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## **Republic of Belarus: Recent Economic Developments and Selected Issues**

This Recent Economic Developments and Selected Issues 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.

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REPUBLIC OF BELARUS

**Recent Economic Developments and Selected Issues**

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Approved by the European II Department

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	Page
Basic Data Table .....	5
I. Overview .....	6
II. Recent Economic Developments .....	7
A. Real Sector .....	7
Developments in 1999 .....	7
Developments in 2000 .....	11
B. Public Finances .....	13
Developments in 1999 .....	14
Developments in 2000 .....	14
C. Monetary Sector .....	17
Developments in 1999 .....	17
Developments in 2000 .....	17
D. External Sector .....	20
Developments in 1999 .....	20
Developments in 2000 .....	23
Exchange rate developments.....	24
E. Structural Policies.....	24
III. An Assessment of Banking Sector Vulnerabilities .....	26
A. Background .....	26
B. Assessment of Vulnerabilities .....	28
C. Regulatory Environment and Banking Supervision.....	32

IV. Dollarization of the Belarusian Economy.....	34
V. Belarus–Russia Union.....	39
A. Background.....	39
B. Interstate Agreements and Institutions.....	39
Economic integration.....	40
Customs harmonization.....	40
Tax harmonization.....	41
Monetary union.....	42
C. Outlook.....	42
VI. Business Environment.....	43
A. Introduction.....	43
B. Barriers to Private Sector Growth.....	44
Price and wage controls.....	44
Controls on foreign trade and exchange.....	45
Administrative controls.....	46
State intervention and legal environment.....	47
C. Privatization and Foreign Investment.....	47
VII. Social Safety Net.....	48
A. The Current System.....	48
B. The Reform Agenda.....	51
VIII. Agricultural reform.....	52
A. Background.....	53
B. Land Reform and the Development of Private Farming.....	54
C. Conclusion.....	56
Appendix I. Exchange System.....	57

#### Text Boxes

1. The Budget Sector Wage Grid and Wage Indexation in Belarus.....	13
2. Deposit Insurance.....	33

#### Text Figures

II.1. Composition of GDP, 1999.....	9
II.2. Inflation and Wages in Selected CIS Countries, January 1995–June 2000.....	10
II.3. Fiscal Operations, 1998–2000.....	16
II.4. Interest Rates, January 1996–June 2000.....	19
II.5. Real Exchange Rates.....	21
II.6. Share of CIS Countries and Russia in Total Trade, 1993–99.....	22

IV.1. Ruble Broad Money .....	35
IV.2. Interest Rate on Foreign Currency Deposits, 1996–2000 .....	36
IV.3. Real Domestic Currency Deposit Rate, 1996–2000 .....	36
IV.4. Foreign Exchange Deposits at Commercial Banks.....	36
IV.5. Foreign Exchange Deposits and Inflation.....	37
IV.6. Minimum Reserve Requirements .....	38

#### Text Tables

1. Banks' Assets, May 2000 .....	27
2. Commercial Bank Loans by Economic Sector, 1995–99 .....	30

#### Appendix Tables

1. Gross Domestic Product by Sector, 1995–99 .....	59
2. Gross Domestic Product by Expenditure, 1995–99 .....	60
3. Growth of Gross Domestic Product by Expenditure, 1995–99 .....	61
4. Growth of Gross Domestic Product by Sector, 1995–99.....	62
5. Capital Investment by Sector in Comparable Prices, 1995–99.....	63
6. Industrial Production, 1996–2000.....	64
7. Inventories of Final Products in the Warehouses of Industrial Enterprises by Subsector, 1996–2000.....	65
8. Agricultural Production, 1995–99 .....	66
9. Production and Consumption of Energy, 1995–99.....	67
10. Change in Consumer and Producer Prices 1996–2000.....	68
11. Changes in Administered Prices of Household Services, 1999–2000.....	69
12. Tariffs and Cost Coverage for Households, 1998–2000.....	70
13. Average Monthly Wages 1995–99 .....	71
14. Price and Wage Developments, 1996–2000 .....	72
15. Money Income and Expenditures of the Population, 1996–2000.....	73
16. Labor Market Indicators, 1996–2000 .....	74
17. Average Monthly Employment by Sector, 1996–2000 .....	75
18. Enterprise Profits and Losses, 1996–2000.....	76
19. Interenterprise Arrears and the Barter Economy, 1996–2000 .....	77
20. Sectoral Distribution of Energy Debts of Enterprises, 1997–1999.....	78
21. General Government Operations, 1996–2000 (in millions of rubels) .....	79
22. General Government Operations, 1996–2000 (in percent of GDP) .....	80
23. Tax Arrears, 1995–99 .....	81
24. General Government Debt, 1996–2000 .....	82
25. Monetary Survey, 1998–2000.....	83
26. Accounts of the National Bank of Belarus, 1998–2000 .....	84
27. Deposit Money Banks' Accounts, 1998–2000 .....	85
28. National Bank's Directed Credits, 1997–2000 .....	86
29. Composition of Bank Lending by Type of Credit and Sector, 1996–2000 .....	87
30. Auction of Securities issued by the Ministry of Finance, 1999–2000.....	88

31.	Minimum Reserve Requirements, 1995–2000 .....	89
32.	Interest Rates of the National Bank of Belarus, 1999–2000 .....	90
33.	Interest Rates on Bank Deposits, 1999–2000 .....	91
34.	Interest Rates on Bank Credit, 1999–2000 .....	92
35.	Interest Rates on New Foreign Exchange Credits and Deposits, 1999–2000.....	93
36.	Structural Characteristics of the Banking Sector, 1997–2000 .....	94
37.	Commercial Banks, Selected Indicators, 1996–2000 .....	95
38.	Six Largest Commercial Banks, Selected Indicators, 1996–2000 .....	96
39.	Commercial Banks and Branches of Foreign Banks .....	97
40.	Official Exchange Rates, 1996–2000 .....	98
41.	Direction of Trade: Exports and Imports, 1995–99 .....	99
42.	External Trade in Goods by Economic Branches, 1996–99 .....	100
43.	Balance of Payments, 1996–2000 .....	101
44.	Selected International Liabilities, 1996–2000 .....	102
45.	Disbursements and Payments on Medium- and Long-term Public and Publicly-guaranteed Debt, 1997–2001 .....	103
46.	Gas Supply and Arrears, 1997–2000 .....	104
47.	Transformation of Property, 1996–2000.....	105
48.	Housing Privatization, 1996–2000.....	106

Belarus: Basic Data, 1995-2000 (June)

	1995	1996	1997	1998	1999	2000	
						Q1	Jan-Jun
<b>Social and demographic indicators</b>							
Population (in thousands)	10,246	10,235	10,300	10,179	10,019	10,009	...
Urban	7,061	7,071	7,214	...	6,985	...	...
Rural	3,236	3,793	3,869	...	3,034	...	...
Population density (inhabitants per sq. km.)	50	49	49	...	48	48	...
Life expectancy at birth (in years)	68.6	...	69.0	...	67.9	...	...
Infant mortality rate (per thousand)	13.3	12.6	12.1	...	11.5	9.2	...
Annual population growth rate (in percent)	-0.3	-0.3	0.6	-1.2	-0.3	...	...
GDP (in millions of U.S. dollars) 1/	10,389	13,857	13,595	14,555	11,561	3,266	6,349
GDP per capita (in U.S. dollars) 1/	1,014	1,354	1,320	1,430	1,154	...	...
(Percentage changes in constant prices)							
<b>Output</b>							
GDP	-10.4	2.8	11.4	8.4	3.4	6.1	4.0
<i>Of which:</i>							
Industry	-10.2	4.1	16.5	8.7	8.3	6.0	5.6
Agriculture	-2.5	1.4	-5.9	-0.9	-9.1	-9.2	-7.5
Industrial production	-11.7	3.5	18.8	12.4	10.3	7.5	5.6
(Percentage changes)							
<b>Prices and Wages</b>							
Producer prices (end-of-period; year-on-year)	122	31	91	200	239	168	190
Consumer prices (end-of-period; year-on-year)	244	39	63	182	251	212	191
Average wage, excluding kolkhozes	669	61	88	105	250	289	202
Minimum wage (end-of-period; year-on-year)	200	67	100	75	4,043	2,800	1,350
(In U.S. dollars)							
Average monthly wage (end-of-period) 1/	88	103	108	83	110	107	92
Minimum wage (end-of-period) 1/	5	6	7	4	46	34	23
(In percent of GDP)							
<b>General government finance 2/</b>							
Revenue	31.0	30.0	29.0	44.5	45.7	52.3	37.9
Expenditure 3/	33.7	31.6	29.6	44.8	49.7	55.0	40.3
Balance 3/	-2.7	-1.6	-0.6	-0.3	-2.2	-2.7	-2.4
(Percentage changes from previous period)							
<b>Money and credit</b>							
Rubel broad money	292	67	103	130	195	195	172
Banking system net domestic credit 4/	160	59	116	300	143	174	216
Refinance rate (percent per annum, end-of-period)	66	35	42	48	120	150	90
(In millions of U.S. dollars; unless otherwise indicated)							
<b>Merchandise trade</b>							
Exports of goods	4,803	5,790	7,383	7,138	5,949	1,679	...
Imports of goods	-5,469	-6,939	-8,718	-8,488	-6,548	-1,975	...
Trade balance	-666	-1,149	-1,335	-1,350	-599	-296	...
Current account balance (in percent of GDP)	-4.4	-3.7	-5.8	-5.9	-2.0	-4.1	...
Exchange rate (in rubels per U.S. dollar; end-of-period) 5/	12	16	31	107	320	434	675
(in rubels per U.S. dollar; period average)	12	13	26	46	250	382	457
Gross convertible official reserves	377	369	394	345	309	294	367

Sources: Belarusian authorities; and IBRD.

1/ Measured at the official exchange rate.

2/ Based on data according to the functional classification. Data for the first half of 2000 refer to preliminary data for January-May, excluding the Social Protection Fund.

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

4/ Unadjusted for exchange rate variation.

5/ Data have been revised backward to reflect the redenomination of the rubel on January 1, 2000, which removed three zeros from the currency.

## I. OVERVIEW

1. The government continues to control or intervene in most aspects of the Belarusian economy. This is done either directly, through the ownership of productive assets and banks, or indirectly, through the channeling of resources to priority sectors and pervasive administrative controls. Government intervention has inhibited the development of a dynamic private sector. It also clouds the analysis of fiscal developments. While officially-recorded fiscal deficits have been relatively low over the past few years, monetary policy has traditionally accommodated the financing of strategic but inefficient sectors of the economy, such as agriculture. Therefore, the officially-measured fiscal deficit becomes a poor measure of the extent of fiscal activities.

2. Given Belarus' relative openness and extreme dependence on Russian markets, economic activity slowed down substantially in the aftermath of the Russian crisis, with output growth falling from about 8½ percent in 1998 to 3½ percent in 1999. With the slowdown in external and domestic demand, both exports and imports contracted substantially, resulting in a drop of the current account deficit from 6.1 percent of GDP in 1998 to 2.2 percent of GDP in 1999. The authorities responded by relaxing monetary policy. Despite the continued use of price and exchange rate controls, this policy led to an acceleration in inflation (to about 250 percent at the end of 1999) and a depreciation of exchange rates in the parallel markets. There was little progress with respect to structural reforms in 1999, especially regarding price liberalization and privatization.

3. Faced with an increasingly destabilized macroeconomic environment, at the end of 1999, the authorities set out to change their economic policy stance, seeking to reduce inflation and to unify the multiple exchange rates at a gradual pace. Their economic program for 2000 targeted an end-period inflation rate of 90 percent, and output growth of 3 percent. To achieve these objectives, the authorities aimed to limit the average growth rate of rubel broad money to 4 percent per month and the annual fiscal deficit to 1.7 percent of GDP.

4. Compared to the original economic program, the results for the first half of 2000 were mixed. Largely driven by the strong recovery of Belarus' largest trading partner, Russia, output grew by 4 percent. The faster depreciation of the official exchange rate and several steps toward liberalizing the parallel foreign exchange market led to a significant narrowing of the spread between official and parallel rates (from 180 percent at the beginning of the year to about 25 percent by end July).<sup>1</sup> The tightening of monetary policy at the beginning of 2000 was associated with a return to positive real interest rates. However, while inflation has come down (end-period inflation was 54 percent during the first half of the year compared to 86 percent during the same period in 1999), the National Bank of Belarus (NBB) relaxed its

---

<sup>1</sup> The National Bank of Belarus merged the main and additional trading sessions at the Belarusian Currency and Stock Exchange in mid-September, and announced that, from then on the official rate would be determined by supply and demand.

monetary policy again in the second quarter of 2000 in order to accommodate a government's directive for commercial bank lending to the agricultural sector. As a result, rubel broad money grew by 7.6 percent on average per month during the first half of 2000, substantially exceeding the authorities' original target. The fiscal position was also weaker than anticipated. With revenues performing below budget, the adjusted general government deficit for the first five months of the year (including quasi-fiscal operations) reached 2.4 percent of GDP.<sup>2</sup> At the same time, the government faced difficulties in financing its operations and had to cut expenditures. While there was less external financing than anticipated, banks' tighter liquidity position during the first half of the year complicated the placement of domestic debt instruments.

