average rubel broad money growth rate was contained at about 3 percent during July–November 1995, but it accelerated to 16 percent in December 1995.

#### **D. Tightening of administrative controls and creation of an inflation/depreciation spiral (1996–May 99)**

##### **Monetary policy and its place in a broader program of economic development**

13. In late 1995–early 1996, the authorities adopted a new official strategy for monetary policy in the general context of their new socially oriented market economy model. This strategy was predicated on the assumption that a sustained increase in the NBB's directed rubel credits would lead to a resumption of growth. The authorities considered that such a credit policy would be noninflationary, based on the following arguments. First, NBB subsidized directed credits were channeled to specific sectors, namely housing construction and selected industrial enterprises, as payments for already delivered output. In this way, the authorities hoped that output growth would precede money creation, suppressing the inflationary effects of the latter. Second, the authorities strongly believed that the economy was *undermonetized*, and therefore additional money creation would not be excessively inflationary. Third, controls on prices and exchange rates were justified by the need to suppress unjustified "speculation" in goods and foreign exchange. Fourth, the authorities hoped to achieve the stabilization of the external current account deficit and the replenishment of gross official reserves on the basis of rapidly increasing exports.

14. As a result of the massive emission of subsidized directed credits<sup>2</sup>, adjusted reserve money and rubel broad money expanded rapidly, fueling inflationary pressures. Officially reported within-year inflation accelerated from 39 percent in 1996 to 63 percent in 1997 and 182 percent in 1998, and further to about a 250 percent (annualized) in the first half of 1999. Even the generally observed trend towards the tightening of price controls could not restrain inflation provoked by rapid growth of money, credit, and nominal incomes, since the authorities had to increase administered prices from time to time to resolve problems of shortages stemming from excess demand and to respond to pressures from cost-pressed public enterprises

15. Initially, the authorities manifested some prudence in credit policy. During the first half of 1996, the average cost of the NBB refinancing of banks remained positive in real terms, and the program of subsidized directed credits to housing (at only 2 percent a year) was started slowly, while other directed credits were provided at half or full refinance rate.

---

<sup>2</sup> The annual rates of increase of the NBB's rubel NDC (NBB RNDC) were: 1996 (127 percent); 1997 (135 percent); and 1998 (95 percent). The decline in the latter rate reflects a greater reliance by the NBB on foreign exchange swaps to inject liquidity into the banking system.

However, since late 1996 the program of subsidized directed credits to housing has assumed a much larger scale, and other directed credits have continued unabated. This acceleration of credit emission was partially offset by large interventions in the foreign exchange market and the issuance of NBB securities during 1997. However, once gross official reserves had been depleted and further issuance of NBB securities had jeopardized its profitability, by end 1997–early 1998, the NBB gradually reduced the recourse to off-setting instruments. Subsequently, the NBB and the government attempted to counter the destabilizing effects of directed credits through the tightening of restrictions in the foreign exchange market and intensified price controls. Shortly afterwards, the August 1998 Russian crisis, coupled with a poor harvest and a generally inappropriate response to these exogenous shocks, intensified the financial strain.

16. Market-based refinancing facilities gradually lost their importance in the overall credit policy of the NBB from end-1995 to end-1998. But the development of software facilities at the Belarussian Stock and Currency Exchange and in the payments system laid the technical basis for the efficient operation of all market-based facilities practically in real time.

17. The situation started to change in early 1999, when the NBB commenced to rely more actively on the market allocation of short-term refinancing facilities, including repos with treasury bills, foreign exchange swaps, auctioned Lombard facilities, and reserve credits. Moreover, the NBB began to monitor correspondent accounts of banks on a daily basis, and use open-market operations with treasury bills and its own securities to keep correspondent accounts of banks within a certain limit. However, in substance, the allocation of credit in the economy has not changed. Instead of on-lending NBB directed credits, banks started to extend directed credits using short-term refinancing facilities of the NBB and financial compensations from the NBB for such credits.

18. The share of directed credits and credit to government in the NBB RNDC increased from about 60 percent in early 1996 to about 92 percent in March 1999, with the share of directed credits expanding significantly (Figure 14). Reflecting these developments, the average cost of the NBB refinancing of banks (all outstanding claims) declined in real terms from 11 percent at end-1995 to -103 percent in real terms at end-April 1999. The average cost of the new NBB refinancing of banks was -55 percent in real terms in April 1999.

19. Banks' demand for market-based refinancing facilities declined significantly during 1996–98, owing to large injections of liquidity through directed credits to banks and direct credits to the government. The system became increasingly over-liquid from end-1995, and banks could find short-term refinancing in the interbank market at rates substantially below the NBB's refinance and Lombard rates. As the interbank market gained in importance, the provision of short-term liquidity by the NBB to banks declined.

20. Monthly average money-market interest rates were substantially below the NBB's refinance and Lombard rates. Most interbank credits were intra-day or overnight. Since the NBB did not smooth liquidity conditions in the banking system until early 1999, interbank

interest rates were extremely volatile within the month. This volatility also reflected the segmentation of the market. As a rule, interest rates fell when government made large withdrawals from the NBB or directed credits were disbursed. In contrast, interest rates jumped during tax payments, mostly falling due in the third week of each month. Despite an NBB effort to monitor correspondent accounts of banks since early 1999, interbank rates have remained volatile.

21. The evolution of rubel broad money has deviated significantly from that of adjusted reserve money, due to the instability of the multiplier, which was primarily related to changes in: (i) reserve requirement regulations and the degree of their enforcement; (ii) portfolio preferences of economic agents for rubel-denominated and foreign currency denominated assets; and (iii) the currency-to-rubel deposits ratio. The effective average ratio of reserve requirements increased from 1996 to March 1998, but since then it has been dropping. The initial increase in required reserve ratios was attributable to regulatory changes requiring higher reserve ratios. The subsequent decrease in required reserves ratios was mainly attributable to the combination of compliance waivers and the decrease in required reserve ratios. The currency-to-deposit ratio declined slightly during 1996–mid-1999, reflecting faster circulation of cash in transactions involving households. This was an additional factor behind the expansion of rubel broad money.

#### **E. Evolution of the banking system**

##### **Number of banks and the institutional structure**

22. After independence, the five republican branches of specialized banks of the former Soviet Union were either converted into government-owned specialized banks or merged with other banks. *Belagrobank* (agricultural credit bank) and *Belvneshekonombank* (foreign trade credit bank) emerged from union branches of banks with similar names. *Sberbank* (savings bank) was merged in 1995 with *Belarusbank* into one bank which kept the latter name. These banks have occupied a dominant position in Belarus' banking sector and have remained essentially government-owned since independence. They are considered to be *nonprofit* organizations fulfilling the government-designated mandate to finance mainly state programs in agriculture, industry, trade, and housing construction. At end-April 1999, these three banks accounted for 52 percent of all deposits in national currency and they held 57 percent of all assets of commercial banks. The financial positions of two of the three major banks were severely undermined by the nature of their operations and general macroeconomic instability during 1996–mid-1999. The Belarussian branch of *Zhilsotsbank* (communal bank) was merged with *Belbusinessbank* into a bank which kept the latter name. *Belpromstroibank* (industrial credit bank) emerged from the Belarussian branch of the union bank with a similar name. The majority share-holding in *Belbusinessbank* and *Belpromstroibank* belongs to nongovernment shareholders; although these bank remain significantly dependent on a number of government agencies.

23. A large number of smaller banks have been founded since independence by private shareholders or public enterprises. A large proportion of these banks have proceeded to forced or voluntary liquidation or mergers with larger banks, owing to their insolvency. Since deposits usually represented a small part in the liabilities of these banks, their closure did not create a systemic risk or a run on banks. On May 1, 1999, there were 24 smaller banks in addition to 5 former specialized banks. Among the new banks, *Priorbank* and 11 other banks with the participation of foreign investors, and a branch of a foreign bank have succeeded in outgrowing some former specialized banks in terms of their paid-in capital, and some of them in terms of their assets. The remaining twelve new banks substantially lag behind the other banks in terms of their paid-in capital and assets. Four majority nongovernment-owned banks (*Belbusinessbank*, *Belpromstroibank*, *Priorbank*, and *Mosbusinessbank*) are designated as banks participating in state-supported programs. Even though some smaller banks have a very limited scope of activity, a number of smaller banks were able to develop a wide-range of services and financial instruments. The latter banks were successful in hedging their capital against high inflation and depreciation through the accumulation of significant reserves in foreign currencies.

#### **Commercial banks' capital adequacy**

24. The capital adequacy of banks declined substantially between end-1995 and end-March 1999. According to official data, the paid-in capital of commercial banks shrank from the equivalent of \$316 million at end-1995 to \$67 million at end-March 1999, and the capital fund (equity) of commercial banks witnessed a decline from \$265 million at end-1995 to \$65 million at end-March 1999. Unrealized valuation gains represented the major part of the capital fund at the latter date. Owing to the shrinkage of the capital and the expansion of loan portfolios of banks, the officially reported overall capital-adequacy ratio of commercial banks fell from about 17 percent at end-1995 to about 7 percent at end-March 1999, below the required level of 10 percent. The overall capital-adequacy ratio of six largest banks is even lower.

25. The main reasons for the decline in the capital fund of banks is the growing share of nonperforming loans in foreign exchange, which banks fail to provision and a 23 time depreciation of the official exchange rate from end-1995 to end-April 1999. The amount of nonperforming loans in foreign exchange increased from about \$90 million at end-1995 to about \$190 million at end-April 1999, contributing to the increase of the share of nonperforming loans in banks' portfolios from about 14 percent at end-1995 to about 20 percent at end-April 1999. The amount of nonperforming loans in local currency more than quadrupled in nominal terms from end-1995 to end-March 1999, but it declined dramatically in real terms owing to high inflation.

26. Out of the nineteen banks subject to the minimum paid-in capital requirement of Euro 2 million, only seven were in compliance on May 1, 1999. Out of the eight banks (with foreign ownership of more than 20 percent in the paid-in capital) subject to the minimum paid-in capital requirement of Euro 5 million, only two were in compliance on May 1, 1999.



27. Increasing defaults on loans in foreign exchange are attributable to: (i) directed lending to state-owned enterprises, including on-lending of foreign exchange provided by the NBB and the republican government, without due assessment of risks; (ii) poor lending decisions and connected lending in many cases of nondirected credits; (iii) high instability of the official and parallel exchange rates making it difficult to assess investment returns; (iv) restrictions in the foreign exchange market limiting access to entities having sufficient counterpart funds in rubels; (v) surrender requirements on foreign exchange proceeds depriving enterprises from a substantial part of their foreign exchange earnings; and (vi) more recently, a significant fall in dollar prices for Belarussian goods in Russia.