5. The remaining sections are organized as follows: Chapter II covers recent economic developments through the first half of 2000. Chapter III provides an assessment of vulnerabilities in the Belarusian banking system, also taking into account the potential short-term impact of a tightening of monetary and fiscal policies as well as exchange rate unification. Chapter IV discusses dollarization in Belarus. Chapter V describes recent developments toward the creation of an economic union with Russia.

6. The long-term growth prospects for Belarus will depend—to a large extent—on the creation of an environment that is conducive to private sector activity, entrepreneurship, and investment, including by foreigners. Chapter VI describes the current business environment and the existing obstacles to reach these objectives. Chapter VII describes key aspects of the current safety net, its shortcomings, and the government's reform effort. Agriculture plays a key role in the Belarusian economy. As in other parts of the economy, the involvement of the government in the sector is large. Chapter VIII describes the lack of progress in agricultural reform, especially with respect to land reform and the development of private sector farming.

## II. RECENT ECONOMIC DEVELOPMENTS

### A. Real Sector

#### Developments in 1999

##### *Overall economic activity*

7. Economic activity slowed down markedly in 1999. Real GDP expanded by only 3½ percent, compared to 8½ percent in 1998 and 11½ percent in 1997. Year-on-year growth was sluggish during the first quarter (1½ percent) but gained pace toward the end of the year, reaching 6½ percent during the fourth quarter.

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<sup>2</sup> This figure excludes the Social Protection Fund.



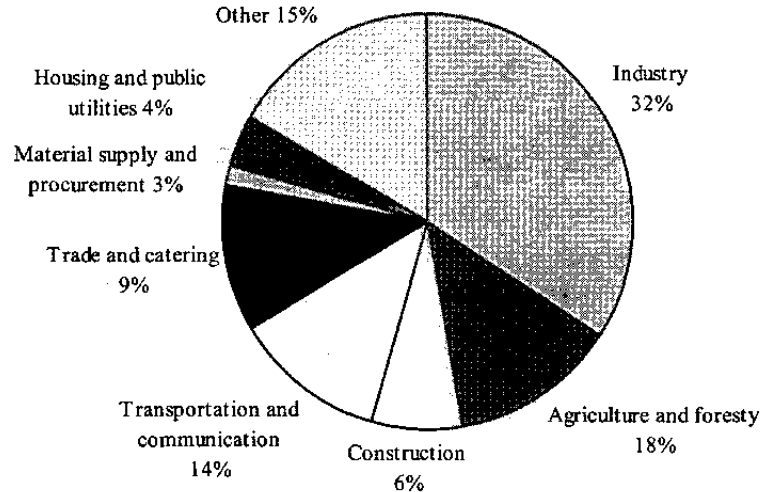
8. A combination of domestic and external factors affected output growth in 1999. Externally, exports to Russia, which accounted for more than 50 percent of total exports, fell sharply during the second half of 1998, in the wake of the Russian crisis. Demand for Belarusian products was weak throughout 1999, showing signs of recovery only during the final quarter, with the revival of economic activity in Russia. Domestically, positive growth was maintained by a continuation of government-directed programs to boost consumption and an expansionary monetary policy. Public consumption increased by 2 percent and private consumption by 5 percent in real terms compared to 1998. However, capital investments could not be stimulated sufficiently by the country's strategy of money-led growth. After two years of double-digit growth, gross capital formation fell by almost 14 percent in 1999, including a significant reduction in the stock of inventories. Net of the change in inventories, capital investments fell by 5½ percent.

9. The industrial sector was the major source of output growth in 1999 given its large share in GDP (Figure II.1). Industrial value added expanded by almost 8½ percent, while construction stagnated at the 1998 level, despite extensive lending programs for housing. Trade grew by more than 9 percent year-on-year, followed by the transport sector, which grew by about 3 percent during the same period. By contrast, agriculture contracted by 9 percent in 1999, as Belarus experienced its second consecutive bad harvest. Within industry, machine-building, metalworking, wood-working and the food industry were the main contributors to Belarus' growth performance in 1999, with value added growth reaching double-digits. While the decline of the agricultural sector was partly due to bad weather conditions, it also reflected a steady deterioration of the capital stock, and the distorted incentive structure in the sector (price controls, collective farming, and state-ownership of land).<sup>3</sup> With the exception of 1996, agricultural output has been falling since 1993.

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<sup>3</sup> For a more detailed analysis, see Chapter VIII.

Figure II.1. Belarus: Composition of GDP, 1999  
(In percent)



Source: Belarusian authorities.

### *Inflation*

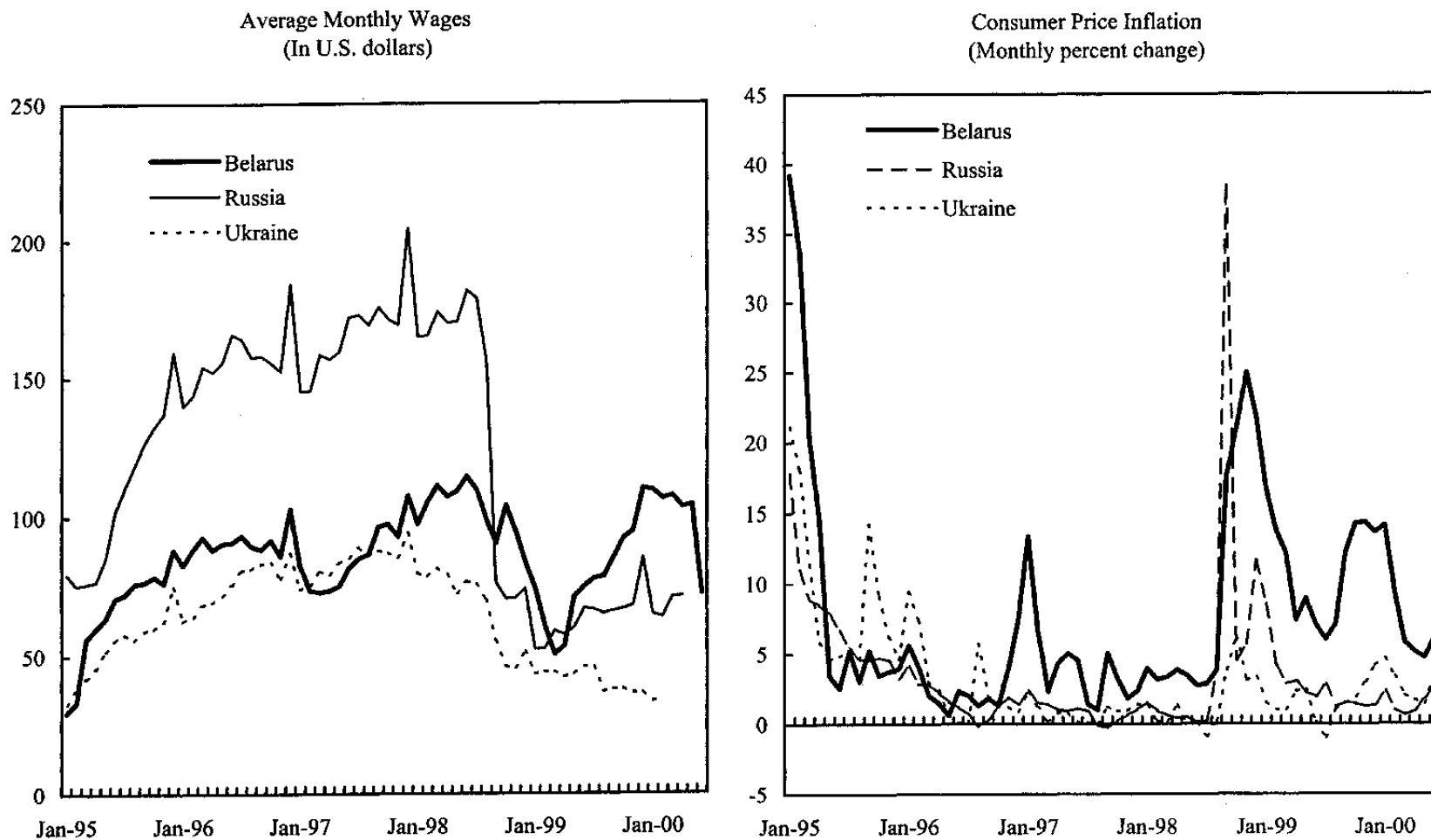
10. Output growth in 1999, however moderate, came at the expense of high inflation, notwithstanding extensive price controls. The twelve-month rate of consumer price inflation remained at triple digits (251 percent) at end-December, with consumer price inflation for the year as whole averaging 294 percent. This was well above average consumer price inflation in 1998 (73 percent) and 1997 (64 percent) and compares unfavorably with inflation performance in neighboring CIS countries (Figure II.2).

11. High and rising inflation was primarily the result of Belarus' expansionary monetary and credit policies. Furthermore, whereas in the past the economy could run a current account deficit that partially absorbed inflationary pressures generated by the expansionary monetary policy, during most of 1999 access to import financing to partially offset excess demand was not available due to the Russian crisis. Despite continued exchange controls, price pressures also resulted from a sharp depreciation of the rubel against the U.S. dollar in nominal terms in 1999, both in the official and parallel markets. Finally, inflation was also fueled ex-post by wage adjustments intended to offset losses in real household income.

### *Wages*

12. For the fourth consecutive year, real wages (adjusted for CPI increases) were raised with a view toward restoring the level of real income achieved during the Soviet era. In 1999, period average real wages grew by about 4 percent year-on-year, which was again achieved through backward-looking wage indexation for low income groups and several adjustments

Figure II.2. Belarus: Inflation and Wages in Selected Countries, January 1995-June 2000



Source: Belarusian authorities; and Fund staff estimates.

in all other public sector wages in the economy. The latter were raised by 35 percent each time, in January, May, and in several smaller steps during October–December 1999. The average nominal monthly wage in the public sector, therefore, rose by 277 percent compared to 1998, reaching Rbl 24,000 or \$41 (measured at the parallel exchange rate).<sup>4</sup>

13. Wage developments in the public sector put considerable pressure on private sector wage policies, including parastatals. The private sector average nominal monthly wage rose by about 320 percent during 1999 and reached the level of Rbl 19,500 or \$33 (measured at the parallel exchange rate).

14. Despite considerable wage increases during the year, the salaries in some sectors, including agriculture and social services, were below subsistence level at end-December 1999. Moreover, a positive increase in public and private sector rubel real wages masked a stagnation in living standards. In U.S. dollar-terms, period average wages in the economy as a whole fell to \$34 from \$50 in the previous year (measured at the parallel exchange rate).

15. Formal unemployment, as registered at local labor exchanges, was reported at 2 percent for 1999, roughly unchanged from the 1998 level. However, estimates suggest that hidden unemployment is much higher in Belarus, reaching at least 10 percent, with considerable regional variations. Unemployment benefits amounted to Rbl 5,200 or \$5 per month (measured at the parallel exchange rate) in May 2000, falling significantly short of the prevailing minimum subsistence budget of Rbl 39,000.

### *Enterprise profitability*

16. Continued price controls on both products and producers, and the distortions in the exchange rate system worsened enterprises' financial position during 1999 following some relief toward the end of 1998. The hike in the international price of oil and the continued government-directed diversion of funds to agriculture and housing also contributed to the deterioration of enterprises' balance sheets. The number of loss-making enterprises increased by 6 percent in 1999, to 17 percent of the total. Furthermore, interenterprise arrears remained high, at 37½ percent of GDP. Against this background, output levels continued to be maintained through barter transactions, often associated with implicit subsidies in the agreed-upon relative price.

### **Developments in 2000**

17. During January–June 2000, real GDP grew by 4 percent, compared to the same period last year. Industry was again the driving force behind growth (5½ percent). At the same time, agriculture continued to contract (minus 7½ percent), making it increasingly

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<sup>4</sup> The parallel rate used as reference is the domestic non-cash interbank rate outside the Belarus Currency and Stock Exchange.

unlikely that the sectoral growth target for the year as a whole (8–9 percent) will be achieved despite continued financial support to the sector. Transportation also fell by 15½ percent during the first half of the year, while retail trade turnover and the service sector expanded by about 11 percent and 1 percent, respectively.

18. On the expenditure side, exports started growing again in the first half of 2000, following the recovery of the Russian economy. Due to high oil prices, however, the trade balance deteriorated sharply. Investments grew by 4½ percent, in line with overall GDP growth, this time reflecting the build-up of significantly larger stocks (100 percent growth during January–May). Preliminary estimates suggest that consumption was up by about 6½ percent. An expansion of housing construction by more than 25½ percent reflected continued large-scale directed lending programs in this area.

19. Consumer prices rose by 8 percent per month on average during January–June 2000, compared to 11 percent in 1999. On cumulative terms, consumer price inflation rose to 54 percent during the same period. As in the previous year, high inflation reflected Belarus' loose monetary policy stance and exchange rate depreciation, while high international oil prices also added pressure on prices. Mandatory ceilings on monthly price increases ranging from 5 to 17 percent for different products may also have fueled inflation. As long as the average monthly inflation is below the ceiling, this administrative measure provides enterprises with the incentive to make precautionary price adjustments. Compared to 1999, average monthly inflation slowed down somewhat in 2000, falling from 14 percent in January to 6 percent in June. This partly reflects some tightening of monetary policy and the relative stability in the non-controlled segments of the foreign exchange market.

20. In January and May 2000, the reference wage of the Belarusian wage system was raised by 50 and 15½ percent, respectively, reaching Rbl 5,200 or \$5 per month at end-May (see Box 1 for details on the wage system). This level was equivalent to the monthly unemployment benefit at the time, but fell significantly short of the subsistence level budget.<sup>5</sup> Public sector wages were adjusted accordingly, followed by similar wage increases in the private sector. The average monthly wage reached Rbl 60,500 or \$57 (measured at the parallel exchange rate) at end-June.

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<sup>5</sup> The subsistence level budget is equal to the money income that is needed for minimum consumption.

### **Box 1: The Budget Sector Wage Grid and Wage Indexation**

The Belarusian labor legislation is being reformed at present to reflect the new labor code that was introduced on January 1, 2000. A major change currently under review is to require all sectors of the economy to adopt the state wage system, including the rigid budget sector wage grid and wage indexation. In their efforts to reform the wage system, the authorities are concerned both about the low level of real wages in the economy and the possibility that this may reflect cash side payments by enterprises to avoid taxes and social fund contributions.

The budget sector in Belarus comprises some 1 million workers. The wage grid for these employees has 28 grades, each of which is a multiple of the first grade. The first-grade wage was equivalent to Rbl 5,200 or \$5 (evaluated at the parallel exchange rate) at end-May 2000. Due to high inflation, the first-grade wage is generally reviewed quarterly and has been raised twice so far during 2000. Since the remaining budget sector wages are expressed in terms of the first-grade wage, both changes have consequently triggered wage adjustments in all of these categories. The rigidity of the budget sector wage system, particularly when adopted for the rest of the economy, is reinforced by the fact that the wage differentials as defined by the grid have to remain constant, which raises costs significantly. Only the entire grid can be moved.

In addition, wage differentials have also started to be compressed by the new system of (still backward-looking) wage indexation in Belarus. In February 2000, the government abandoned the fixed indexation ceiling of Rbl 5,000 below which wages were automatically adjusted for monthly consumer price inflation of more than 5 percent. The authorities realized that a fixed indexation ceiling could not be maintained with still high inflation. Hence, they adopted instead a moving ceiling for indexation of 50 percent of the subsistence level budget, which is periodically adjusted for inflation. At end-June 2000, the subsistence level budget was equal to Rbl 26,000 or \$27 (evaluated at the parallel exchange rate). Thus, the first-grade wage is equal to only 20 percent of the subsistence level budget and the third-grade wage is the first wage level that can cover minimum consumption. The government is planning to take measures to gradually raise the first-grade wage to the subsistence level budget by 2005.

The new system leads to wage compression because low-level wages are adjusted fully and more frequently than high-level wages. Under extremely high price pressures, wage compression is accelerated.

## **B. Public Finances**

21. The continued large role of the government in economic activity and the redistribution of income is reflected in Belarus' high tax burden. General government revenues—including social security taxes—amounted to more than 45 percent of GDP in 1999. The analysis of fiscal developments is clouded by extensive quasi-fiscal operations, which are not included in the budget (more on this below). For example, banks are regularly instructed by the government to provide loans at subsidized interest rates to targeted sectors with a questionable ability to repay. Furthermore, the public sector accounts underestimate the fiscal operations of the government due to the widespread use of cross-subsidization and the accumulation of energy arrears.

### **Developments in 1999**

22. The officially recorded general government deficit narrowed from 1.9 percent of GDP in 1995 to 0.3 percent of GDP in 1998. However, the deficit increased again to 2.2 percent in 1999, largely reflecting budgetary support to two state banks of 2.4 percent of GDP.<sup>6</sup> Including quasi-fiscal operations, the overall deficit widened to 5.7 percent of GDP, from 3.3 percent of GDP in 1998. In view of negative foreign financing (0.3 percent of GDP), the deficit was financed largely through central bank credit (about 2.5 percent of GDP).

23. The deterioration in the general government position in 1999 took place despite an improvement in revenue collection of 1.2 percent of GDP. Payroll taxes improved from 0.9 percent of GDP to 1.6 percent of GDP because local governments were able to levy additional taxes. Other taxes on goods and services increased from 0.4 percent of GDP to 1.9 percent of GDP after local governments started to impose their own sales taxes. During the same period, property taxes fell from 1.3 percent of GDP to 0.6 percent because property values were not revalued in 1999, despite an annual average inflation rate of some 295 percent. Collection of the personal income tax fell from 3.7 percent of GDP in 1998 to 3.1 percent of GDP in 1999, largely as a result of an increase in the nontaxable threshold. A drop in excise taxes from 3.9 percent of GDP to 3.4 percent of GDP was attributed to lower retail sales and the slow depreciation of the official exchange rate, since excises are levied in euros per physical unit.

24. Despite lower capital expenditure in real terms, overall expenditure for the consolidated budget climbed by 3.1 percent of GDP in 1999, mostly on account of support to two state banks. Higher expenditure on housing construction (0.9 percent of GDP) and the road fund (0.4 percent of GDP), also contributed to magnify overall expenditures.

### **Developments in 2000**

25. The general government performed poorly during the first five months of the year, posting a deficit of 2.4 percent of the period GDP, compared to a full-year target of 1.7 percent of GDP, reflecting a marked shortfall in revenue. Actual revenue collection amounted to 37.9 percent of GDP for the first five months of the year, compared to the budgeted level of 39 percent of GDP, and 41.7 percent in the same period in 1999. The revenue shortfall can be attributed largely to lower profit and excise taxes reflecting a deterioration in enterprise profitability and lower collection of excises from the sale of gasoline and vodka. Expenditures for the first five months of the year were broadly in line with the level of real expenditures in 1998 and slightly below budget. While both capital expenditure and spending on education exceeded the budgeted amounts, expenditures by

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<sup>6</sup> The assessment of the banking sector situation presented in Chapter III suggests that the inclusion of the capital support is a more realistic measure of the fiscal position of the general government.

budgetary funds, on social policies and other miscellaneous expenditures fell short of the budgeted levels.

26. The financing of the operations of the government during the first five months of the year was tighter than envisaged in the budget. The faster-than-budgeted depreciation of the official exchange rate<sup>7</sup> increased the domestic currency equivalent of external amortization payments. The burden of the amortization payments was aggravated by the absence of external financing, as originally anticipated inflows of official financing did not materialize. The government also experienced difficulties in placing debt instruments domestically, owing to the tighter liquidity position of the banking system. In addition to the impact of the tighter monetary policy on the banking system's liquidity, especially at the beginning of the year, banks' liquidity situation was affected by their continued quasi-fiscal operations, including mandatory lending to the agricultural sector (see Chapter III). While direct credit from the NBB was in line with the budgeted target for the year of Rbl 76 billion, the government reduced its deposits with the NBB to finance its operations.

#### *Quasi-fiscal operations*

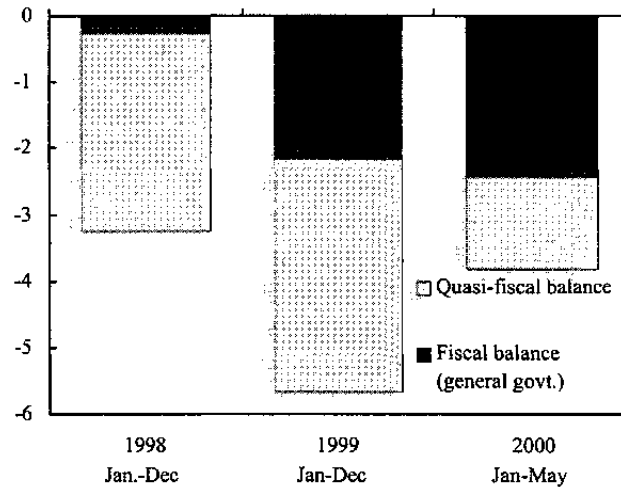
27. Similarly to some other CIS countries, a significant part of the government's fiscal operations are not captured in the budget. A key component of such operations are the quasi-fiscal activities of the banking system and (until the year 2000) the NBB, providing subsidized credit to priority sectors, notably to agriculture and construction. Loans to agriculture are frequently at a notional interest rate of 2 percent, while the construction sector has access to financing at 50 percent or less of the refinancing rate. These quasi-fiscal activities amounted to about 3.3 percent of GDP in 1999, raising the overall fiscal deficit (including these operations) to 5.5 percent of GDP (Figure II.3). In early 2000, the Belarusian authorities improved the transparency of these operations, by including on budget the amount related to directed credits of the NBB to selected sectors. Nevertheless, commercial banks continue to be instructed to provide subsidized credit to priority sectors. It is estimated that during the first five months of the year, quasi-fiscal operations amounted to 1.4 percent of GDP, bringing, the overall fiscal deficit for the same period to 3.8 percent of GDP.

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<sup>7</sup> The 2000 budget considered an end-of-period exchange rate of Rbl 575 per \$ while by mid-year the rate was already at Rbl 675 per \$.



Figure II.3. Belarus: Fiscal Operations  
(In percent of GDP)



### *Treasury system*

28. In order to improve the planning and execution of fiscal policies, the Belarusian authorities have introduced a new Treasury system.<sup>8</sup> The objective of the new Treasury system is to improve the collection of revenue, the financing of expenditures, the accounting of financial transactions, and the preparation of accounting reports. The new system allows the direct financing of expenditure from a unified Treasury account. While in the past cash flows were channeled from the Ministry of Finance to the respective line ministries, and from there to the spending units before they finally reached those who provided the goods and services, the new system channels the resources directly to the suppliers via local agencies of the state treasury. The new system represents a major improvement, as it will make it possible for the Ministry of Finance to (i) concentrate resources at the unified treasury account; (ii) increase the flexibility to allocate resources efficiently; (iii) make more precise projections of cash budget execution; (iv) carry out preliminary control over primary documents that prove validity of amounts requested; (v) accelerate the pace of settlements with suppliers; and (vi) provide the respective ministries and spending units with timely information about the execution of the budget.

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<sup>8</sup> The establishment of a new Treasury system is based on the Government's Act no. 846 of 1993. The latest changes to the Treasury system were implemented at the beginning of 2000.

## C. Monetary Sector

### Developments in 1999

29. Since the beginning of 1996, monetary policy had been subject to the broader policy goals of the government, providing subsidized and directed credit to selected sectors of the economy. As a result of the accommodating monetary policy, rubel reserve money and rubel broad money increased rapidly. This trend accelerated in 1999, when rubel broad money increased by 195 percent. The associated high rates of inflation exacerbated the process of dollarization of the economy, as foreign currency deposits increased by some 25 percent (see Chapter IV). Monetary expansion came on the heels of a marked increase in rubel net domestic credit from the central bank, by 220 percent (Rbl 87 billion) compared to 95 percent in 1998. As in previous years, the major source of credit expansion was NBB net rubel credit to the government, which increased by some Rbl 83 billion. Most of this credit (some Rbl 79 billion) was to provide soft loans to the construction and housing sector.

30. Although in 1999 the NBB abstained from engaging directly in the financing of the spring sowing campaign—as had been standard practice in the previous years—it continued to support specific sectors indirectly, for example through the extension of exemptions from statutory reserve requirements to banks lending to agriculture. Whereas the statutory reserve requirement for rubel and foreign currency deposits stood at 16 percent at the beginning of 1999, the effective rate for both types of deposits was about 12 percent, falling to less than 10 percent by mid-year. A subsequently tougher stance of the NBB increased compliance somewhat, but by the end of the year the effective rate amounted to only 11.5 percent.

### Developments in 2000

31. At the beginning of 2000, the NBB began tightening monetary policy somewhat. While the NBB continued to provide direct credit to the government, it was expected to be limited to the amount stipulated in its Monetary Guidelines and Credit Policies (Rbl 76 billion), increasing the transparency of NBB operations. Although the NBB was able to keep the allocation of gross credit to the government within the limits established in the Guidelines during the first six months of 2000 (1/12 of the total amount per month), net credit to government grew by almost 58 percent during the same period, due to the drawdown in government deposits. In order to offset the higher-than-programmed injection of rubel reserve money, the NBB initially mopped up liquidity through the mobilization of deposits from commercial banks and the issuance of short-term securities. Because of the high costs

of such a policy and the adverse implications for its profitability, the NBB subsequently increased the statutory reserve requirement on rubel deposits from 16 percent to 17 percent in February, and to 19 percent in April.<sup>9</sup>

32. While rubel broad money growth was somewhat constrained earlier in the year, it started to accelerate from March onward, reaching 15.5 percent in June. In the first half of the year, rubel broad money grew on average by 7.6 percent per month. This was far in excess of the NBB's target of 4 percent monthly growth for the year, although lower than during the same period in 1999. The monetary expansion in June was largely driven by a government's directive instructing banks to provide a total of Rbl 35 billion in credit to the agricultural sector to finance the harvest. Given the tight liquidity position of the banking system, banks were forced to sell foreign exchange to the NBB in exchange for rubel liquidity to fulfill the directive. This "forced" demand for rubels by the banking system contributed to the relative stability in the parallel foreign exchange market despite the acceleration in money growth.