### **Commercial banks' resource base**

28. There is a clear trend towards a higher level of dollarization of the deposit base of banks and an increasing share of central government and NBB deposits with banks. Foreign liabilities have been a relatively minor source of banks' resources owing to Belarus' limited access to foreign capital markets. The share of dollar deposits in deposits of commercial banks, excluding the central government and the NBB, increased from 39 percent at end-1995 to 64 percent at end-April 1999. The rise in this share reflected both the increase in the dollar amount of foreign currency deposits from \$479 million at end-1995 to \$612 million at end-April 1999 and the depreciation of the exchange rate in excess of the rate of growth of rubel deposits (1,088 percent). The higher level of dollarization of deposits is attributable to increasingly negative real returns on local currency deposits, the gradual reduction in the rate of surrender requirements on foreign currency proceeds from 100 percent in early 1996 to 30 percent at end-1998, tax exemptions on interest incomes earned on foreign currency deposits of households, the explicit guaranty of households' foreign currency deposits in eight banks provided by a presidential decree (April 1998), a bias against local currency deposits created by a lower rate of reserve requirements on foreign currency deposits effective for the most part of the period under review, and increasing deposit interest rates on foreign currency deposits.

29. The ratio of NBB and central government credits and deposits with commercial banks to other deposits with commercial banks steadily increased from about 20 percent at end-1995 to about 40 percent at end-April 1999. This reflected the large-scale program of directed credits conducted by the NBB and the government, as well as the government's and NBB's attempts to boost banks' lending capacities in foreign exchange through the provision of syndicated foreign currency deposits of which the term matched maturities of loans extended by commercial banks. Since late 1998 substantial surpluses of the Social Protection Fund have been invested in deposits with government-owned banks, boosting their lending capacities.

### **Lending policy of banks**

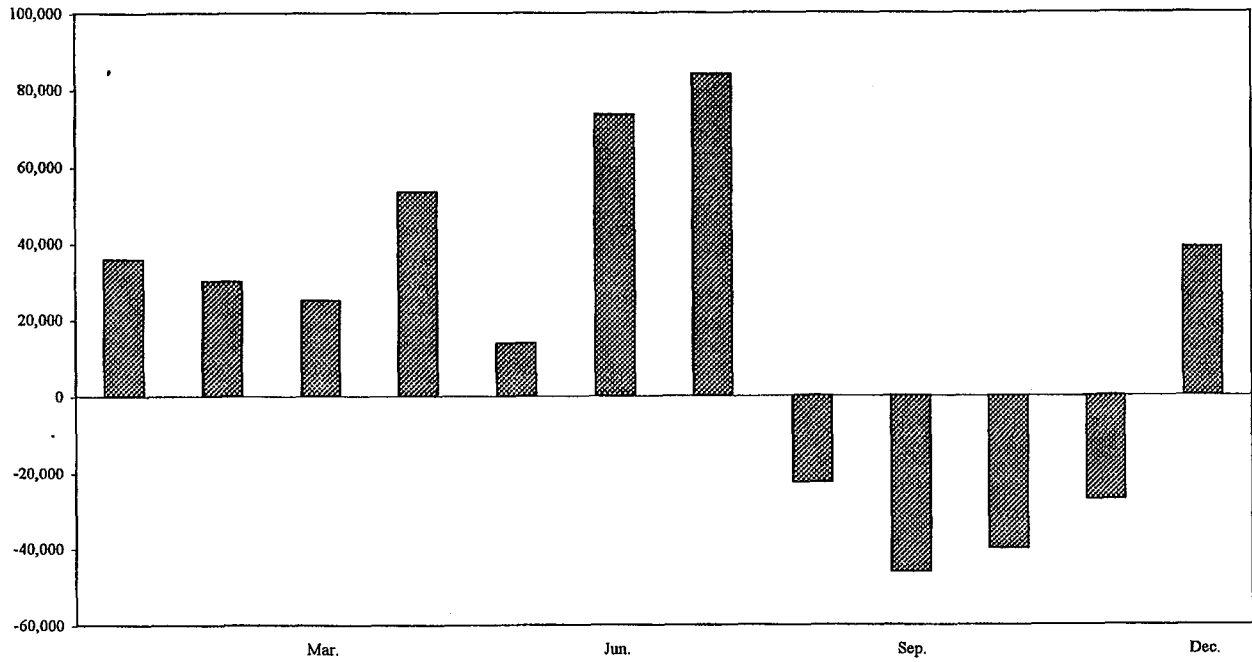
30. Lending decisions of state-owned banks dominating the banking system are heavily influenced by explicit directives and the moral suasion from the government. Since early

1999, even nongovernment-owned banks have been under pressure to extend directed credits. Based on the degree of government involvement in loan decisions, the spectrum of loan types ranges from subsidized directed credits (financed by matching deposits of the NBB and the government) to purely commercial lending.

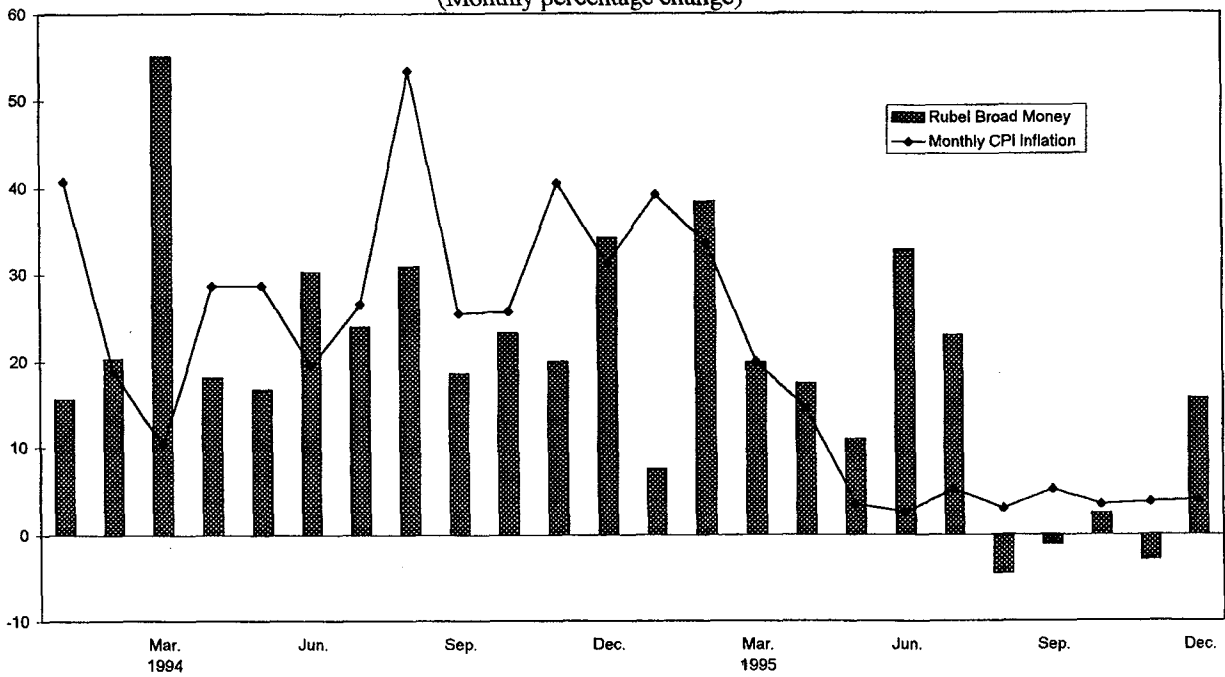
31. The dollarization of the deposit base entailed an increase in the share of foreign currency loans in total credit to the economy, as banks had to comply with the limit on the open position in foreign exchange, capital controls, and moral suasion to lend to domestic enterprises. The share of foreign currency loans in credit to the economy increased from 36 percent at end-1995 to 58 percent at end-April 1999, reflecting both the increase in the dollar amount of outstanding claims and the exchange rate depreciation in excess of the rate of growth of rubel credit. This increased importance of foreign currency lending intensified the vulnerability of banks.

Figure 12. Belarus: Monetary Indicators, 1994-95

NBB Net Purchases of Foreign Exchange, 1995  
(In thousands of U.S. dollars)

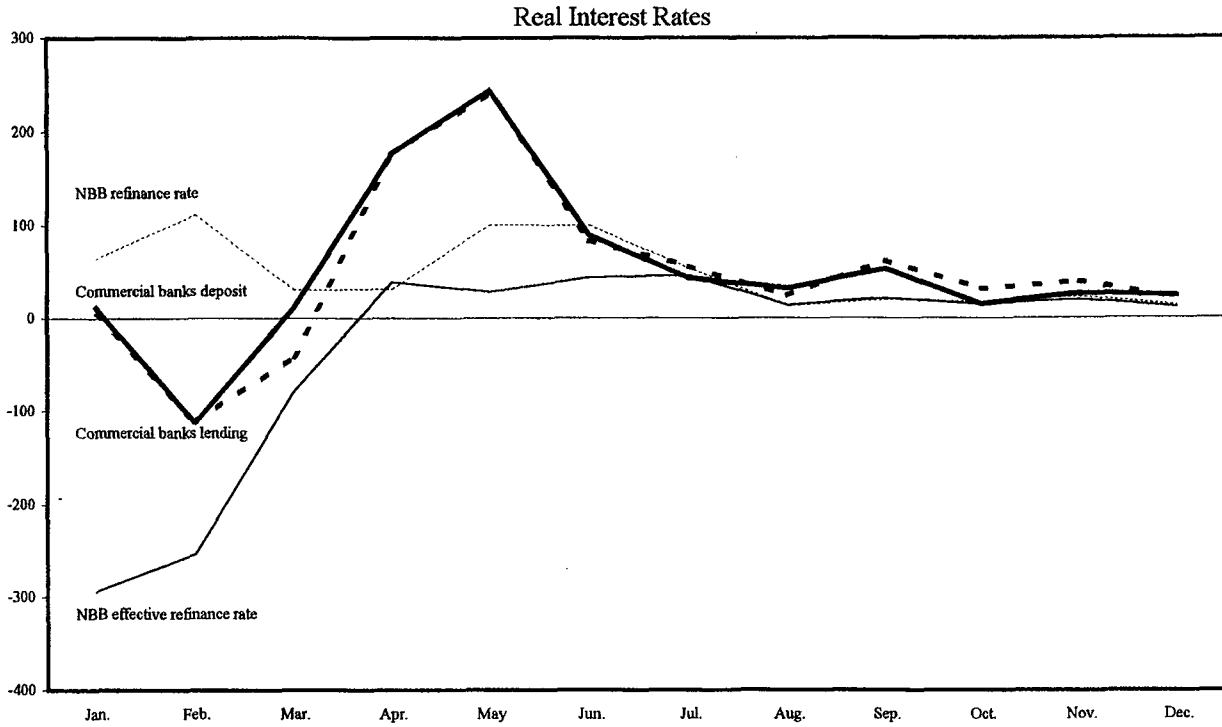


CPI and Rubel Broad Money, 1994-95  
(Monthly percentage change)