33. While the NBB regained formal independence on June 1, 2000,<sup>10</sup> the government has continued to influence monetary policy through its practice of instructing public and private banks to make loans to selected sectors of the economy irrespective of their ability to repay. In order to accommodate the latest directives of the government, the NBB revised upward both its annual target for net reserves accumulation and for average monthly growth of rubel broad money in 2000 (the latter from 4 percent to 6.5 percent).

### *Interest rate policy*

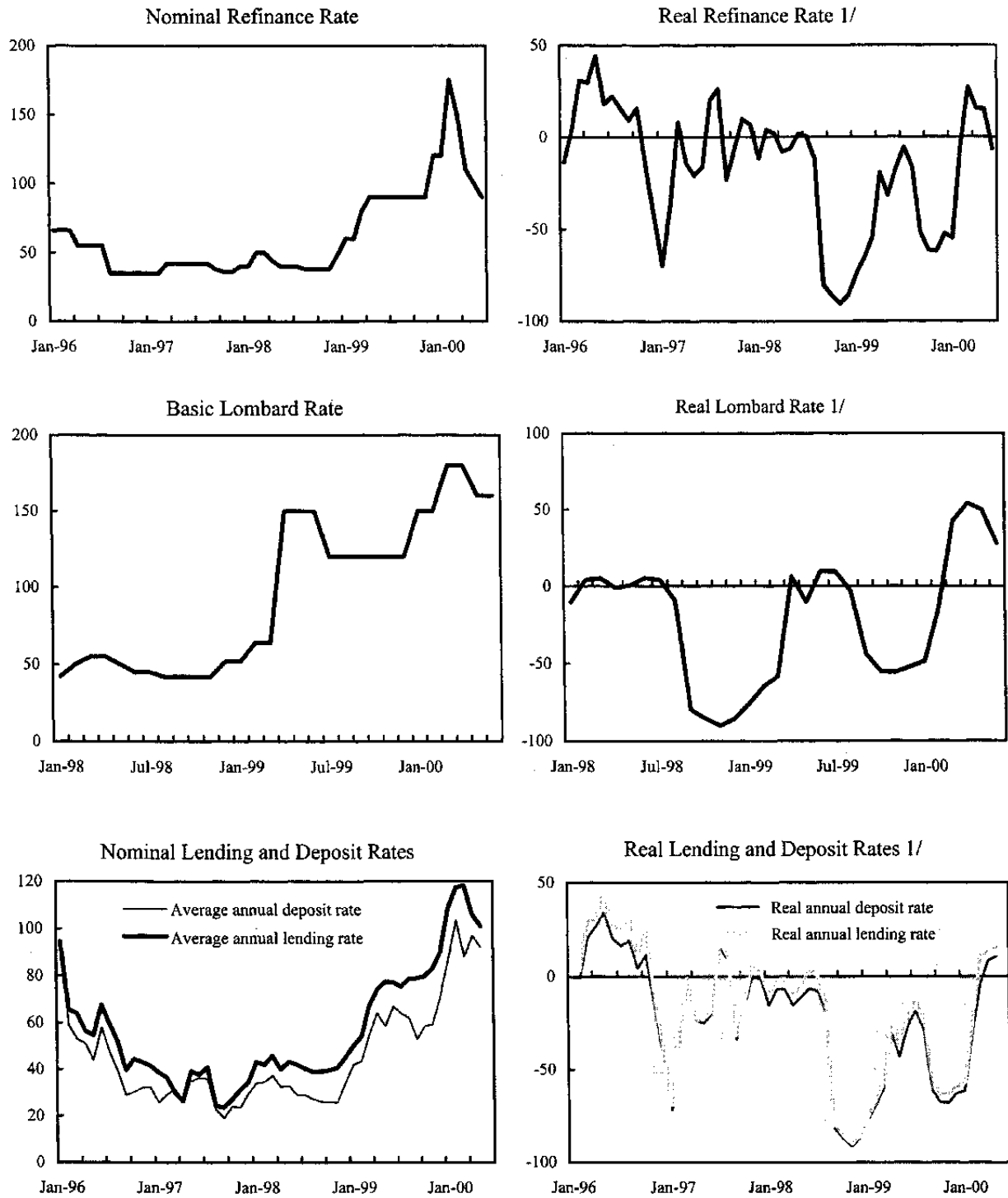
34. In order to return to positive real interest rates, the NBB increased its basic refinance rate from 120 percent at the end of 1999 to 175 percent in February 2000. However, in view of declining monthly inflation rates, the refinance rate was lowered to 90 percent in June. Lombard rates have remained high compared to the refinance rate, amounting to 160 percent for 14 days funds in June (Figure II.4). The return to positive real interest rates has boosted deposit mobilization. In addition, the spread between real deposit and lending rates has widened again, reversing the trend of a compressed interest rate structure. The role of credit allocation via interest rates in Belarus is, however, still limited since certain banks continue to have access to resources at lower cost, for example, through waivers from statutory reserve requirements.

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<sup>9</sup> The statutory reserve requirement for foreign deposits remained unchanged at 16 percent (see Chapter IV).

<sup>10</sup> A presidential decree cancelled a former decree that subordinated the NBB to the government.

Figure II.4. Belarus: Interest Rates, January 1996-June 2000  
(In percent per annum)



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

1/ Deflated at the contemporaneous inflation rate.

35. Primary market yields for government securities have closely mirrored the basic refinance rate. Since banks are the prime buyers of government securities, their continued mandate to provide directed credit to specific sectors in the context of tighter liquidity conditions have reduced their demand for government securities. This comes despite the fact that banks are allowed to engage in repurchase operations with the NBB at their own discretion—within specified limits—to increase their liquidity, and therefore have an incentive to purchase government securities. Unlike in 1999, the NBB abstained from buying government securities in the primary market during the first half of 2000.

#### **D. External Sector**

##### **Developments in 1999**

###### *Current account*

36. Foreign trade and services contracted sharply following the Russian crisis and did not recover for the most part of 1999. A slowdown in domestic demand and the 1998/99 payments crisis in Russia led exports and imports to decline by 17 and 23 percent, respectively, year-on-year in dollar terms. As a result, the trade deficit was cut in half, reaching \$599 million (5.2 percent of GDP). The current account deficit fell by more than two-thirds, reaching \$257 million (2.2 percent of GDP).<sup>11</sup>

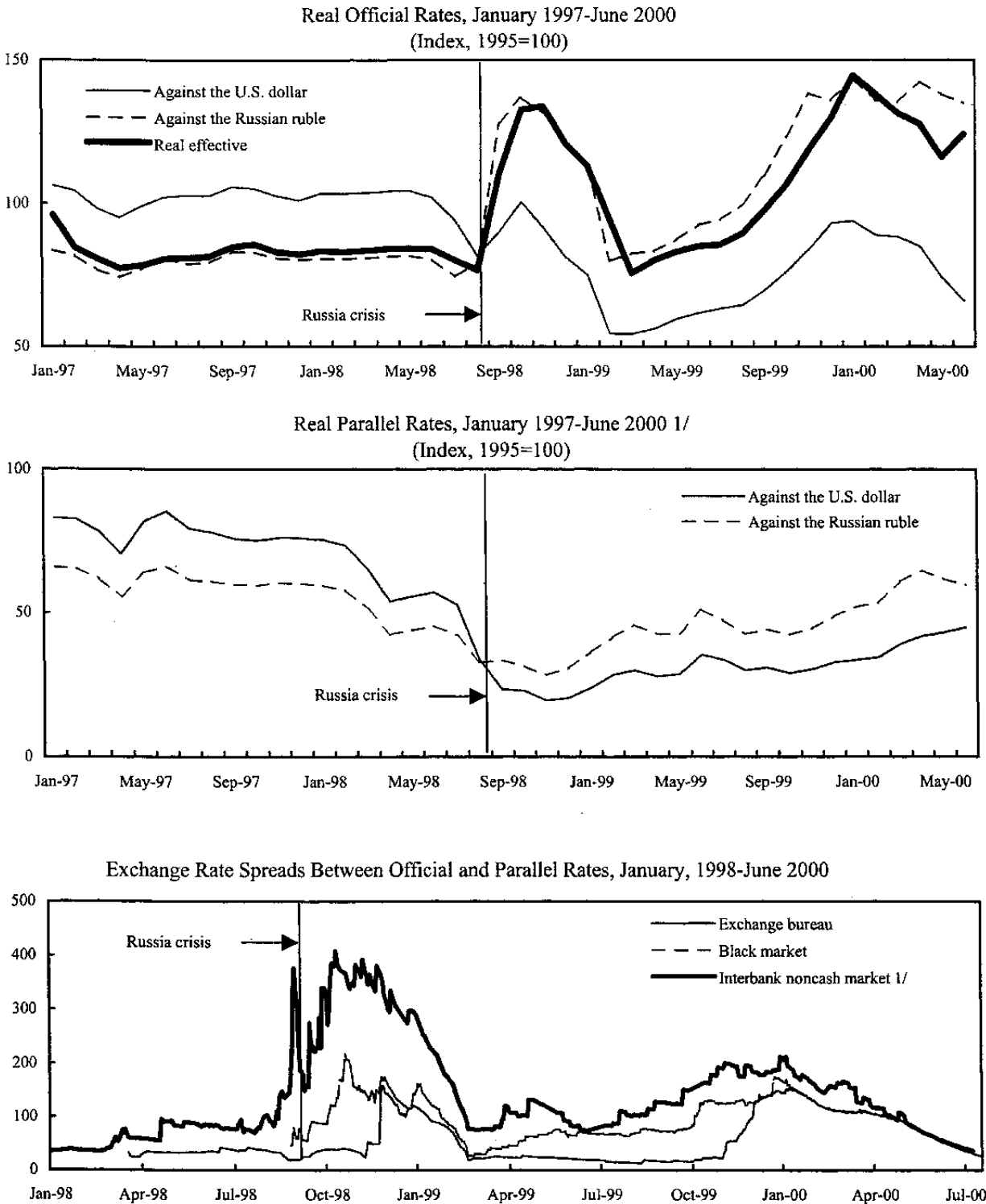
37. The competitiveness of Belarusian exports remained affected by the multiple exchange rate system, as well as by real exchange rate volatility in the wake of the Russian crisis (see Figure II.5). The 30 percent export surrender requirement—with export revenues being exchanged at the overvalued official exchange rate—was equivalent to an implicit export tax that oscillated between 15 and 20 percent during 1999, depending on the spread between the official and the parallel market rate.<sup>12</sup> The annual average real exchange rate depreciated by over 30 percent against the dollar on both official and parallel markets, but appreciated slightly against the Russian ruble. These exchange rate movements, coupled with the payments crisis in Russia, supported a reorientation of Belarusian exports toward non-CIS countries. While exports to the CIS fell by 29 percent in dollar terms in 1999, exports to the rest of the world rose by 20 percent. Nevertheless, Russia remained Belarus' largest trading partner, with an export share of 55 percent and an import share of 56 percent (Figure II.6).

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<sup>11</sup> The trade and current account deficits amounted to respectively 12.1 and 5.2 percent of GDP evaluated at the parallel market rate.

<sup>12</sup> The implicit export tax is calculated as the percentage loss in export revenue arising from the spread of the parallel over the official exchange rate, multiplied by the 30 percent surrender requirement.

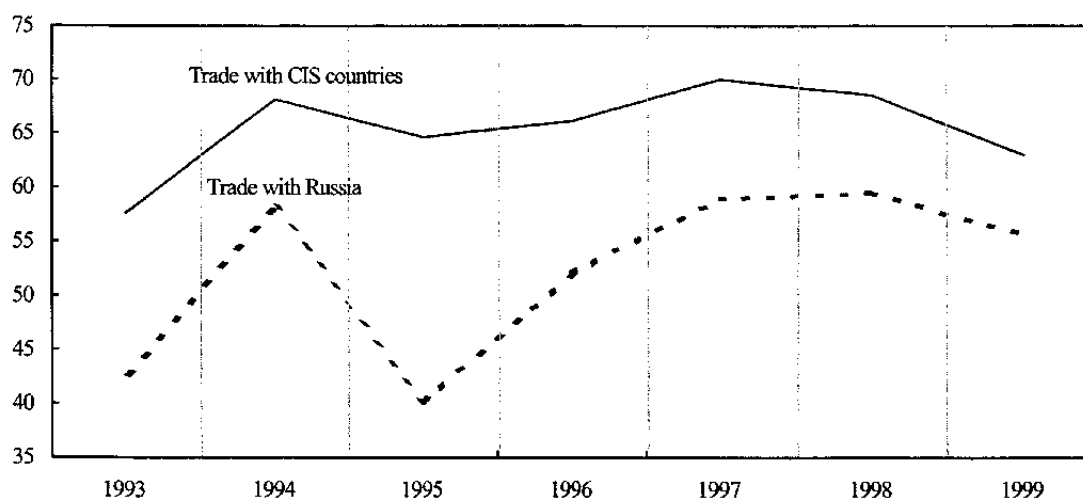
Figure II.5. Belarus: Real Exchange Rates



Source: Belarusian authorities; and Fund staff estimates.

1/ The "parallel market rate" used here is the interbank noncash market rate. Until October 1998, this rate was based on the Moscow interbank market rate.

Figure II.6. Belarus: Share of CIS Countries and of Russia in Total Trade, 1993-99  
(In percent)



Source: Belarusian authorities; and Fund staff estimates.

38. Belarus forms a customs union with Russia, Kazakhstan, the Kyrgyz Republic, and Tajikistan, although numerous restrictions remain in place. The authorities are working toward further harmonization of trade policies with Russia (see Chapter V). Although the two trade regimes are very similar, there are still inconsistencies, including price restrictions on exports of goods subject to domestic price control (mainly meat, dairy and leather) from the Belarusian side, as well as a recent measure by Russia (in March) to impose tariffs on imports from third countries on transit through Belarus, followed by a similar measure by Belarus (in August).

#### *External financing and debt*

39. External financing remained scarce in 1999. Net inflows in the capital account, mainly reflecting transfers from migrants, fell by more than half, to \$60 million. Net portfolio inflows were negative and net inflows of medium- and long-term credit were close to zero. Foreign direct investment, however, increased from \$147 million to \$224 million, mainly due to additional financing by Russia's Gazprom of the Yamal gas pipeline project. The improvement in the current account allowed an increase in the central bank's net convertible foreign assets of \$30 million. However, gross reserves remained very low at \$309 million, equivalent to about two weeks of imports.

40. While debt and debt service ratios are modest by CIS standards, Belarus is exposed to a high share of short-term debt and arrears. The total stock of foreign debt fell by about \$100 million during 1999 to \$2.3 billion at the end of the year (20 percent of GDP evaluated

at the official exchange rate or 46 percent of GDP evaluated at the parallel market rate), of which \$1.3 billion were short-term credits and arrears. Over 50 percent of medium- and long-term external liabilities are loans to the Belarusian government, while another 40 percent are sovereign-guaranteed loans to domestic banks and enterprises. Debt service on public and guaranteed debt (including the IMF) grew from \$146 million in 1998 (of which \$90 million in amortization) to \$210 million in 1999 (of which \$159 million in amortization), which amounted to 3.1 percent of exports of goods and services.<sup>13</sup>

41. External arrears were brought down by \$61 million in 1999, after the state-owned gas and electricity monopolies, Beltransgaz and Belenergo, reduced their overdue payables on imported energy by \$41 million. This brought the total amount of gas arrears (mostly owed to Russia) to \$234 million and electricity arrears (mostly owed to Russia and Lithuania) to \$96 million. Virtually all payments for energy imports are made in barter, and arrears are usually settled through offsets with industrial goods. Other arrears grew in 1999, including arrears on sovereign guaranteed debt, which rose from \$15 million to \$36 million.

### **Developments in 2000**

42. The contraction of foreign trade was sharply reversed in late 1999 and trade grew rapidly in early 2000. During the first five months, exports rose by 25 percent in dollar terms year-on-year, on the heels of the recovery in Russia and following measures in Belarus to liberalize the foreign exchange markets (see Appendix I). Imports rose by an even higher 36 percent, again partly due to foreign exchange liberalization, but also due to higher oil prices. As a result, the trade deficit widened to \$524, compared to \$205 million in the first five months of 1999. The negative trade impact on the current account balance was partly offset by an increase in transport revenues. Barter trade made up 28 percent of exports and 22 percent of imports during the first five months of 2000, down from 38 and 34 percent in the same period in 1999. The fall is partly due to the introduction of a 15 percent fee on international barter transactions in 1998 (this measure was suspended in August 2000). About a quarter of all barter transactions are imports of natural gas from Russia in exchange for industrial products from Belarus.

43. The overall balance of payments position deteriorated in early 2000 as the increase in the current account deficit was not matched by additional inflows of foreign capital. The financial account showed a deficit of \$116 million in the first quarter of 2000, reflecting a drop in FDI related to the Yamal gas pipeline project and continued scarcity of loan financing. This led to an accumulation of \$77 million in payments arrears during the first quarter, mostly reflecting renewed growth in energy arrears to Russia, but also a \$6 million increase in arrears on sovereign-guaranteed debt. Despite the weak external position, net official reserves rose by about \$45 million during the first half of 2000, as a result of purchases by the central bank.

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<sup>13</sup> Repayments to the IMF amounted to \$58 million in 1999, up from \$24 million in 1998.



## **Exchange rate developments**

44. Belarus' multiple exchange rates were subjected to large swings in the wake of the Russian crisis. The spread between the official and the parallel rate rose from 78 percent in mid-1998 to almost 300 percent at the beginning of 1999, then falling back to 74 percent in mid-1999, before rising again to 184 percent at the end of the year.

45. A number of liberalizing measures in late 1999 and early 2000 brought about important changes in the exchange rate system. The four main parallel markets—the cash market in exchange bureaus, the additional session in the Belarus Currency and Stock Exchange (BCSE), the non-cash interbank market, and the offshore market in Russia and the Baltics—were freed of most restrictions. However, by mid-2000 exporters were still required to surrender 30 percent of their export proceeds at the main session of the BCSE, using the overvalued official exchange rate.<sup>14</sup>

46. The NBB's Monetary Guidelines for 2000 stipulate further exchange liberalization and exchange rate unification during the year. In the first half of the year, the NBB pursued this goal by depreciating the official rate more rapidly. By July 31, the official rate stood at Blr 790 to the dollar, while exchange bureaus were trading dollars for Blr 980, a spread of 24 percent, compared to 184 percent at the beginning of the year. Moreover, the four parallel exchange rates converged to within less than five percent of each other. They remained relatively stable in nominal terms and appreciated in real terms during the first half of 2000, reflecting tighter monetary policy, the accelerated depreciation of the official rate, and the shift from the black market to the exchange bureaus in the wake of liberalization.

## **E. Structural Policies**

47. There have been no major strides in advancing structural reform. The state continues to control or intervene in most aspects of the economy, either directly or indirectly, through public ownership, the legal and regulatory framework, administrative restrictions, price and wage controls, foreign trade and exchange restrictions, and monetary and credit policies. The overall business environment continues to be marred by an unstable legal and regulatory framework, which remains one of the most important structural problems in Belarus (see Chapter VI).

48. There has been no progress in price liberalization; extensive price controls continue to affect all enterprises in Belarus. The government regulates prices of 26 "strategic enterprises", such as the domestic suppliers of fertilizer, glass, and cement. Also, the prices for "socially important goods" continue to be fixed. They include five categories, one each

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<sup>14</sup> The main session was merged with the afternoon session in mid-September 2000. The NBB announced that from then on, the official rate would be determined by supply and demand during the merged session.

for bread and a number of dairy products, two categories for meat products, and finally vodka. In addition, ceilings on monthly price increases are imposed on all enterprises and therefore apply to all other products.

49. Housing and communal services continue to be heavily regulated. Although rents were adjusted upwards by 11 percent in July 2000 and utility rates rose by 11–40 percent at the same time, households still cover significantly less than 25 percent of the costs of housing and communal services. The monthly rent for a 100-square meter apartment, for example, stood at less than 50 cents during July 2000 (measured at the parallel exchange rate). Gas cost 7 cents per tenant per month during the same period. More generally, cost recovery rates vary from 13 percent for communal services (including housing, electricity, and heating) to an average of 20 percent for all regulated goods and enterprises.

50. Little has been achieved on privatization. The Belarusian government still runs a long list of 960 enterprises that are not to be privatized on account of national interest. Also, no efforts have been made to pursue small and medium-size or communal enterprise privatization. In this area, decisions are at the discretion of very reluctant local authorities. Hence, after almost a decade of transition, even small-scale privatization is only half completed. About 50 percent of vouchers issued to the public have been used so far.

51. Large-scale enterprise privatization has not progressed significantly. Most companies, including joint stock companies, remain majority state-owned. This is partly the result of substantive involvement of workers collectives in the privatization process. Nonetheless, the privatization plan for 2000 includes the transfer of some 170 republican and 300 communal enterprises into private hands. It also includes the transformation of 50 state enterprises into joint-stock companies following the recent revaluation of the outstanding stock of vouchers to Rbl 1,200 each. Although a new bankruptcy law was adopted in July 2000, there are major uncertainties with respect to its implementation. Finally, the golden share rule, granting the government possible interference in privatized companies' decisions, is still effective for financial institutions.

52. On the positive side, a targeted social safety net was adopted by the government on May 29, 2000, with technical assistance from the World Bank. It is expected to become operational on January 1, 2001 and could support full-scale price liberalization. Current estimates suggest that about 700,000 people would be eligible to benefits, on the basis of income declaration (see Chapter VII).

### III. AN ASSESSMENT OF BANKING SECTOR VULNERABILITIES<sup>15</sup>

#### A. Background

53. Belarus converted to a two-tier banking system during 1991. The former Belarus branch of Gosbank (the Soviet Union's state bank) was transformed into a central bank, the National Bank of Belarus (NBB), while branches of the former USSR specialized banks—Savings Bank, Agroprombank, Promstroibank and Vnesheconombank—were converted into specialized commercial banks. In 1996 the Savings Bank was merged with the private Belarus Bank, thereby becoming the largest bank in the system, holding more than 50 percent of household deposits. Belagroprombank and Belarusbank jointly account for over 51 percent of all banking sector assets.

54. The NBB refers to the former Soviet banks and two newer “universal” banks—Priorbank and Belbusinessbank—as the six “system-forming” banks.<sup>16</sup> These banks collectively account for 85 percent of total banking system assets, 87 percent of enterprise lending and over 90 percent of lending to households and household deposits (Table III.1). The state directly owns a majority share in three of these banks and a significant minority share (a minimum of 35 percent in the case of Priorbank) in the others.<sup>17</sup> The NBB itself continues to maintain a direct shareholding in several of them. Senior government officials effectively control the decision-making of the ex-Soviet specialized banks, and there is a high degree of state control in respect of their lending and credit allocation decisions.<sup>18</sup> These banks are generally considered to be non-profit enterprises with social obligations to contribute to the development of the economy, including by their senior management.

55. The rest of the banking system is highly fragmented, comprising twenty two locally-owned banks and some joint ventures. A number of the former would appear to be “pocket” banks of state-owned enterprises. For example, Belgazprombank is the subsidiary of the state-owned gas monopoly. Despite the joint-ventures, the only significant foreign presence is a branch of the Russian Mossbusinessbank. Nine banks were in administration

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<sup>15</sup> Prepared by Michael Taylor.

<sup>16</sup> Referred to in this chapter as the “core” banks.

<sup>17</sup> In practice the extent of indirect state ownership may be much higher, as most other bank shareholders are state-owned enterprises (SOEs). The EBRD has a 27 percent shareholding in Priorbank.

<sup>18</sup> Currently, the Finance Minister is the Chairman of the Supervisory Board of Belarusbank, and a Deputy Prime Minister is the Chairman of the Supervisory Board of Belagroprombank.

Table III.1. Belarus: Banks' Assets, May 2000  
(In millions of rubels; unless otherwise indicated)

	Banks that received capital support	Other "core" banks	Total "core" banks	Total all remaining banks	Total banking system
Total assets	636,406	384,010	1,020,415	182,891	1,203,306
Cash and balances with NBB	22,040	33,854	55,894	15,329	71,223
<i>of which:</i>					
Mandatory reserves	17,109	26,368	43,478	12,707	56,185
Trading securities (at market value)	12,020	32,087	44,107	36,383	80,490
Loans to banks and other credit institutions (net of provisions)	7,926	26,133	34,059	40,208	74,267
Loans and advances to central government	11,636	14,660	26,296	13,004	39,300
Loans and advances to enterprises (net of provisions)	224,128	233,181	457,309	62,077	519,386
<i>of which:</i>					
Loans and advances to state enterprises	94,151	103,294	197,445	27,679	225,124
Loans and advances in foreign currency (in millions of U.S. dollars)	122	244	365	71	436
Loans and advances to households	496	868	1,364	374	1,738
Investment securities	188	2,858	3,046	374	3,420
<i>of which:</i>					
Equity investment in financial intermediaries				7	7
Equity investment in nonfinancial intermediaries	188	2,858	3,046	367	3,413
Fixed assets (net of depreciation)	32,537	40,369	72,905	15,142	88,047
<i>Memorandum items:</i>					
NBB credit	12,391	737	13,128	1,615	14,742
Equity capital	68,731	39,740	108,471	45,308	153,780
Equity/Assets ratio	20	10	30	25	13
Total assets (valued at market rate)	735,388	482,668	1,218,055	211,646	1,429,701
Adjusted equity/assets ratio 1/	17	8	26	21	29

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

1/ The adjusted equity figure is shown net of additional provisions assessed by the NBB.