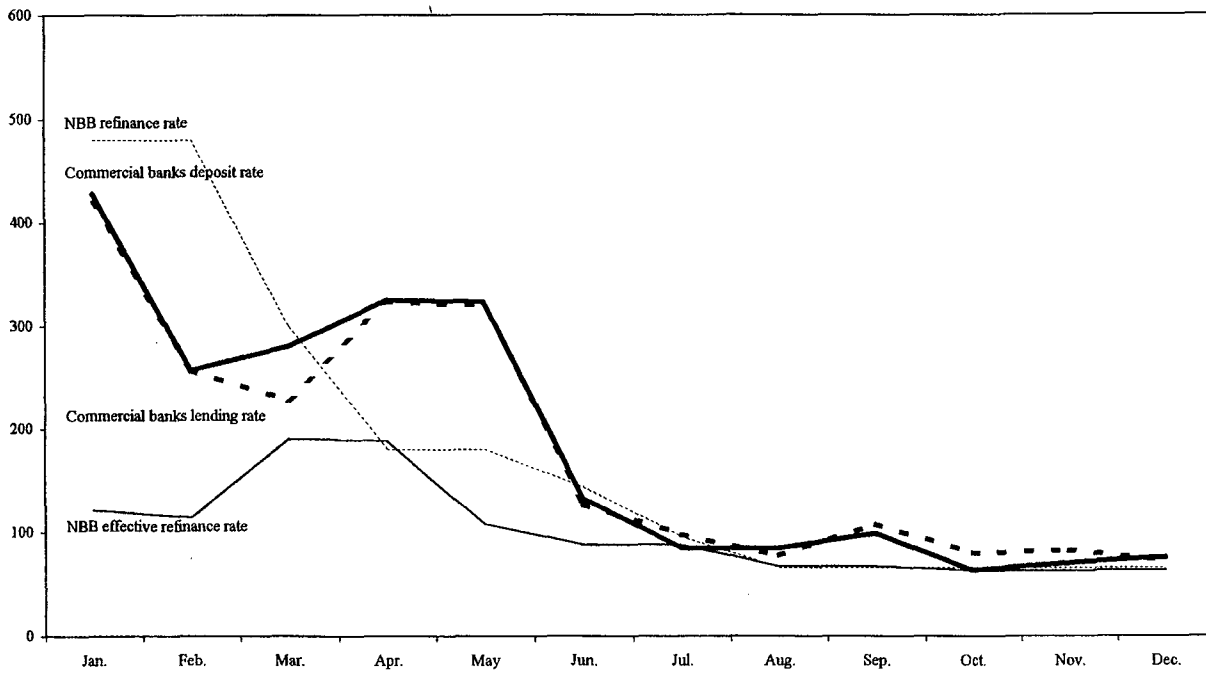


Sources: Belarussian authorities; and Fund staff estimates.

Figure 13. Belarus: Interest Rates, 1995  
(In percent per annum)

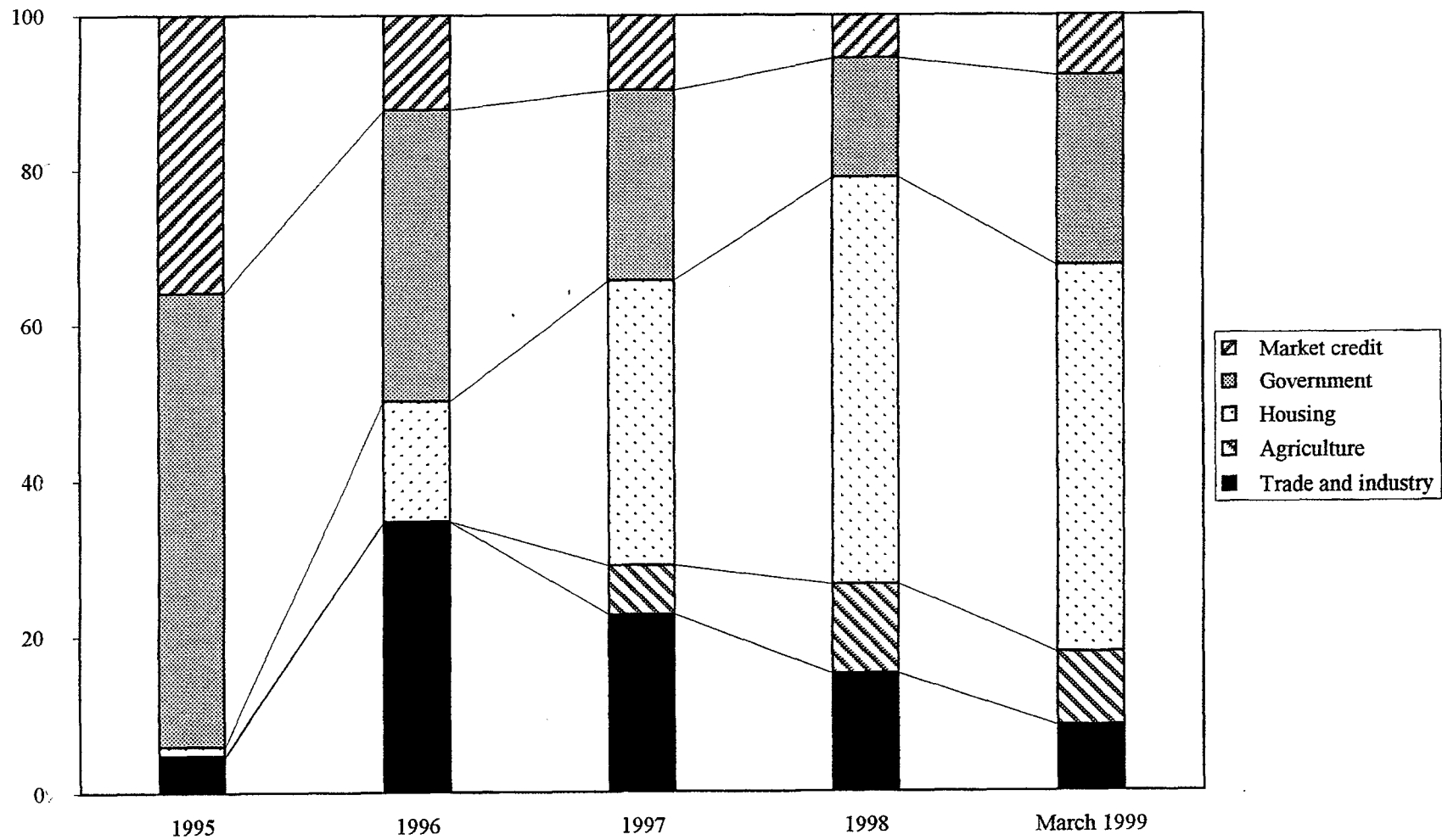


Nominal Interest Rates



Sources: Belarussian authorities; and Fund staff estimates.

Figure 14. Belarus: Structure of the NBB's Rubel Net Domestic Credit, 1995-99 (Q1)  
(In percent of total)



Sources: National Bank of Belarus; and Fund staff estimates.

## BELARUS: STATUS OF THE SOCIAL SAFETY NET

May 1, 1999

### A. Overview

1. Belarus' system of social protection provides a wide range of benefits. It encompasses direct cash transfers, including pensions, unemployment benefits, and allowances provided to households by various governmental agencies, as well as controls on prices and subsidization of "socially important" goods and services. Nevertheless, despite the heavy financial burden of the maintenance of the social protection system, in many cases the consumption of recipients of social assistance and pensions remain below the level of the officially determined minimum consumption basket (MCB). Although there are a wide range of benefits, they are not well targeted. Only some children allowances and housing-cost subsidies are income tested. A key challenge is to shift from the universal assistance, provided through the maintenance of low prices for socially important goods and services, to targeted assistance, with the aim of ensuring that there is adequate government provision of social assistance benefits to low-income groups.

2. The elaboration of a system of targeted assistance remains at a very preliminary stage, despite some efforts on the part of the Ministry of Economy and the Ministry of Social Protection. The former has begun to study the feasibility of replacing subsidies provided to producers of socially important goods with direct cash transfers to the population. At the same time, the latter Ministry has begun to create data banks on poor citizens at the republican and regional levels for the purposes of targeting social support. In 1999, the authorities, following consultation with the World Bank and the preparation of a Fund technical assistance report on social protection for needy households during reform periods, prepared a working program on targeted social protection.

3. Another problem requiring an urgent resolution is the viability of the pension system managed by the *Social Protection Fund* (SPF). The authorities indicated their preference for the continuation of a pay-as-you-go pension system controlled by the government, and the *Concept on Reform of the Pension Support System* in the Republic of Belarus approved by the Council of Ministers (Resolution No. 349 of April 17, 1997) has been largely limited to the rationalization of the existing system.

## **B. Poverty<sup>1</sup>**

4. The number of poor has increased dramatically since 1990. According to a sample survey conducted in 1997, about 32 percent of all people were characterized as poor.<sup>2</sup> 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. It is possible that in 1998 the incidence of poverty declined, as economic growth continued and the rate of registered unemployment decreased to 2¼ percent.

## **C. Pension Benefits**

5. Pensions are disbursed through the SPF, which is funded by a 35 percent payroll tax paid by employers and a 1 percent tax on salaries paid by employees. 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.<sup>3</sup> As of May 1 1999, the number of pension recipients serviced by the republic's social welfare agencies was 2,459,984 (against 2,544,588 at end-1998), including 384,459 people who have taken early retirement (Table 59). In 1998, 101,850 people were awarded pensions. In end-1998, 21 percent of the population was above working age (Table 60); the ratio of employed to pensioners was 1.6, down from 1.8 in 1994 (Table 61). The regular pension amount is based on years of service and on previous income (averaged over five years). The average monthly pension was Rbl 1,798,900 in 1998, including Rbl 1,791,000 for old-age pensions; Rbl 1,615,000 for disability pensions; and Rbl 1,040,000 for pensions owing to loss of

---

<sup>1</sup>This section draws on earlier World Bank research (Belarus Country Economic Memorandum, November 1996).

<sup>2</sup>The definition of poverty is based on the cost of the MCB, which includes food and nonfood items. The government and the World Bank have defined different poverty lines, 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.

<sup>3</sup>Special labor conditions and particular professional activities (e.g., ballet dancers, pilots, and workers in hazardous professions, such as chemists, miners, and founders) allow for a (continued) reduction in the minimum age and service record requirements (by 5 to 15 years).

breadwinner. The Russian crisis had an adverse impact on pension growth in 1998. In December the average monthly pension grew 114 percent year-on-year; the average wage, by 144 percent; and inflation, by 182 percent.

6. The following major pension adjustments were made in 1998:

- In January—in connection with minimum wage growth from Rbl 200,000 to Rbl 250,000 (Republic of Belarus (RB) Council of Ministers (CoM) Regulation No. 1752 of December 30, 1997);
- In February, July, November, and December—in connection with the average wage growth by more than 15 percent (Art. 70 of the law of the RB “On Pension Provision”);
- In September—in connection with coming into force of the law of July 15, 1998 “On Introduction of Amendments into the Law of the RB ‘On Pension Provision’ and of the law ‘On the Order of Putting into Force the Law of the RB’ ‘On Pension Provision’”;
- In October—in connection with the minimum wage growth from Rbl 250,000 to Rbl 350,000 (the RB CoM Regulation No. 1359 of August 28, 1998), as well as using the average wage in August 1998 for correction of the actual pension amount (RB CoM Regulation No. 1480 of September 24, 1998).
- On July 15, 1998 the Law of the RB “On Introduction of Amendments into the Law of the RB ‘On Pension Provision’ and into the Law of RB ‘On the Order of Putting into Force the Law of RB’ ‘On Pension Provision’”, aimed at increasing the amount of pensions due to the loss of breadwinner and social pensions, was adopted. In accordance with this law, from September 1, 1998, the amount of pension due to the loss of breadwinner for each member of the family, unable to work, has increased from 30 to 40 percent of the minimum old-age pension; for children who lost both parents, it has increased up to 50 percent of the breadwinner’s salary; the amounts of social pensions have been increased from 30 to 50 percent (3<sup>rd</sup> group invalids) and from 100 to 150 percent (1<sup>st</sup> group invalids, childhood invalids of the 1<sup>st</sup> and 2<sup>nd</sup> groups and children-invalids under the age of 16 of the minimum old-age pension).

7. In 1999, recalculations of pensions have been done on a monthly basis proceeding from the actual growth of the average salary in the country. The average amount of pension grew by 74.4 percent in April 1999 against December 1998 and reached Rbl 4,500,200 (including Rbl 4,733,900 for old-age pension; Rbl 4,195.900 for disability pension; and Rbl 2,841,000 for pension owing to the loss of breadwinner). Since the beginning of 1999, there has been a small widening of the spread between the average pension and the average salary; the spread was 32¼ percent at the end of last year, it was 34½ percent at end-March 1999.



8. The ratio of the average pension to minimum living standards continued to fall as it reached 59 percent in March 1999, against 61.7 percent in December 1998. Maximum and minimum old-age pensions reached 75 percent and 28 percent, respectively, of minimum living standards in March 1999. At the same time, 90 percent of pensioners received pensions either at or below the poverty line.

9. A presidential decree, "On Additional Measures of Improvement of Pension Provision" issued in March 1999, attempted to streamline the pension system. According to the decree, while calculating the amount of pension, 10 percent of average pensioner's wage within the limits of 130–140 percent of the average salary in the country is taken into account, and for those who worked in underground or open mines, 20 percent. As a result of this decree, more than one third of pensioners have received higher pension.

10. The Chamber of Representatives of Belarus' National Assembly approved in the first reading a draft law containing proposals to improve pensions to certain categories of citizens, including the differentiation of amounts of social pensions to children-invalids under the age of 16 depending on health conditions; the extension of the range of recipients of pensions owing to the loss of breadwinner at the ages of 18–23 years; and the increase of pension to those who took part in the clearing of mines after World War II.

#### **D. Other Universal Benefits**

11. 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, which are universal, except child allowances. All relevant benefits require a medical certificate. Temporary disability benefits amount to 80 percent of the average daily wage for the first six days of disability, and to 100 percent of the average daily wage for subsequent days. Preferential temporary disability benefits were established for certain categories of citizens (for example, for participants of disaster recovery at Chernobyl; persons with three or more dependent children up to 16 years of age, and students up to 18 years of age; for pregnancy and childbirth; and for caring for a sick child up to 14 years of age). The SPF also finances sanatorium and resort treatment of the population; this measure amounts to 1½ percent of the fund of labor payment.

12. During 1998, unemployment benefits were paid to around 40 percent of the officially registered unemployed. Only those who have been laid 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).

13. The amount of temporary disability allowance is 80 percent of the average daily earnings of a person for the first six calendar days of disability and 100 percent for the following six days of disability. The maximum amount of a calendar month allowance is not to exceed three times the average wage.

14. For certain categories of persons (war invalids and people equated to them for benefits; those suffered from the Chernobyl disaster; those having three and more children under the age of 16 to provide for; students under the age of 18; of children who lost both parents under the age of 21; those whose temporary disability was caused by pregnancy or childbirth; as well as those who look after a sick child under the age of 14) temporary disability allowance is paid in the amount of 100 percent of an average daily earnings from the first day of disability.

15. 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.

#### **E. Income-tested Benefits**

16. Allowances for children over 3 years of age are the main form of cash allowances based on income (household income). Since July 1, 1997, the amount of allowances has been linked to the MCB (prior to this time, the amount was determined on the basis of the minimum wage). The allowance is 15 percent of the average per-capita MCB of a family of four in prices of September of the preceding year. Those allowances are paid in full if the total income per family member per month in the preceding year did not exceed 40 percent of the MCB, and at 50 percent if the family income did not exceed 50 percent of the MCB. No allowances are paid if income exceeded 50 percent of the MCB.

17. Allowances for children up to 3 years of age are differentiated, and are independent of total family income. Allowances amounting to 35 percent of the MCB are paid to working women on child-care leave; to women attending classes with leave from work; to female military service personnel discharged from military service in connection with pregnancy and childbirth. For non-working women, the allowance amounts to 20 percent of the MCB. In addition, a new form of allowance was introduced for single mothers raising an infant up to 1½ years of age, amounting to 15 percent of the MCB.

18. 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. 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 and radio antennae, and telephones. In addition, subsidies are paid to utility providers, to cover the difference between the cost of these services and the regulated household contributions.

19. 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.

Table 59. Belarus: Types of Pensions and Pension Recipients as of May 1, 1999

	Number of pensioners	Structure (in percent)	Average pension (in rubels)
Pensioners receiving old-age pensions	2,459,984	100.00	5,534,789.0
<i>Of which :</i>			
Age - on general terms	1,583,182	64.36	5,574,986.0
Age - on privileged terms	380,613	15.47	6,082,471.0
According to the Employment Law	15,809	0.64	6,066,852.0
Retired senior government officials	1,366	0.06	9,834,103.0
Long service	8,716	0.35	7,945,584.0
Special achievements	6,466	0.26	9,322,315.0
Disability	314,443	12.78	5,167,859.0
Loss of breadwinner	149,731	6.09	3,570,134.0

Source: Belarussian authorities.

Table 60. Belarus: Age Structure of Population, 1994-98  
(In percent)

	1994	1995	1996	1997	1998
Total population	100.0	100.0	100.0	100.0	100.0
Population below working age 1/	23.9	23.5	23.1	22.6	22.0
Population of working age 1/	55.4	55.6	55.8	56.2	56.7
Population above working age 1/ <i>Of which: older than 65 years</i>	20.7 11.8	20.9 12.1	21.1 12.6	21.2 12.8	21.3 13.1

Sources: Belarussian authorities; and Fund staff estimates.

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

Table 61. Belarus: Number of Employed and Pensioners, 1994-98  
(In thousands, unless otherwise indicated)

	1994	1995	1996	1997	1998
Population (beginning of period)	10,319.4	10,297.2	10,264.4	10,236.1	10203.8
Labor force	5,008.4	4,721.0	4,724.0	4,692.0	...
<i>Of which:</i>					
Employed	4,700.9	4,409.6	4,364.8	4,369.9	4390.0
Number of pensioners (end-of-period)	2,635.0	2,644.0	2,661.0	2,667.0	2661.0
Ratio of employed to pensioners	1.8	1.7	1.6	1.6	1.6
Number of pensioners per 1,000 employed	560.5	599.6	609.6	610.3	606.2

Sources: Belarussian authorities; and Fund staff estimates.

**STATUS OF THE TAX SYSTEM**

**MAY 1, 1999**

**A. Individual Income Tax**

1. Taxable income includes cash income in domestic and foreign currencies and in-kind income earned in Belarus and abroad. There are several types of income which are not taxed, such as gifts (material incentives) received from an enterprise, in the form of economic assistance, the value of gifts, funds provided for social protection purposes (payment for travel passes, vouchers for treatment and meals at a sanitarium, medical and consumer services, excursions, reduced prices for food, the acquisition of tickets for travel, various types of subscription services, tuition fees at educational institutions) at the principal place of employment, in an amount of 20 minimum wage (MMW) per year; and material benefits, free or discounted health resort treatment, and other support of social protection nature; all forms of social benefits (pensions, benefits under state social insurance and state social welfare (except temporary disability benefits), benefits paid by the state to citizens who suffered from the Chernobyl accident, and scholarships for students; proceeds from the sale of private property (once every five years for real estate and once a year for vehicles); income from sale of products from private plots; interest and gains on deposits with banking institutions and on government securities; income received by inheritance; income received as a result of a gift from close relatives, regardless of the amount; income received as a result of a gift from other individuals whose permanent residence is located on the territory of the Republic of Belarus, up to two hundred times the MMW per gift, but not to exceed five hundred times the minimum wage in a year.

2. The income tax on citizens is collected on a progressive rate scale. Tax rates are differentiated depending on taxable income expressed. The rate scale below became effective on January 1, 1999. Dividends and similar income, if earned, is taxed at a rate of 15 percent.

<b>Monthly Taxable Income</b>	<b>Marginal Tax Rate (in percent)</b>
Y < 240	9
240 MMW < Y < 600 <sup>1</sup>	15
600 MMW < Y < 840 <sup>2</sup>	20
840 MMW < Y < 1,080 <sup>3</sup>	25
1,080 < Y <sup>4</sup>	30

<sup>1</sup> 21.6 MMW plus marginal tax rate.

<sup>2</sup> 75.6 MMW plus marginal tax rate.

<sup>3</sup> 123.6 MMW plus marginal tax rate.

<sup>4</sup> 183.6 MMW plus marginal tax rate.