(conservatorship) as of January 2000, with the total number of banks having been reduced from 53 in 1995 to 28 as of mid-2000.<sup>19</sup>

56. Notwithstanding recently improved mobilization of deposits, especially during 2000, banking sector assets amount to approximately 15 percent of estimated 2000 GDP, among the lowest of the CIS countries. Even this figure may not be entirely accurate since, although banks were required in theory to be audited to International Accounting Standards (IAS) from 1996, there are still some significant gaps in their compliance. Most notably, there would appear to be a lack of compliance with IAS 29, financial reporting in hyperinflationary economies, which potentially could give rise to an overstatement of the banking sector's assets and liabilities, thus inflating the size of the banking sector relative to GDP.

### **B. Assessment of Vulnerabilities<sup>20</sup>**

57. The high degree of state control and ownership of the banking system reduces its vulnerability in the short-term as long as the government has the fiscal and monetary resources to stand behind the core banks. But this relative insulation from short-term vulnerabilities is achieved at the expense of the banking system's long-run viability and efficiency, and also requires periodic resort to monetary financing or fiscal injections to repair damage to banks' balance sheets. Without thorough-going structural reform the need for such interventions will continue.

58. In recent years some progress has been made by the authorities in improving the capitalization of the banking sector and in provisioning for nonperforming assets. In the first half of this year, banking system capital increased by almost 12 percent in real terms; banks' capital grew by 72 percent in nominal terms and, as of July 1, 2000, amounted to Rbl 227.4 billion. In 1999 the two main former specialized banks, Belagroprombank and Belarusbank were recapitalized, to the amount of Rbl 42 and Rbl 43 respectively (approximately 2.4 percent of GDP). This has raised their capital ratios to well above the 10 percent minimum required by the NBB.

59. However, although equity in the banking system has increased in real terms, lending by the banks increased more rapidly during the same period. Between January and June 2000, the assets of banks almost doubled and, as of July 1, 2000, amounted to Rbl 1,535 billion (approximately \$1.6 billion, valued at the parallel exchange rate), of which assets in local currency accounted for 43 percent, or Rbl 656 billion.

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<sup>19</sup> A comparison of a list of banks in administration as of January 2000 with a list for the same month the previous year indicates that the liquidation of only one bank was completed during that time.

<sup>20</sup> It should be noted that, due to confidentiality concerns, the data were not as comprehensive as would have been desirable for a full in-depth study of the banking system.

60. Despite the improved capitalization of the major banks and the NBB's adoption of a risk-based capital adequacy framework (see below), several potentially very serious sources of vulnerability remain unaddressed. In the first place, the primary borrowers from the banking system continue to be state-owned enterprises, many of which are likely to be in need of extensive restructuring. As Table III.1 demonstrates, loans and advances to state enterprises represent 47 percent of total lending to enterprises, and the true figure may be much higher given the way that the state-owned sector is classified in Belarus.<sup>21</sup> The extent to which such credit may ultimately be recoverable is at the present time difficult to ascertain, but it is likely that large unrealized credit losses currently exist within the banking system.

61. Secondly, several of the core banks—most notably Belagroprombank and Belarusbank—as a matter of policy extend loans to certain priority sectors at subsidized rates. For example, Belarusbank extends housing improvement loans at 20 percent annual interest (recently increased from 5 percent annual interest) compared with a refinance rate of 90 percent, and a cost of funds (including unremunerated reserve requirements) of approximately 155 percent.<sup>22</sup> The pressure on these banks to extend subsidized credit is increased by a series of *ad hoc* government and presidential interventions.

62. The cost of providing subsidized credit has to be borne by the government either directly on the state budget or indirectly by accepting a reduced return on its investment in the state-owned banks. The latter seems to be the preferred approach, with the result that losses on subsidized lending are recognized in banks' income statements. However, if these losses are sufficiently large, they will ultimately result in a reduction in shareholders' funds, or additional burden for the budget. In a sense, therefore, it is possible to view the recent recapitalization of two of the state banks as being merely a prepayment of a subsidy for future loss-making lending. As long as the banks continue to engage in these loss-making activities, the value of their equity will be eroded over time, thus making additional recapitalizations inevitable in the future.<sup>23</sup>

63. Other *ad hoc* government interventions, intended to secure foreign exchange for the purchase of imported grain and to provide credit to the agricultural sector, have weakened the banking sector still further. In October 1999, leading banks were required to make loans

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<sup>21</sup> For example, subsidiaries of SOEs do not appear to be classified as SOEs.

<sup>22</sup> Calculated on the basis of a deposit interest rate of 130 percent and a 16 percent reserve requirement, but excluding the need to cover operating expenses.

<sup>23</sup> The recapitalization of Belarusbank and Belagroprombank in 1999 took place less than two years after the previous one. In the most recent instance the recapitalization took the form of the conversion of government deposits into equity, whereas previously the recapitalization was accomplished through the provision of NBB credit.

totaling \$25 million for the import of grain by the government; in June 2000, these banks were required to provide a further \$31 million payable over three months for on-lending to the agriculture sector. This involved them swapping their foreign exchange assets for rubel-denominated assets with a doubtful repayment capacity, while at the same time increasing their exposure to liquidity and foreign exchange risk. These *ad hoc* interventions in support of agriculture may explain why this was one of the few economic sectors to have experienced a real terms increase in credit between 1998 and 1999 against the background of a real terms overall decline in bank credit (Table III.2).

Table III.2. Belarus: Commercial Bank Loans by Economic Sector, 1995-99  
(In billions of rubels; end of period)

	1995	1996	1997	1998	1999	1999 (in constant 1998 rubels)
Total lending	8.8	21.5	48.5	193.6	442.7	176.9
Agriculture	0.6	1.5	3.4	11.7	51.0	20.4
Industry	1.9	9.4	21.4	90.4	168.3	67.2
Construction	0.2	1.2	1.8	3.9	1.4	0.6
Trade	1.1	2.7	5.1	25.2	69.1	27.6
Housing and communal services	0.1	0.1	0.1	0.6	1.3	0.5
Households	0.3	1.5	8.9	25.0	73.0	29.2
Other	4.6	5.1	7.7	36.9	78.7	31.4

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

64. Although an unspecified proportion of banking system assets, including some of those denominated in foreign currency, are subject to governmental guarantee, the extent of these guarantees may paradoxically represent a further source of vulnerability. Lending under government guarantee has reportedly become the rule rather the exception in providing credit to the agriculture sector and, perhaps, other sectors as well. However, the extent of these guarantees may mean that the government will have difficulty in meeting its obligations should it ever be called on to do so. Where government guarantees have been offered on foreign currency denominated loans, the government's ability to obtain access to sufficient foreign exchange to honor its guarantees may be limited.<sup>24</sup> Moreover, the existence of

<sup>24</sup> In conversation a number of bankers admitted that they were unlikely to attempt to call the guarantee in the event of borrower default; some suggested that foreign currency guaranteed lending was likely only ever to be repaid in rubel, if at all.

extensive guarantees clearly represents a contingent liability on the government budget, which could have serious macroeconomic implications if it were ever to be crystallized. Since banks are unable to provision for lending that carries a government guarantee, their potential future losses could be significantly understated if ultimately it is beyond the capacity of the government to honor all the guarantees it has granted.

65. The NBB estimates that problem loans (substandard, doubtful and loss) currently amount to Rbl 110 billion, or 17 percent of all loans and 48 percent of banking system equity. Even assuming that this recognizes all banks' potential future losses—something that is doubtful given the factors mentioned above—current levels of provisioning are inadequate. Although the NBB requires 100 percent provisioning against loans classified as “loss”, this classification is applied only to lending from which there is no prospect of any further recovery (i.e. the entity to which the loan was made has been liquidated). This is a much more restrictive definition than that normally applied. Moreover, even using these criteria, the NBB estimates that there is a need for an additional Rbl 11.5 billion in provisions, over and above those already made, to meet its provisioning rules. At least one major bank has been given until 2003 to make the necessary additional provisions; the strategy with regard to the rest is unclear. In addition, although the problem of nonperforming loans has been primarily concentrated in foreign currency denominated assets, loan loss provisions have been made overwhelmingly in rubel. One implication is that the depreciation of the official exchange rate, associated with exchange rate unification, will create an even larger gap between actual and required provisions.

66. Looking ahead, banking sector vulnerability appears to be increased rather than reduced by the current policy stance. Exchange rate unification is likely to have an adverse impact on banks' financial condition on several counts. The problem of foreign currency loans being provisioned in rubel has already been mentioned. In addition, bank capital denominated in rubel will also decline relative to assets, as foreign-currency-denominated assets are revalued as a result of the unification.<sup>25</sup> Thirdly, rubel depreciation will also cause further breaches of supervisory requirements, including limits on large credit exposures. Finally, depreciation of the official rate associated with unification will impose further losses on the banks. The staff has not been in a position to form a precise estimate of the magnitude of this effect, but based on information provided by the NBB it would appear that the dollar-denominated deposits exceed banks' dollar-denominated lending by a significant margin.

67. The greatest challenge to banking system stability is, however, represented by the tighter monetary policy necessary to underpin exchange rate unification. Indeed, it is unclear whether the banking system will remain viable in the absence of readily available central bank credit given the problems of solvency and liquidity resulting from lending to unstructured state enterprises. The level of rubel-denominated nonperforming loans can in

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<sup>25</sup> Table III.1 estimates the extent of this effect, as a reduction in the equity/assets ratios in the order of 2–3 percentage points.



any case be expected to increase. To date, high levels of inflation have eased the repayment burden on borrowers in rubel, and hence the problem of nonperforming loans has been concentrated in foreign-currency-denominated lending. However, maintaining the current policy of positive real interest rates increases the burden on borrowers in rubel, thus making it more likely that the level of rubel-denominated nonperforming loans will rise significantly beyond their present levels. This will impact adversely on bank's financial soundness and current levels of capitalization may appear overstated as a result.

68. Because the problems of the banking sector are structural, most notably due to banks' quasi-fiscal responsibilities, a radical approach will be necessary to solve them. In the absence of decisive action in this area there is a significant risk that monetary tightening will result in banking system distress. To maintain consistency with the adoption of a tighter monetary policy, the costs of bank restructuring and protecting depositors will need to be met by the fiscal authorities. The extent of the likely fiscal impact cannot be established until the authorities are able to form a full and accurate picture of the financial condition of the banks. As a first step, all banks need to be audited fully in compliance with International Accounting Standards, and asset valuation rules that are more closely aligned with accepted international best practice should be adopted. In addition, banks' quasi-fiscal activities should be phased out and government involvement in, and ownership of the banking system should be reduced over time to permit market-based financial intermediation to develop.

69. Notwithstanding the absence of macroeconomic stability and market-based financial intermediation that are the normal preconditions for the introduction of deposit insurance, a scheme was introduced in Belarus in 1996. Given the continuing absence of these preconditions, it would be premature to introduce the changes to this system that are currently being contemplated by the authorities (Box 2).

### **C. Regulatory Environment and Banking Supervision**

70. The NBB has taken a number of steps recently to improve its prudential supervision. Earlier in 2000 it adopted new prudential rules on risk-adjusted capital requirements that are modeled on the European Union's directives on a solvency ratio and own funds for credit institutions.<sup>26</sup> The minimum risk-adjusted capital ratio has been set at 10 percent (the same as in Russia and several other transition economies). Of the 28 banks in Belarus, 5 did not comply with this minimum capital ratio as of 1 May 2000. Two of these banks, however, have given the NBB undertakings that they will raise additional capital and a third has been acquired by Vnesheconombank. The NBB's strategy with regard to the remaining two banks is unclear.

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<sup>26</sup> These are in turn modeled on the Basel Capital Accord.

## **Box 2: Deposit Insurance**

The normal preconditions for the introduction of a successful deposit insurance scheme are macroeconomic stability and market-based financial intermediation. Notwithstanding the absence of these conditions in Belarus, a deposit guarantee system was established there in 1996. Reflecting the difficulty of establishing a credible system of limited deposit insurance where government ownership of the banks remains widespread, the 6 "system-forming" (core) banks were excluded from the scheme. Other banks pay an amount equivalent to 0.1 percent of their deposits into a reserve fund with the NBB. Although there is a target for the fund equivalent to 5 percent of the total liabilities of the insured banks, the reserve currently stands only at approximately half this amount. NBB staff estimate that this is insufficient to cover the bankruptcy of a medium-sized bank. Although the reserve fund is held at the National Bank, it is not held in a dedicated account but is commingled with other central bank reserves. The scheme is administered by a committee of NBB staff.

Both rubel and foreign currency deposits made by households (but not enterprises or small businesses) are covered. The maximum payout under the scheme is either \$1,000 for foreign currency deposits or the equivalent of \$1,000 (calculated at the official rate) in rubel. Deposits made by a single individual are aggregated for the purpose of this calculation.

### **Proposed changes**

A draft new deposit insurance law has been prepared by a NBB working group. This envisages the creation of a deposit insurance corporation that will assume responsibility for managing a dedicated deposit insurance fund invested in government securities. The deposit insurance corporation will be run with the participation of the NBB, the banks and representatives of the relevant government ministries. (The involvement of the banks in running the scheme may give rise to conflicts of interest, and their role should ideally only be consultative. The extent of their proposed involvement is at present unclear). Both foreign currency and rubel deposits will be covered, up to a maximum of \$1,000 (or its equivalent in rubel) as at present. Since the fund's assets will be invested only in rubel-denominated securities, it will be exposed to foreign exchange risk.

A number of issues remain to be resolved, including whether the corporation should be provided with a contingent line of credit by the Finance Ministry to meet exceptional periods of demand on the fund. A further issue concerns whether the new scheme should be applied to all banks, including the core institutions. A deposit insurance scheme applying to all banks would minimize competitive distortions, but it is questionable how credible the limitation on deposit payouts would be, given the extent of state ownership of the core banks. In any event, the continuing fragile state of the banking sector and the lack of macroeconomic stability suggests that it would be inappropriate to introduce a new scheme at this juncture.

71. The NBB has also recently introduced large exposures limits, which normally require a loan to an individual borrower not to exceed 25 percent of a bank's capital. Rules on insider lending have also recently been introduced. These limit the amount that a bank can lend to all of its shareholders to 100 percent of its capital and to any one shareholder to 10 percent of capital. However, the limit on related-party lending is much higher than is the practice in most other countries, and an aggregate limit of 10–15 percent of capital is more usual. Permitting the bank's owners to borrow an amount equal to shareholders funds casts into doubt the extent to which these funds are genuinely available to meet losses.

72. Minimum paid-in capital requirements have been set at euro 2 million for national banks and euro 5 million for foreign shareholder banks with more than 20 percent foreign

ownership. Given the high degree of dollarization in the banking system (see Chapter IV), banks are being encouraged to hold at least some of their capital in foreign currency, but this is by no means universal.

73. Despite some progress in developing a prudential framework for banks, important deficiencies in supervision remain. The NBB's self-assessment against the Basel Committee's *Core Principles for Effective Banking Supervision* highlights a lack of consolidated supervision<sup>27</sup> as a major deficiency in the supervisory regime. In addition, responsibility for monitoring banks' foreign exchange exposures resides with the NBB's foreign exchange department rather than the banking supervision department. Since this prevents bank supervisors from forming a fully comprehensive risk assessment, it would be advisable for the monitoring of foreign exchange exposures to be transferred to banking supervision as soon as possible. Finally, although the prudential rules promulgated by the NBB appear relatively sound on paper, there is some evidence to suggest that they are not being applied consistently, and *ad hoc* exemptions from prudential requirements appear to be readily granted. For example, the large exposures lending limits do not seem to be widely enforced.

74. Following high levels of staff attrition in 1995–96, banking supervisors are now paid a twenty percent premium over other NBB staff. Staffing levels have since stabilized, but it is likely that much of the human capital built up through technical assistance pre-1996 will now have been eroded.

#### IV. DOLLARIZATION OF THE BELARUSIAN ECONOMY<sup>28</sup>

75. The Belarusian economy is highly dollarized.<sup>29</sup> Dollarization reflects the poor macroeconomic environment with high and variable inflation rates, but also a set of institutional characteristics that have encouraged the use of foreign currency rather than Belarusian rubels.

76. The demand for Belarusian rubels is inversely related to the level of inflation (Figure IV.1).<sup>30</sup> The lack of financial instruments that preserve the real value of portfolios of

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<sup>27</sup> This involves monitoring a bank's compliance with prudential requirements on a basis that takes into account all branches and subsidiaries of a bank (where the latter are of a financial nature).

<sup>28</sup> Prepared by Alfred Schipke.

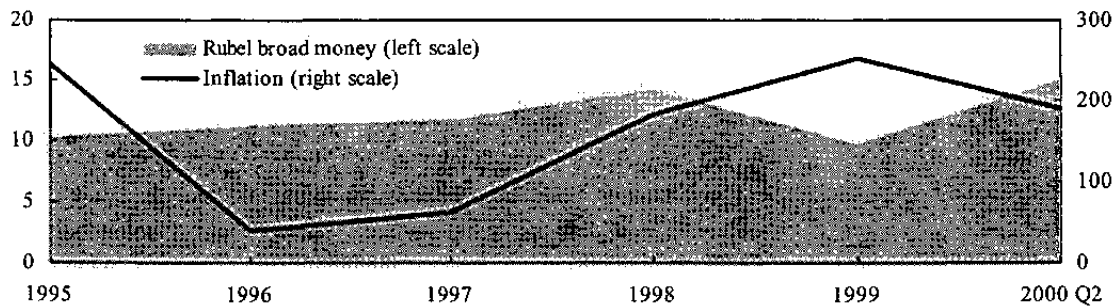
<sup>29</sup> The term dollarization is used broadly to describe the substitution of domestic currency with foreign currency and short-term instruments in foreign currency.

<sup>30</sup> In principle, higher rates of inflation do not necessarily have to be associated with currency substitution. Countries with developed financial markets and instruments that allow

(continued...)

residents has encouraged Belarusians to seek assets and instruments in foreign currency. As figures IV.2 and IV.3 show, the real return on local currency deposits turned increasingly negative over the past years while at the same time returns on foreign currency remained at around the same level, encouraging currency substitution.

Figure IV.1. Rubel Broad Money  
(In percent of nominal GDP)



Source: Belarusian authorities; and Fund staff estimates.

77. To determine the full degree of dollarization would require estimates of foreign currency notes circulating in the country, as well as foreign exchange deposits of residents abroad. Reliable data for neither are available. However, in the case of Belarus, foreign currency deposits in the domestic banking system could serve as a proxy for the degree of dollarization. The incentive for capital flight—and hence the need to cover foreign currency deposits abroad—is large in countries that do not allow residents to maintain foreign currency deposits. In the case of Belarus, the authorities not only permit bank accounts in foreign currency but have been implementing policies that minimize the outflow of capital (see below).

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economic agents to hedge against inflation are likely to experience less dollarization than countries with repressed financial markets.

Figure IV.2. Interest Rate on Foreign Currency Deposits, Jan 1996-May 2000  
(In percent per annum)

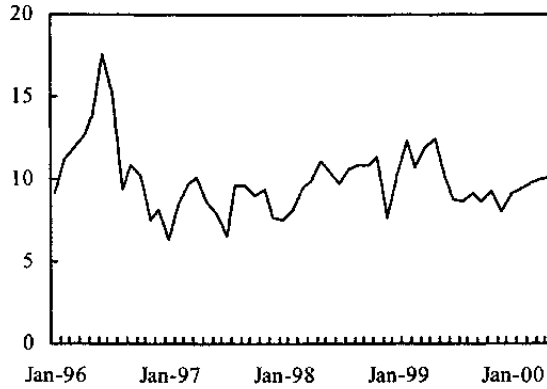
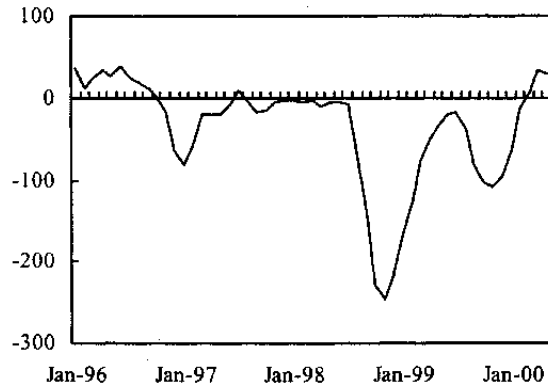


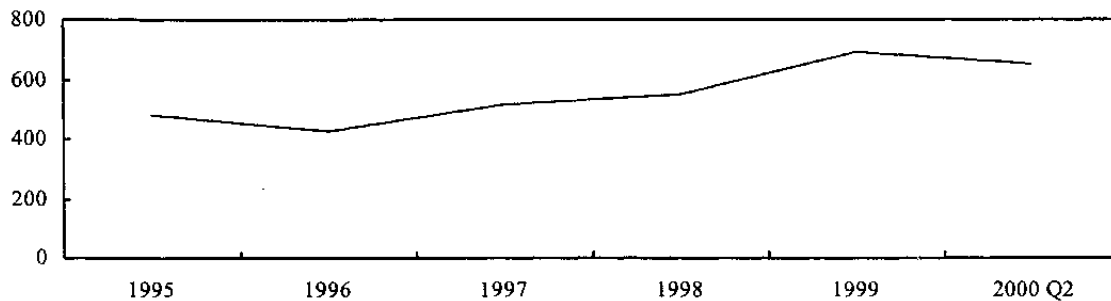
Figure IV.3. Real Domestic Currency Deposit Rate, Jan 1996-May 2000  
(In percent per annum)



Source: Belarusian authorities; and Fund staff estimates.

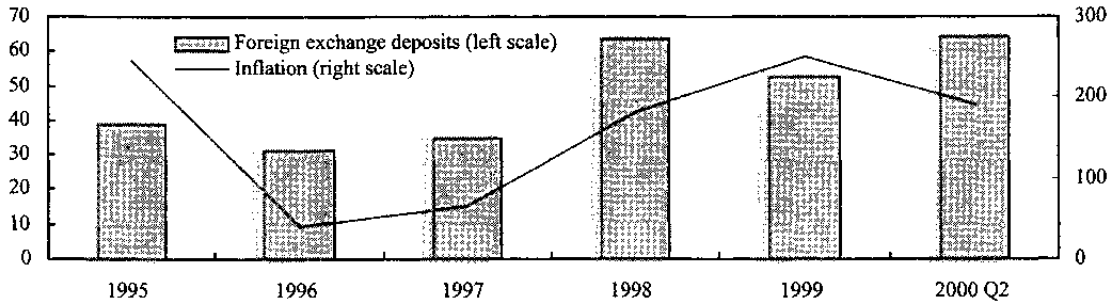
78. The growing dollarization of the economy is mirrored in a sharp increase in dollar deposits in commercial banks, which rose from \$479 million at end-1995 to \$690 million at end-1999 (Figure IV.4). During the same period, the share of dollar deposits in deposits of commercial banks increased from 39 percent to 53 percent. The changes in this ratio are closely associated with the evolution of the level of inflation in the country (Figure IV.5). The inverse relation observed during the first months of 2000 is the result of the faster depreciation of the official exchange rate. The depreciation of the official rate in excess of the inflation rate reduced the ruble value of foreign exchange denominated deposits, thereby increasing the ratio of foreign currency as a percent of total deposits.

Figure IV.4. Foreign Exchange Deposits at Commercial Banks  
(In millions of U.S. dollars)



Source: Belarusian authorities; and Fund staff estimates.

Figure IV.5. Foreign Exchange Deposits and Inflation  
(Foreign exchange deposits as a percent of total deposits; end of period inflation in percent)



Source: Belarusian authorities; and Fund staff

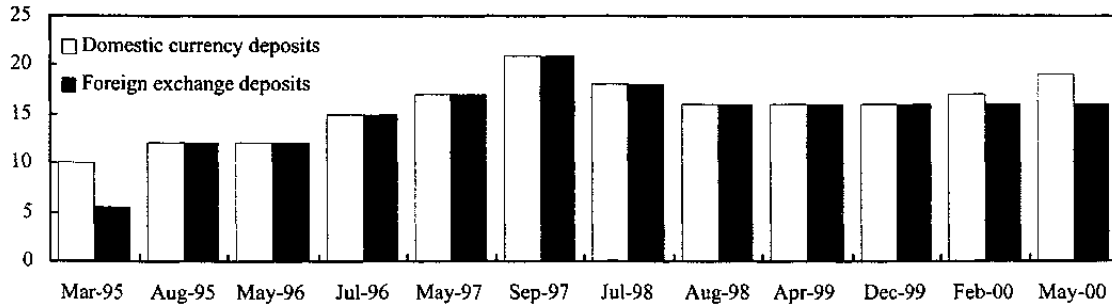
79. The Belarusian authorities have attempted to limit the flight of capital by implementing a set of regulations that ultimately create an institutional bias toward the use of foreign currency. For example:

- A presidential decree in 1998 introduced an explicit guarantee for foreign currency household deposits.<sup>31</sup>
- Interest income from foreign currency deposits is tax exempt. Hence, the Belarusian tax system provides an incentive for people to use foreign currency as a store of value rather than domestic currency.
- The latest increase in statutory reserve requirements, effective from February 2000, applies to domestic currency deposits only. While the reserve requirement on domestic currency deposit was raised to 19 percent, the one on foreign currency deposits remained at 16 percent. This asymmetric treatment of deposits provides an incentive for banks to attract more foreign currency deposits.

80. Both the explicit guarantee on foreign currency deposits and the asymmetric incentive system favoring foreign currency deposits are intended to tap the population's foreign exchange reserves and to ease pressure in the parallel foreign exchange markets. The latter became very important as the Belarusian authorities tried to eliminate the multiple exchange rate system by depreciating the official exchange rate more rapidly.

<sup>31</sup> To what degree the announcement of an explicit guarantee contributed to a portfolio change toward foreign currency deposits depends on to what degree depositors of domestic currency assumed their deposits to be guaranteed as well. Despite the weakness of domestic banks, the public has not lost confidence in the system. It could be concluded then, that depositors implicitly expect to be bailed out.

Figure IV.6. Minimum Reserve Requirements  
(In percent of eligible deposits)



Source: Belarusian authorities; and Fund staff

81. Evidence of the degree to which a serious stabilization program would lead to an increase in the demand for real domestic balances and hence re-monetization of the economy has been rather mixed in other countries—especially in Latin America.<sup>32</sup> There seems to be some evidence that the demand for real money balances after a reduction in inflation rates takes place only after a prolonged period of time. This suggests that once economic agents have started to economize on the use of domestic currency, a reversal is more difficult to bring about.