3. Members of kolkhozes (or of agricultural entities with a collective form of ownership formed out of former kolkhozes) pay income tax in 1999 on the basis of the same procedure as all other tax payers.
4. Deductions for children and dependents are:
  - 2 MMW per child up to age of 18 and for each dependent.
5. Deductions amounting to 10 MMW per month (120 MMW per year) are allowed for the following taxpayers:
  - persons who fell ill and suffered radiation sickness from the consequences of the Chernobyl disaster, and persons who participated in disaster recovery efforts;
  - veterans of various wars; and
  - group I and II disabled persons with all types of disability.
6. The income tax on earnings and other cash and in-kind income is calculated and withheld by the enterprises paying the earnings. Income tax withholdings are transferred by enterprises to the budget at the time incomes of citizens is transferred to their banking accounts.
7. At the end of a calendar year, individuals who have more than one source of income are required to file a tax return with the tax authority with which they are registered as a taxpayer indicating their aggregate annual income for the calendar year just ended, no later than March 1. Individuals are required to pay the difference between the amount of tax assessed and the amount of taxes paid (withheld) over the course of the year, or at their request it may be refunded or credited to them by the tax authorities no later than May 15 of the year following the reporting year.
8. Citizens duly registered as unincorporated entrepreneurs calculate and pay income tax on a quarterly basis as an accruing total from the start of the year, no later than the 5th of the second month following the reporting quarter month. After the year ends, a declaration of income actually received over the course of the year is filed no later than March 1. The difference between the annual tax calculated on the basis of this declaration and the amount paid during the year has to be paid by or refunded to the taxpayer no later than May 15.

#### **B. Tax on Income and Profit of Enterprises, Associations, and Organizations**

9. The income and profit tax is levied on legal entities, including enterprises with foreign investments, foreign legal entities, subsidiaries, representative offices, branch offices, and other structural subdivisions possessing an independent (separate) balance sheet and a

settlement (current) account, as well as parties to a joint operating agreement, who have been assigned responsibility for overall management of these operations.

10. The income tax is paid on dividends and income equated to them; the tax rate is 15 percent.

11. The profit tax is paid on balance-sheet profit, which is the total profit from sale of products, goods (work, services) and other assets (including fixed assets, commodity stocks, intangibles, and securities) and income from nonsales operations, less the expenses of these operations. Profit from sale of products and goods (work, services) is defined as the difference between the total receipts and the costs of business and commercial activity. Expenses on business activity include material costs, wages, depreciation deductions, contributions to the Social Protection Fund and Employment Fund, insurance premiums, interest on loans, and other expenses of production and product sales. The tax rate is 30 percent.

12. Enterprises with balance-sheet profit for the year not exceeding 5,000 MMW and having an average annual number of employees, as listed below, are taxed at a reduced rate of 15 percent: in industry—up to 200 people; in science and scientific services—up to 100 people; in construction and other productive sectors—up to 50 people; in nonproductive sectors—up to 25 people.

13. The profit of enterprises, scientific associations, and other organizations of the agroindustrial complex received from production, technical, transportation, and scientific services, material and technical support, and repair and manufacture of equipment, and profit received from rendering these services to enterprises and organizations of the agroindustrial complex, is taxed at a rate of 10 percent. The profit of construction, repair-and-construction, and other organizations of the agroindustrial complex received from construction and repair of productive facilities of the agroindustrial complex is taxed at a rate of 7 percent.

14. Fixed amounts of profit tax may be set for enterprises conducting types of activity stipulated by the Council of Ministers. Such types of activity currently include retail sale of goods through small retail outlets, stores (on the condition that the total trading space of stores belonging to a single owner does not exceed 25 square meters), public catering enterprises, and at markets, fairs, and sales exhibitions.

15. Tax concessions are defined legislatively. The main concessions include those listed below.

16. Taxable profit is decreased by: (i) profits actually used for disaster recovery at Chernobyl in accordance with the republican program; and (ii) profits actually used for environmental protection and fire suppression measures, and for scientific research, experimental design, and experimental engineering.



17. The total amount of profits eligible for tax concessions related to the measures listed in the previous paragraph and below, may not exceed 50 percent of balance-sheet profit:

- profits allocated to productive capital investments and housing construction, and for repayment of bank credit obtained and used for these purposes. This profit tax reduction is allowed on the condition of full use of the accrued amortization allowance as of the last reporting date;
- outlays of enterprises from profits retained by them made to maintain children's health improvement institutions, institutions of public education, homes for the elderly and disabled, housing, public health, children's preschool institutions, and cultural and sports institutions, and outlays for these purposes by enterprises sharing in the maintenance of these facilities and institutions—in accordance with standard outlays on similar institutions maintained by the budget;
- the profit of cost-accounting work therapy shops of psychoneurological hospitals, psychiatric hospitals, and outpatient clinics, and anti-tuberculosis institutions, earned from activities allowed by the by-laws of these shops;
- the profit of enterprises from manufacturing prosthetic and orthopedic appliances and equipment for rehabilitation and maintenance of disabled persons;
- amounts transferred to enterprises, institutions, and organizations of public health, public education, social welfare, culture, physical fitness, and sports on the territory of the Republic of Belarus registered and funded by the budget, or amounts used to pay the bills for physical assets (work, services) acquired and transferred to these enterprises. These expenses may not exceed 5 percent of balance-sheet profit;
- funds used to develop municipal, personal, and social facilities for the penitentiary system;
- profits actually used to create an established quota of jobs for the disabled and for persons granted supplementary employment guarantees by the state;
- amounts within 10 percent of balance-sheet profit earmarked for loans to permanent employees needing better housing for acquisition or construction of housing;
- profit received by agricultural entities from selling food products made by them in their auxiliary shops and production operations;
- the profit of production shops, experimental plants, subsidiary farms, and other enterprises of educational institutions earned from practical training provided to students; and

- the profit of enterprises in radio-electronics and in other sectors of industry formerly related to defense, earned from selling technically complex civilian equipment, for two years from the moment of their establishment, from selling new kinds of machinery and equipment to consumers intended for production and processing of agricultural products, and from creating new science-intensive production operations.
18. Profit-tax exemptions are granted to:
- enterprises in which disabled workers account for at least 50 percent of the average listed number of industrial production personnel (if from 30 to 50 percent are disabled, taxable profit is reduced by 50 percent);
  - the profits of enterprises of veterans of war, labor, and the armed forces in which at least 70 percent of the average listed number of employees have reached retirement age (60 years for men and 55 years for women);
  - enterprises with foreign investments in which the share of foreign investment is more than 30 percent of the authorized capital, for three years from the moment they announce a profit, including the first profitable year, for profit earned from selling products (work, services) of their own making, except for trading and trading-and-purchasing activity. In the event that enterprises with foreign investment produce products of special importance to the republic which are included on a list of such goods approved by the Republic of Belarus Council of Ministers, the 50-percent reduction in the profit tax rate shall remain in effect for such enterprises for up to three more years.” (Law No. 259-3, signed on May 13, 1999.)
  - agricultural entities, for sale of plant-farming (except flowers and ornamental plants) and livestock-raising (except fur farming, fish breeding, and beekeeping) products of their own making;
  - profit earned from production of baby food;
  - income (profit) earned from government securities transactions, except income (profit) from their sale at prices above their face value, plus the interest rate set at the time of their issue;
  - profits of newly established pharmaceutical enterprises selling critically needed medicines for a period of two years; and
  - the profits of banks and lending institutions earned in the form of interest on credits granted to economic agents for a term of not less than three years to make capital investments into production based on new and high technologies.

19. The profit tax is paid by foreign legal entities doing business in Belarus through a permanent representative office located there. Foreign legal entities, which are not conducting business in Belarus through a permanent representative office, but which receive income from sources located in Belarus and which are residents in Belarus pay tax on:

- import of goods into the territory of the Republic of Belarus to be sold at sales exhibitions—at a rate of 10 percent of the customs value of the declared cargo;
- dividends, royalties, licenses, and other income—at a rate of 15 percent;
- income from debt obligations of any kind (bonds, bills, borrowings)—at a rate of 10 percent; and
- freight charges connected with international shipping—at a rate of 6 percent.

20. Income taking the form of interest on credits granted in support of certain state programs is tax exempt.

### **C. Value-Added Tax**

21. The value-added tax (VAT) is paid by legal entities, including enterprises with foreign investments and foreign legal entities, and subsidiaries, representative offices, and other independent subdivisions of legal entities possessing a separate balance sheet and a settlement account, and unincorporated entrepreneurs, on the turnover of financial services and on transactions with securities and real estate.

22. In most countries, the VAT is calculated by the “offset method” on the basis of commercial invoices; this method makes possession of commercial invoices from suppliers of goods a requirement. In Belarus, the VAT is calculated using the direct subtraction method:  $VAT=R(P-M)$ , where R is the VAT rate, P is the sales proceeds, and M is material costs. The tax is paid on the value an enterprise (both in production and in circulation) adds to the value of raw materials, supplies, or goods in the course of producing and selling products and goods, doing work, and rendering services.

23. In accordance with current legislation, VAT is levied on value added upon the sale of all goods manufactured, acquired, or procured by certain legal entities and entrepreneurs from other legal entities or individuals; on value added upon the sale of goods and services within an enterprise for its own consumption for purposes not associated with production; on value added upon completion of work and services or delivery of products in exchange for other products (services) without payment of their value; on uncompensated transfer of goods and services; and on the customs value of goods carried into Belarus under particular customs treatment (unless foreseen otherwise by international agreements).

24. Since January 1994, Belarus has had a standard VAT rate of 20 percent (it was 28 percent in 1991–92, and 25 percent in 1993). A preferential tax rate of 10 percent is set on sales of plant-farming, livestock-raising, fishing, and beekeeping products by the kolkhozes, sovkhoses, and other agricultural entities producing them; on the sale of foodstuffs on a list approved by Resolution No. 509 of August 2, 1996 of the Cabinet of Ministers produced by economic agents in Belarus, and on the sale of products (work, services) on a list approved by the Council of Ministers by the enterprises manufacturing these products using new and high technologies.

25. The services of manufacturing and repairing clothing and footwear, and of repairing watches, complex household appliances, and electronic equipment, and the services of hairdressing salons, baths, and laundries, are taxed to a rate reduced by 50 percent.

26. Goods entering Belarus are taxed at the following rates: (i) 10 percent—foodstuffs and children's goods on a list approved by the Council of Ministers; and (ii) 20 percent—all other goods, including excisable goods.

27. According to current legislation, the amount of VAT paid upon entry of fixed productive assets into Belarus is to be refunded from the republican budget at the request of taxpayers within one month from the moment of their placement in service. The amounts of VAT paid by commodity producers when raw materials, supplies, semifinished products, components, and fuel resources enter Belarus are treated as tax prepayments and are offset when the VAT payable upon sale of products and goods made from imported raw materials, supplies, semifinished products, components, and fuel resources is determined.

28. Pursuant to the Law of the Republic of Belarus "On Value-Added Tax", tax exemptions are granted to:

- kolkhozes, sovkhoses, peasant- and owner-operated farms, and other agricultural entities, for foodstuffs (except excisable ones) produced by them in their auxiliary shops and production operations;
- goods produced for children;
- medical equipment and instruments upon their sale by manufacturing enterprises to consumers, and production and sale of drugs and medicines;
- communication services rendered to the public, and the services of delivering newspapers and magazines to subscribers;
- sale of religious articles and performance of religious rites by religious associations;

- the services of urban passenger transport, and the services of suburban passenger carriage by river, rail, and motor transportation;
- housing and communal services;
- services rendered by fee-based polyclinics, physicians, veterinary hospitals, and veterinarians;
- child-care services in preschool institutions, and care of the sick and elderly;
- fee-based educational services provided by duly accredited educational institutions and securities of the National Bank;
- the services of lawyers and legal offices providing legal aid to the public;
- theatrical and circus performances and concerts in premises seating not more than 2,000 spectators, sports events, museums, and children's attractions;
- enterprises employing disabled people (in 1999, this concession is granted to enterprises belonging to societies for the disabled on the condition that disabled persons in these enterprises account for not less than 50 percent of the average listed number of industrial production employees), or old-age pensioners, in which old-age pensioners account for not less than 70 percent of the average listed number of industrial production personnel;
- sale of fuel to the public (firewood, peat briquettes, coal, and gas);
- income from transactions with government securities;
- upon entry into the republic: goods entering as nonrepayable aid; items brought in by foreign participants as contributions to authorized capital (except excisable goods), and special transportation for ambulance services, fire departments, and internal affairs agencies; and
- other concessions.

29. When goods that qualify for concessions if delivered within the Republic are sold abroad, the tax is determined on the basis of added value.

30. In accordance with current legislation, the VAT is levied on the basis of the country-of-origin principle in foreign trade relations with all Commonwealth of Independent States (CIS) countries (except Ukraine, Kazakhstan, and Moldova), and the destination-country principle in trade with non-CIS countries. That is, the VAT is collected when goods are exported to CIS countries, while goods imported from CIS countries (except Ukraine,

Kazakhstan, and Moldova) are not taxed. On the other hand exports to non-CIS countries are exempt from value-added tax, while goods imported from these countries are subject to value-added tax.

31. Preparations are presently being made under the framework of the Customs Union for a transition to collecting indirect taxes on the basis of the destination principle in accordance with Decision No. 8 of October 22, 1997 of the Interstate Council of the Union (including, Belarus, the Kyrgyz Republic, and the Russian Federation) "On Agreed Principles of Calculating and Collecting Indirect Taxes in Member States of the Treaty of March 29, 1996," which provides for the signing of an arrangement on the application of the principle of collecting indirect taxes in mutual trade.

32. VAT is calculated by the taxpayer himself, and paid to the budget on set due dates depending on the amount of the tax: (i) daily when the amount of the tax for the preceding month was over 5,000 MMW; (ii) every 10 days when the amount of the tax for the preceding month was from 2,500 to 5,000 MMW; and (iii) monthly when the average monthly amount of tax is up to 2,500 MMW.

33. Unincorporated entrepreneurs compute VAT and pay into the budget once a quarter if the amount of tax for the preceding month was less than 250 MMW, whereas if it was over 250 MMW, the tax is paid monthly.

34. Taxpayers are responsible for correct calculation and timely payment of VAT, and for the observance of current legislation on this tax.

#### **D. Excises**

35. A new version of the Law of the Republic of Belarus 'On Excises' went into effect on January 1, 1998 in an effort to harmonize the legislations of Belarus and Russia.

36. Excises are paid by legal entities (including enterprises with foreign investments and foreign legal entities), by the subsidiaries, representative offices, and other structural subdivisions of legal entities possessing an independent balance sheet and a settlement or other account, by parties to an agreement on joint activity who are tasked with general business administration or who receive the proceeds from this activity prior to their distribution, and by individuals engaging in entrepreneurial activity without forming a legal entity: (i) producing excisable goods; and (ii) carrying excisable goods into the customs territory of Belarus and (or) selling excisable goods carried into the customs territory of Belarus.

37. According to the law, uniform excise rates are effective throughout all of Belarus both for goods produced by payers of excises and for goods carried into the customs territory of Belarus and (or) sold in the customs territory of Belarus by payers of excises.

38. Excise rates on goods are established as an absolute amount per physical unit of measurement of excisable goods (firm, or specific, rates) or as percentages of the value of goods (ad valorem rates—Table 63). Excise rates are set by the Council of Ministers in coordination with the president.

39. Excises are paid, depending on the kind of excise rates set for excisable goods, on:

a) in the case of produced excisable goods:

- the volume of produced excisable goods in natural units—for excisable goods for which firm (specific) excise rates are set;
- the value of excisable goods determined on the basis of selling prices without regard for excises—for excisable goods for which ad valorem tax rates are set;

b) in the case of excisable goods carried into the customs territory of Belarus:

- the volume of excisable goods carried in, in natural units—for excisable goods for which specific excise rates are set;
- customs value, increased by the amount of customs duty and customs clearance fees—for excisable goods for which ad valorem excise rates are set;

c) upon sale of excisable goods carried into the customs territory of Belarus for which ad valorem excise rates are set—the value (exclusive of excises) of the excisable goods sold; and

d) upon sale of excisable goods carried into the customs territory of Belarus without payment of excises for which firm (specific) excise rates are set—the volume of excisable goods sold in natural units.

40. Excises are not paid on excisable goods carried out of Belarus (with the exception of excisable goods carried into member states of the CIS, other than Ukraine, Kazakhstan, and Moldova, and excisable goods carried out under barter arrangements).

41. To permit unification of legislation of Belarus and Russia, excises on goods carried in from CIS countries are offset. Thus the amount of excises payable on excisable goods originating and carried in from CIS states is decreased by the amount of excises actually paid in the country of their origin. This provision is applied on the conditions of reciprocity by a procedure determined by the Council of Ministers.

42. The list of excisable goods has been shortened significantly since January 1, 1998 (Tables 62–64). Excises are now levied on the following goods: industrial-grade hydrolytic alcohol; alcohol-containing solutions (except solutions with denatured additives); alcohol

products (drinking alcohol, vodka, liqueur and vodka products, brandy, wine, and other alcohol products, with the exception of brandy spirits and wine-making materials); beer; tobacco products; crude oil; automotive gasolines, diesel fuel; jewelry; and passenger cars with an engine displacement of more than 2,500 cubic centimeters. Excises on articles made from natural fur and natural leather, passenger car tires, and carpets have been repealed.

43. The list of excisable goods may be refined by the National Assembly at the request of the president.

44. Upon sale of the following excisable goods carried into the customs territory of Belarus, excises on payable goods for which ad valorem excise rates have been set are decreased by the amount of excises paid at the time of entry of these excisable goods into the customs territory of Belarus. If excisable goods carried into the customs territory of Belarus are subsequently resold, excises are not paid. Excises are not paid on excisable goods for which specific excise rates are set if excises had been paid on these excisable goods upon their entry into the customs territory of Belarus.

45. The amount of excises is determined by taxpayers on their own. The amount of excises is shown on a separate line in payment documents for excisable goods. Excises are paid on the third business day after cash enters the accounts of the economic agents, but not later than: (i) thirty days from the moment products and goods are shipped to consumers in the Republic of Belarus; or (ii) sixty days from the moment products and goods are shipped to consumers outside Belarus.

### **E. Import Duties**

46. In accordance with the Agreement on the Customs Union, customs borders were abolished between Belarus and Russia, and customs rates were changed so as to be similar. Import duty rates were revised in December 1997 and May 1998. Customs duty rates effective in Belarus and Russia are now completely the same.

47. Import duty rates set by government Resolution No. 72 of February 10, 1997 (revised and amended) apply to countries that have been granted most-favored-nation treatment by the republic. Articles entering from and originating in developing countries enjoying preferential treatment are subject to import duties amounting to 75 percent of those set by the Resolution (for 104 countries), while articles entering from and originating in least developed countries enjoying preferential treatment by Belarus are not subject to customs duties (for 47 least developed countries). For articles originating in all other countries, or articles for which the country of origin is not established, the customs duty rates are doubled.

48. When articles entering the republic under the conditions of free circulation are declared, import duties are paid before or at the moment of customs clearance of such articles.



## F. Real Estate Tax<sup>5</sup>

49. Real estate tax is paid by legal entities, including enterprises with foreign investments and foreign legal entities, as well as the subsidiaries, representative offices, and other structural subdivisions of legal entities possessing an independent (separate) balance sheet and a settlement (current) account, and by individuals. The tax levied on the value of productive and nonproductive fixed assets owned or possessed by the taxpayers, on the value of unfinished construction projects, and on the value of buildings belonging to individuals. The annual real estate tax rate is set at 1 percent for legal entities. The annual real estate tax applied to the value of residential buildings, garden sheds, and garages belonging to individuals, of buildings belonging to garage construction cooperatives and gardening partnerships established with private contributions from citizens, and of buildings used by unincorporated by entrepreneurs for their own activities is set at 0.1 percent.

50. Tax exemptions are granted to:

- social and cultural facilities and the housing of local soviets of deputies and legal entities regardless of form of ownership;
- productive assets of organizations belonging to societies for the disabled;;
- productive fixed assets of communication enterprises;
- structures intended for environmental protection and improvement of the environment;
- structures intended for environmental protection and improvement of the environment prescribed by the State Committee for the Environment of the Republic of Belarus;
- privatized apartments in apartment houses and purchased apartments in residential buildings of housing construction cooperatives;
- dwellings and outbuildings belonging to old-age pensioners, group I and II disabled persons, and other citizens unable to work in the absence of able-bodied persons who cohabitate with them or who are listed in household accounting records or building tenant records, and not having sources of income subject to income tax levied by tax authorities;
- dwellings and outbuildings belonging to families headed by parents or spouses of military personnel and employees of the Ministry of Internal Affairs and State Security Committee who were killed or reported missing while performing official duties;

---

<sup>5</sup> It should be noted that legislation of Belarus uses the term “real estate tax,” not “property tax.”

- dwellings and outbuildings located in rural areas and belonging by right of ownership to citizens permanently residing in rural areas;
- special laboratory equipment, instruments, testing stands, and test ranges of state scientific research, design, and process engineering organizations;
- fixed assets of higher, secondary special, and secondary educational institutions having the status of institutions of the system of education;
- tangible assets and items of historical and cultural value included on the State List of Items of Historical and Cultural Value of the Republic of Belarus, on the condition that their owners perform obligations stipulated by current legislation of the Republic of Belarus on protection of the historical and cultural legacy;
- public motor roads and structures (bridges, overpasses, parking and passenger loading zones and shelters, complexes of buildings and structures belonging to road administrations and the main and local events of the road service, residential buildings for blue and white collar workers, production bases, bridge, ferry and tunnel service and security stations, utility lines, control-and-dispatch stations, rest areas, emergency call equipment, traffic control communications lines);
- fixed productive and nonproductive assets of religious societies;
- agricultural fixed productive assets of kolkhozes, sovkhozes, peasant (owner-operated) farms, interfarm enterprises and organizations, agricultural cooperatives, subsidiary agricultural enterprises and organizations, and other agricultural entities;
- facilities of strategic forces of the Russian Federation stationed temporarily on territory of the Republic of Belarus;
- buildings and structures of legal entities placed in service, for one year from the moment these assets are put to use; and
- city amenities maintained with funds from the budget of the Republic of Belarus.

51. Since January 1, 1997, the real estate tax has been transferred in its entirety to budgets of the *oblasts* and the city of Minsk. Local soviets of deputies have the right to change rates, to grant concessions, and to set and change the due dates for the payment.

### **G. Land Tax**

52. The tax is levied on land parcels which are possessed, used, or owned. The tax is paid by legal entities and individuals (including foreign ones) to whom land parcels are granted for possession, use, or ownership.

53. The amount of land tax is determined depending on the quality and location of the land parcel, and it does not depend on the results of the business or other activity of the landholder, the land user, or the landowner. The tax on land zoned for agricultural use is determined from data of the land appraisal cadastre. The tax is established in the form of annual fixed payments per hectare of land area.

54. Coefficients applied to land tax rates in 1998 accounting for inflation are established by Decree No. 293, February 24, 1999 of the Council of Ministers of the Republic of Belarus "On the Amounts of Land Charges."

55. Certain categories of citizens are exempt from land tax (including war veterans, old-age pensioners, disabled persons, and citizens who suffered from the disaster at the Chernobyl Nuclear power station).

56. Pursuant to articles 8 and 9 of Law No. 245-Z, February 24, 1999 of the Republic of Belarus "On the Budget of the Republic of Belarus for 1999", land charges are credited in their entirety in 1999 to the budgets of the oblasts and the city of Minsk.

57. Land tax passing to revenues of local budgets in 1999 is accounted for in the corresponding budgets as a separate line, and allocated for purposes designated by local soviets of deputies.

58. In 1999, in accordance with item 2, Article 46 of Law No. 245-Z, February 24, 1999 of the Republic of Belarus "On the Budget of the Republic of Belarus for 1999" local soviets of deputies have the right to increase (decrease) rates, grant concessions, and set and change the land tax payment due dates established by the Law of the Republic of Belarus "On Payments for Land."

### **H. Tax on the Use of Natural Resources**

59. The tax is paid by legal entities, including enterprises with foreign investments and foreign legal entities, their subsidiaries, representative offices, and other structural subdivisions of entities which possess a separate (individual) balance sheet and settlement (current) account, partners in a joint-venture agreement who are authorized to conduct joint business or who received a gain from said venture prior to its allocation, and entrepreneurs performing activity without the formation of a legal entity.

60. The tax on natural resources is levied on: (i) the volume of resources extracted from the environment; (ii) the volume of refined oil and petroleum products; and (iii) the volume of discharges (releases) of pollutants into the environment.

61. The tax consists of payments for exploitation of natural resources and for discharges of pollutants into the environment within set limits, for excessive exploitation of natural resources and for discharges of pollutants into the environment beyond approved limits, and for refining of oil and petroleum products.

62. The rates of the tax on the extraction of natural resources and on discharge of pollutants into the environment are set by the Council of Ministers of the Republic of Belarus. For the refinement of 1 tonne of oil product, the tax is levied at the rate of 1 ECU. A tax of 15 times the base rate is levied for discharges of pollutants into the environment above the established limits. A tax of 10 times the base rate is levied for exceeding the established volumes of the extraction of natural resources.

63. Legal entities funded by the budget of the Republic of Belarus are tax exempt. The tax is collected at preferential rates: (i) for water released for the commercial, drinking, and fire-fighting water supply of the public, and employees of enterprises, institutions, and organizations; (ii) for a sand and gravel-sand mixture for use in road construction; and (iii) for water taken in by fish hatcheries and reservoirs, released to legal entities and individuals for the production of livestock-breeding and agricultural production.

64. Since January 1, 1997, the tax on use of natural resources has been transferred in its entirety to the budgets of oblasts and the city of Minsk. Local soviets of deputies have the right to increase (decrease) rates, grant concessions, and set and change payment due dates of this tax as established by the Law of the Republic of Belarus "On the Tax for the Use of Natural Resources (the Ecological Tax)."

### **I. Contributions to Social Security**

65. Contributions to the Social Protection Fund of the Ministry of Social Protection of the Republic of Belarus are made by legal entities and individuals.

66. The following mandatory payments of insurance premiums from the wage bill were established for employers and for cooperatives, enterprises, and companies under a collective form of ownership paying mandatory premiums on behalf of employees working under a labor contract;

- for public associations of disabled persons and pensioners, and for enterprises holding full title to such public associations—4.7 percent; for residential, housing construction,

and garage construction cooperatives not deriving income from their activity, and from gardening partnerships—5 percent;

- for the bar association—5 percent;
- for employers for whom disabled persons account for not less than 50 percent of the average listed number of employees—20.4 percent;
- for economic agents engaging predominantly in agricultural production—30 percent; and
- for all other employers (including with foreign investments and for citizens of the Republic of Belarus)—35 percent.

67. Mandatory insurance premiums are set in the following amounts for individuals and legal entities required to pay insurance premiums for state social insurance:

- for entrepreneurs—15 percent of income;
- for members of peasant (owner-operated) farms—15 percent of income;
- for creative workers—15 percent of income;
- for enterprises with foreign investments (for foreign citizens)—5 percent of the wages of foreign citizens; and
- an insurance premium amounting to 1 percent of earnings is set for working citizens.

#### **J. Contributions to the Employment Fund.**

68. The taxpayers of mandatory deductions to the employment fund are enterprises, institutions, organizations, and entrepreneurs that are located on territory of the Republic of Belarus, regardless of form of ownership and management, including institutions and organizations financed from the budget of the Republic of Belarus. Mandatory deductions to the employment fund are made in the amount of 1 percent of resources for the compensation of labor. Collective farms, state farms, peasant (owner-operated) farms, interfarm enterprises and organizations, agricultural cooperatives, subsidiary farms of enterprises and organizations, and other agricultural formations make deductions in the amount of 0.5 percent of the resources for the compensation of labor. Enterprises of public organizations of invalids, as well as horticultural societies and housing construction cooperatives whose management is carried out without the enlistment of staff employees, are exempted from mandatory deductions to the employment fund.

### **K. Payroll Contributions to the Chernobyl Fund**

69. The emergency tax for recovery from the Chernobyl accident has been collected since 1991. The resources are used to fund expenses disaster recovery measures at the Chernobyl nuclear power station. The tax is of a temporary nature and is established by laws of the Republic of Belarus on the budget for each calendar year. Initially, the taxable base was book income, but since 1992 it has been the payroll fund. During the effective period of the extraordinary tax, the tax rate has been reduced from 16 to 4 percent.

70. The payers to the budget of the emergency tax are all legal entities, including foreign ones, their subsidiaries, representative offices, branch offices, and other structural subdivisions possessing a separate (individual) balance sheet and settlement (current) and other accounts, and partners in joint ventures agreements who are authorized to conduct joint business or who received a gain from said venture prior to its allocation, regardless of form of ownership, carrying out business activity.

71. The rate of the emergency tax, starting with the settlements for January 1998, is 4 percent of the payroll fund. The procedure for determining the makeup of the payroll fund for the calculation of the emergency tax is established by the Government of the Republic of Belarus.

72. The following are exempted from the payment of the emergency tax:

- enterprises and organizations of the Belarussian Society of the Sight-Impaired, the Belarussian Society of Invalids, and the Belarussian Society of the Deaf, which belong to them by right of ownership, in which the number of invalids is at least 50 percent of the official number of industrial production personnel on average for the period;
- collective farms, state farms, peasant (owner-operated) farms, interfarm enterprises and organizations, agricultural cooperatives, subsidiary farms of enterprises, institutions, and organizations, and other agricultural formations, regardless of form of ownership, for their plant-farming (except flowers and decorative plants), livestock-raising, fishing, and beekeeping products;
- general-education schools, with regard to funds paid to pupils for the collection of waste paper and scrap metal;
- social and cultural enterprises, institutions, and organizations receiving a subsidy from the budget to cover losses from business activity or on the books of enterprises, collective farms, state farms, and other business entities, regardless of form of ownership, and supported fully or in part through the income remaining at the disposal

of those legal entities;

- public associations conducting their activities on the basis of membership dues and voluntary donations of legal entities and individuals, and not engaging in business activity;
- scientific organizations, with regard to amounts received from performed scientific research, experimental design, and experimental production work through budget funds (including under agreements concluded with organizations allocated budget appropriations for those purposes);
- the bar association;
- treatment and production shops attached to psychiatric, neuropsychiatric, and tuberculosis hospitals and dispensaries;
- legal entities, including foreign ones, their subsidiaries, representative offices, branch offices, and other structural subdivisions, which possess a separate (individual) balance sheet and settlement (current) account, and partners in joint-venture agreements.

73. Parts of the following are also exempt:

- increments and supplements to wage rates and position rates, and expenses involving payment for supplementary leave in instances when such increments, supplements, and expenses are established in accordance with the Law of the Republic of Belarus "On Social Protections for Citizens Who Suffered from the Disaster at the Chernobyl NPS," and are compensated by fiscal agencies from resources set aside for compensation of expenses involving disaster recovery measures at the Chernobyl NPS;
- payments to donors for giving blood and its components, which, pursuant to the Code of Labor Laws, are compensated at the expense of a medical institution;
- servicing agricultural and other enterprises, with regard to proceeds from the performance of work (the provision of services) by specialized mechanized brigades established by those enterprises for collective farms, state farms, and other agricultural enterprises, provided that said work (services) is accounted for separately."

#### **L. The Road Fund**

74. The following are credited to the road fund:

- the tax on the acquisition of motor vehicles that are subject to mandatory registration (except passenger cars, their hitching equipment, and motorcycles purchased by

citizens to be their private property—Table 65;

- deductions of funds made by users of motor highways;
- deductions from profits generated through the operation of motor vehicles;
- charges for the travel by heavy and oversized transportation resources on public-use highways of the Republic of Belarus;
- tolls collected on the M1/E30 highway Brest—Minsk—border of the Russian Federation; and
- unrequited capital receipts.

75. Contributions of funds by highway users are the main source of receipts for the republican road fund. Enterprises, associations, establishments, and organizations, regardless of the form of ownership and business conditions, including enterprises with foreign investment and foreign legal entities, and parties to joint venture contracts who have been charged with handling general business or have received proceeds from such ventures prior to their distribution are payers of the deductions for highway use. Funds are deducted by highway users at the following rates:

- kolkhozes, sovkhoses, peasant (owner-operated) farms, and other agricultural enterprises – 0.5 percent of the sales of products (work, services) produced;
- procurement, trade (including wholesale), supply and sales organizations – 0.3 percent of sales (except sales of public catering, including sales of goods not additionally processed);
- others – 1 percent of the volume of products (work, services).

The following are exempted from paying the contributions:

- organizations and establishments maintained by the budget;
- housing management organizations, as well as structural subdivisions of enterprises, associations, and organizations involved in housing maintenance;
- enterprises engaging in construction, repairs, and maintenance of public-use highways with regard to the volume of work performed on such highways; and
- public organizations of the handicapped and their enterprises.



76. Fees on income from operating motor transportation are made by motor transportation enterprises and organizations regardless of form of ownership and business conditions, and by enterprises and organizations (except agricultural enterprises) possessing automotive departments and lease motor vehicles, in an amount of 2 percent of income from operating motor vehicle transportation. Effective March 16, 1999 the collection of the fee was suspended until 2000.

77. The fee on owners of light motor transportation resources and private owners of trucks was introduced in 1997 in accordance with the law "On the Budget of Belarus for 1997 and for 1998 in Accordance with the Law on the Budget of the Republic of Belarus for 1998".

### **M. Fund for the Support of Agricultural Producers**

78. The Republican Extrabudgetary Fund for Support of Agricultural and Food Producers has been in operation since 1995. Since 1998, the fund in question has been a state earmarked budgetary fund. The income of the fund is formed by deductions made by all legal entities of the Republic of Belarus and their structural subdivisions, regardless of the form of ownership, that have distinct (separate) balance sheets, settlement (current) accounts and other accounts, and parties to joint venture contracts that have been charged with handling and engage in economic activities in the amount of one percent of the proceeds from sales of products, work, and services. Budgetary appropriations for the payment of subsidies and price differentials are not taken into account when the amount of deductions to the above fund is determined.

79. Exception from payments to this fund are granted to:

- kolkhozes, sovkhoses, peasant (owner-operated) farms, interfarm agricultural enterprises and organizations, agricultural cooperatives, auxiliary farms of enterprises, institutions, and organizations, and other economic agents – for proceeds from sale of their plant-farming (except flowers and ornamental plants), livestock-raising, fishing, and beekeeping products;
- work therapy/manufacturing shops affiliated with psychiatric, psychoneurological, and anti-tuberculosis hospitals and outpatient clinics;
- enterprises, institutions, and organizations of republican consumer cooperatives;
- enterprises rendering services to agriculture and other enterprises – for proceeds from work performed (services rendered) by specialized heavy equipment pools established by such enterprises for kolkhozes, sovkhoses, and other agricultural enterprises, provided that said work (services) is recorded separately.

80. Taking into account specific features of operations at individual enterprises, associations, and organizations, deductions are made for the fund in question by the following:

- enterprises and associations engaging in within-plant and within-factory transactions – disregarding such transactions;
- public catering enterprises – from their gross income, except income from their own production;
- enterprises rendering services to households – from the volume of products (work, services) sold, except the value of materials and spare parts paid by households; and
- municipal housing and maintenance organizations, as well as structural subdivisions of enterprises, associations, and organizations working with municipal housing and maintenance – from proceeds from the services rendered, except proceeds in the form of rent and fees for dormitory accommodations.

81. Since mid-1997 and in 1998, enterprises selling products (work, services) of their own making outside Belarus have been exempt from deductions from increased earnings (compared to their actual amount for the corresponding period of the preceding year) from selling the particular products (work, services), transferrable to the republican fund for support of producers of agricultural products and foodstuffs and payable to the budget.

#### **N. Earmarked Budgetary Funds of Local Soviets of Peoples' Deputies Used to Fund the Expenses of Maintaining Departmental Housing**

82. Since January 1, 1998, earmarked budgetary funds are being created by local soviets of peoples' deputies to fund the expenses of maintaining public housing with deductions by all legal entities of Belarus and their structural subdivisions regardless of forms of ownership possessing an independent (separate) balance sheet and a settlement (current) account and engaging in business, amounting to 0.25 percent of the proceeds from selling products, work, and services (these deductions are taken from income by banks, with the exception of the National Bank of Belarus; from gross income by supply-and-marketing, procurement, trade, and trade-and-procurement organizations, trading depots, public catering enterprises, and other enterprises selling goods and other assets; from balance-sheet profit by insurance organizations).

83. In addition oblast soviets of deputies and the Minsk City soviet of deputies have the right to increase or decrease as necessary (but by not more than a factor of two) the amount of transfers made by economic agents to earmarked budgetary funds of local soviets of deputies to fund the expenses of maintaining public housing, established by the law of Belarus "On the Budget of Belarus for 1998," depending on the size of the housing pool and the need

for resources to fund the expenses of its maintenance.

**O. Other Funds**

84. Enterprises also finance scientific research and industrial development by paying a tax on costs to branch ministries. This tax was fixed at 3 percent of the turnover by the Ministry of Industry.

Table 62. Belarus: Excise Taxes on Domestically Produced Goods, 1993-99  
(In percent)

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

Source: Belarussian authorities.

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

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

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 63. Belarus: Excise Taxes on Imported Goods since January 1, 1998

	Tax rate (In percent, unless volume-based)	Minimum tax (ECU/cm <sup>3</sup> )
<b>Alcoholic beverages</b>		
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	
<b>Cigars and cigarettes</b>		
Cigarettes	7 ECU per 1,000 pieces	
Cigars	2 ECU per 100 pieces	
<b>Fuels and vehicles</b>		
Gasoline		20
New passenger cars 1/		
Less than 1,000 cm <sup>3</sup>	10	but not less than 0.375
1,001-1,500 cm <sup>3</sup>	10	but not less than 0.425
1,501-1,800 cm <sup>3</sup>	15	but not less than 0.675
1,801-3,000 cm <sup>3</sup>	20	but not less than 1.3
More than 3,000 cm <sup>3</sup>	25	but not less than 2.0
Trucks up to 1.25 tons	15	
Tires for cars	30	
Radial tires for cars	15	
<b>Other excisable products</b>		
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: 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 cm<sup>2</sup>.

Table 64. Belarus: Excise Rates on Excisable Goods

Excisable Goods	Per Decree No. 111, January 28, 1998 of the Council of Ministers
Alcoholic beverages except wine, low-alcohol beverages with up to 7 percent ethyl alcohol by volume inclusively, grape and fruit beverages containing up to 25 percent ethyl alcohol inclusively; alcohol-containing solutions, except solutions with denatured additives, besides wine-making materials and brandy spirits	6.5 ECU per liter of anhydrous (100 percent) ethyl alcohol contained in the final product
Ethyl alcohol from dietary raw materials	1.8 ECU per liter of anhydrous (100 percent) ethyl alcohol
Ethyl alcohol from dietary raw materials, released by enterprises of the Republic of Belarus for manufacture of alcohol products sold in the Republic of Belarus	0 ECU per liter of anhydrous (100) ethyl alcohol
Industrial grade hydrolytic alcohol	0.4 ECU per liter
Raw alcohol from dietary raw materials released for rectification by enterprises of the Republic of Belarus	0 ECU per liter of anhydrous (100 percent) ethyl alcohol
Rectified alcohol released to enterprises of the Republic of Belarus for production of fermented alcohol-fortified fruit and berry juices (wine-making materials), and vinegar	0 ECU per liter of anhydrous (100 percent) ethyl alcohol
Vodka and liqueur and vodka products sold in the Republic of Belarus at fixed prices	80 percent
Champagne and sparkling wines	1.2 ECU per liter
Wines, except champagne and sparkling wines; low-alcohol beverages with up to 7 percent ethyl alcohol by volume inclusively, beverages of natural origin	0.2 ECU per liter
Grape and fruit beverages with up to 25 percent ethyl alcohol by volume inclusively	0.5 ECU per liter
Beer	0.13 ECU per liter
Pipe tobacco	17.5 ECU per kg
Smoking tobacco, with the exception of tobacco used as a raw material for making tobacco products	8.8 ECU per kg
Cigars	0.5 ECU each

Table 64 (concluded). Belarus: Excise Rates on Excisable Goods

---

Excisable Goods	Per Decree No. 111, January 28, 1998 of the Council of Ministers
Cigarillos	3.5 ECU per 1,000
Filter cigarettes	2 ECU per 1,000
Nonfilter cigarettes	1.8 ECU per 1,000
Mouthpiece cigarettes	1.2 ECU per 1,000
Crude oil	16.5 ECU per tonne
Crude oil carried into Belarus	0 ECU per tonne
Automotive gasolines (except brands AI-91, A-92, AN-93, AI-95, A-96, A-98)	50 ECU per tonne
Brand AI-91, A-92, AI-93 automotive gasolines	60 ECU per tonne
Brand AI-95, A-96, A-98 automotive gasolines	70 ECU per tonne
Diesel fuel	30 ECU per tonne
Passenger cars with engine displacement greater than 2,500 cm <sup>3</sup>	10 percent
Jewelry (including articles containing diamonds)	30 percent

---

Source: Belarussian authorities.

Table 65. Belarus: Fee Rates

	Annual Tax Rate (Number of Minimum Wages)	
	Individuals	Legal entities
Passenger cars:		
Up to 40 hp	1.0	2.0
Over 40 to 100 hp (to 73.55 kW) inclusively	1.5	4.0
Over 100 hp to 150 hp inclusively (Over 73.55 kW to 110.33 kW)	3.0	6.0
Over 150 hp (Over 110.33 kW)	5.0	10.0
Motorcycles and motor scooters	0.5	0.0
Buses	5.0	0.0
Trucks:		
Up to 100 hp (Up to 73.55 kW) inclusively	5.0	0.0
Over 100 hp to 150 hp inclusively (Over 73.55 kW to 110.33 kW)	7.0	0.0
Over 150 hp to 200 hp inclusively (Over 110.33 kW to 147.1 kW)	10.0	0.0
Over 200 hp to 250 hp inclusively (Over 147.1 kW to 183.9 kW)	13.0	0.0
Over 250 hp (Over 183.9 kW)	15.0	0.0
Other tired self-propelled transportation resources, machines, and mechanism, except grain-harvesting and specialized agricultural combines	5.0	0.0

Source: Belarussian authorities.