82. The recent evidence from Belarus, however, suggests that a serious stabilization effort could be associated with rapid re-monetization of the economy and hence an increase in the demand for real money balances. The reduction in monthly inflation rates and the return to positive real interest rates at the beginning of the year 2000 was immediately followed by a change in the composition of bank deposits: domestic currency deposits increased, and foreign currency deposits fell by some \$40 million during the first half of 2000. This change in deposit composition took place irrespective of the asymmetric increase in statutory reserve requirements. The responsiveness of the demand for real domestic balances could, for example, be explained by the fact that while the Belarusian rubel lost its attractiveness as a store of value due to the inflationary environment, it is still widely used as a unit of account and medium of exchange. This is probably because the country has not experienced a prolonged period of an outright hyperinflation.

<sup>32</sup> See Savastano, Miguel A. 1996. Dollarization in Latin America: Recent Evidence and Some Policy Issues. IMF Working Paper WP/96/4.

## V. BELARUS–RUSSIA UNION<sup>33</sup>

### A. Background

83. The political and economic fortunes of Belarus have remained closely tied to Russia after the break-up of the Soviet Union. Russia is Belarus' largest trading partner, accounting for 50 percent of exports and 63 percent of imports during the first five months of 2000. Transport service revenues of close to \$1 billion per year depend largely on the flow of goods between Russia and other countries. In addition, Russia's Gazprom is building a gas pipeline (Yamal) to Western Europe through Belarus. Investment in this pipeline accounts for more than half of Belarus' otherwise meager foreign direct investment. Russia also granted about \$950 million in debt relief to Belarus in 1997 and assumed about \$2.5 billion of old Soviet debt from Belarus.

84. Belarus is highly dependent on energy imports from Russia, gas in particular. Belarusian utilities routinely pay for the imported energy in barter, effectively boosting demand for Belarusian industrial products, such as tractors and refrigerators. In addition, Belarus is implicitly subsidized by Russia through toleration of arrears. In early June 2000, public utilities owed \$299 million in overdue payables for gas and \$106 million for electricity. These arrears are usually settled in offsets with Belarusian industrial products.

85. Given its continued economic dependence on Russia and its growing isolation from the international community, Belarus has tried in recent years to strengthen its political and economic ties with Russia. This has not implied a radical change of political orientation, as most of Belarus' political elite has supported re-integration with Russia ever since independence.

### B. Interstate Agreements and Institutions

86. After a number of bilateral agreements were signed between April 1996 and December 1998, the union idea gathered momentum in 1999, culminating in the December agreement to form a unified state. This Union Treaty has been ratified by both parliaments and was followed by a wave of high-level meetings, the inception of a number of joint institutions, and the preparation of implementation plans.

87. Implementation plans are being drafted to set out a roadmap for economic integration during 2000–2005. According to the proposed timetable, harmonization of civil and economic legislation should proceed as follows: price regulations will be harmonized by 2001; a unified tax code will be established by 2002; the foreign trade and customs regime will be harmonized by 2005; transport, energy and telecommunications will be harmonized by 2005; monetary union will be established by 2005.

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<sup>33</sup> Prepared by Christian Mumssen.



88. Several institutions supporting the process toward political and economic union have been set up:

- The Supreme State Council includes the presidents, the prime ministers, and the heads of parliament.
- The executive body, the Union Council of Ministers, encompasses the cabinets of ministers of both countries.
- The Standing Committee of the Union government has been set up to prepare the meetings for the two councils.
- An Interbank Currency Council, representing the two central banks, has been set up to prepare monetary union.

89. Further institutions are planned, including courts and a union parliament. The parliament would have two chambers, with a lower chamber of 75 Russian and 28 Belarusian delegates, and an upper chamber made up of equal numbers of representatives from both countries. The Supreme State Council and the Union Council of Ministers during the first half of 2000 approved the Union's first "budget" of RR 2.3 billion (about \$80 million).

### **Economic integration**

90. Despite the proliferation of joint political bodies, the Union Treaty signed in December 1999 foresees primarily an economic rather than a political union. Both countries would retain their sovereignty and the only binding pieces of joint legislation would be those in the economic sphere. In that sense, the Union is based on similar principles as the EU, a framework favored by the Belarusian side. However, there are different perceptions on whether the union with Russia could or should be a union of equals. Ultimately, economic integration could depend on Belarus' ability and willingness to adopt Russian legislation and achieve macroeconomic stabilization.

91. In the near term, economic integration is to be fostered by the development of a unified economic data system, an economic development program, a program for support of small and medium-sized enterprises, and a harmonized system of civil legislation. Furthermore, to prepare for monetary union, draft laws have to be written on foreign exchange regulations, taxation, customs union, securities markets, price regulations, energy policy, and transport systems. In some cases, the new legislation would necessitate changes to the two national Constitutions, making integration most likely a lengthy process.

### **Customs harmonization**

92. The customs union is a work in progress, with the aim of full harmonization by 2005. Five countries (Russia, Belarus, Kazakhstan, Kyrgyz Republic, Tajikistan) form a "customs union", although there are still numerous restrictions, including in the customs union between

Russia and Belarus. There are currently no tariffs or quantitative restrictions on trade between Belarus and Russia. However, even this free trade area is not complete. Belarus maintains controls on export prices of goods that are subject to domestic price regulation, mainly meat, dairy and leather. After Russia imposed tariffs on imports from third countries on transit through Belarus in March 2000, Belarus introduced in August a similar regulation for Belarusian imports on transit through Russia.

93. Tariffs applied to imports from third countries are almost fully unified. Notable exceptions are medicines and food products where different tariff rates apply. There are plans to finalize a common tariff schedule, perhaps as early as this year. Quantitative restrictions on trade with third countries differ between Russia and Belarus. Belarus maintains export restrictions on fertilizer, scrap metals, copper, aluminum and a number of other goods. Russia has a different list of goods subject to export restrictions and there are no immediate plans to unify the two lists.

#### **Tax harmonization**

94. A unified tax code is supposed to be finalized by the end of 2002. According to the Ministry of Finance, the two systems are already very alike. The planned tax reform in Russia is likely to lead to similar changes in the Belarusian system, although Belarus is leaning against adopting certain rules from Russia.

95. On income tax, Belarus is likely to introduce a flat rate that would be close to Russia's 13 percent. Belarus currently has a more progressive system with income tax rates ranging from 9 to 30 percent, although the effective tax rate is only about 11 percent. With the elimination of a number of exemptions and benefits, the Ministry hopes that the introduction of a flat rate would not lower the effective income tax rate.

96. On VAT, Russia and Belarus have the same tax rates, with a normal rate of 20 percent, a reduced rate of 10 percent for a few goods, and a zero rate for exports. Trade with Russia still follows the principle of origin rather than the internationally common destination principle, leading to inconsistencies in the system.

97. Profit taxes are similar in the two countries—25 percent in Belarus and 30 percent in Russia. Russia is currently preparing a reform of enterprise taxation that Belarus may follow in some aspects. However, there is doubt whether Belarus will change depreciation rules from linear to geometric, which would allow a lower tax burden soon after capital expenditures. The authorities are also reluctant to allow advertising expenditures as eligible costs for tax purposes.

98. The list of goods subject to excise tax is virtually identical in both countries, the main exception being diesel fuel, which is exempt in Russia. However, excise tax rates are generally different, partly because of the very different structures of the two economies, with Russia relying heavily on natural resources, whereas Belarus draws 70 percent of excise tax

revenue from vodka sales. Excise taxes are calculated *ad valorem* in Russia, while Belarus adheres to a system based on euros per physical unit.

### **Monetary union**

99. The implementation plan for economic integration foresees monetary union by January 1, 2005. The common currency will be the Russian ruble, which by 2008 would be converted into a Union ruble. The implementation process is overseen by the Interbank Currency Council. No agreement has been reached on whether the monetary authority would be the Central Bank of Russia (CBR), or whether the CBR and NBB would act under the leadership of the Interbank Currency Council. Belarus would need a constitutional amendment if the CBR would be the sole monetary authority.

100. Monetary union would require convergence of macroeconomic performance and policies. At this point, this would imply that Belarus would have to bring inflation down to Russian levels and undertake a number of liberalization measures. As a first step, Belarus would unify the various exchange rates and remove foreign exchange restrictions, establishing convertibility on current account transactions. Further, the NBB would be endowed with greater independence and report to parliament. Russia would support these efforts by providing a stabilization loan of Russian Rbl 4.5 billion (about \$150 million) to boost the NBB's gross reserves. The exchange rate regime Belarus would follow in the run-up toward monetary union is likely to be a managed float, with the objective of avoiding a deterioration in external competitiveness. Inflation is expected to gradually come down to Russian levels by 2005.

### **C. Outlook**

101. Although the bilateral agreements between Belarus and Russia are ambitious in tone, overall progress in economic and political integration has been limited so far. The most concrete result has been the establishment of joint institutions with few *de facto* executive powers. For both sides, the Union has important symbolic value, given Belarus' relatively isolated position in the international community and Russia's role as a regional center. However, differences in the approach to economic policy and political institutions may be obstacles. Even if these differences could be resolved, the implementation schedule for economic and monetary union would still be ambitious on purely technical grounds.

102. Although it is unlikely that a unified state would emerge in the near future, there are important economic consequences of the ongoing integration process. Further progress in tax and customs harmonization would strengthen economic relations and boost trade and cross-border investment between the two countries. The Belarusian economy is likely to benefit from access to Russia's large consumer market and from potential investment by Russian firms in Belarus.

103. More importantly, monetary union with Russia requires a revision of macroeconomic policies and some important economic reforms in Belarus. This would entail a substantial

tightening of monetary policy to bring down inflation, liberalization of the foreign exchange markets, and sufficient fiscal discipline to support a disinflationary monetary policy. These policy goals would require an overhaul of the current economic regime that has so far relied on price and exchange regulations, as well as central bank financing, to support sectoral programs such as housing and agriculture. Moreover, the establishment of a common market—an economic pre-condition for successful monetary union—would require the harmonization of pricing policies, thus forcing Belarus to liberalize prices.

104. The process of preparing for monetary union with Russia therefore implies a big shift in economic policy for Belarus, toward market-oriented transition. Whether monetary union will be achieved in the end depends partly on whether Belarus will pursue the necessary economic reforms and macroeconomic policies, and partly on whether Belarus would be willing to surrender monetary policy independence once it has successfully established macroeconomic stability.

## VI. BUSINESS ENVIRONMENT<sup>34</sup>

### A. Introduction

105. Belarus has pursued an economic strategy that differs significantly from the market-oriented reforms in other transition economies. Its model of a “socially-oriented market economy” has de-emphasized liberalization and private ownership, while focusing on the provision of finance to priority sectors of the economy. Industrial and agricultural production have been supported through explicit and implicit subsidies channeled to state-owned enterprises, partly through the banking sector, but also through extensive state regulations and interventions in prices and business operations. These interventions have included:

- Price and wage controls, in particular ceilings on price increases, as well as a rigid wage grid;
- Foreign trade and exchange restrictions, in particular the multiple exchange rate system;
- Administrative restrictions, in particular the repeated enterprise re-registration process and high barriers to new business formation;
- An unstable legal and regulatory environment, including erratic economic policies and frequent state interventions, including formal and informal “recommendations” by the state, which tend to penalize profitable private enterprises and cross-subsidize unprofitable companies.

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<sup>34</sup> Prepared by Christian Mumssen.

106. These various forms of state intervention have undermined the business environment in Belarus. They have provided short-term arbitrage opportunities between various controlled and uncontrolled market segments, diverting firms' attention away from long-term business development and investment. This has not only stifled private sector growth, it has also pushed many firms into the gray economy, which the International Finance Corporation (IFC) estimates at 60 percent of the official economy among small and medium-sized firms. Previous studies have put the total gray economy in Belarus at around 20–25 percent of GDP in the mid-1990s, somewhat below most other CIS economies.<sup>35</sup> Private sector expansion is also constrained by an extremely sluggish small-scale privatization process.

107. Partly as a result of the unfavorable investment climate, the profitability of enterprises has continued to decline. According to the Ministry of Economy, profitability of enterprises fell from 15 percent during the first five months of 1999 to 11 percent in the same period in 2000. For industry, the corresponding drop was from 18½ percent to 14 percent. The number of loss-making enterprises rose from 21 percent in the first five months of 1999 to 32 percent in 2000. For industry, the corresponding increase was from 11 percent to 28 percent. Overdue payables of enterprises grew by 20 percent in real terms during the first quarter of 2000, reaching 21 percent of GDP.

108. There are few signs of market-oriented enterprise restructuring. The large state enterprises in industry and agribusiness survive mainly through access to subsidized loans and energy, as well as through barter deals with other CIS countries. The government lacks a clear strategy for privatizing enterprises, although it is not adverse to the idea of attracting foreign investors. However, there is little hope of any significant foreign direct investment as long as the basic constraints remain in place.

## **B. Barriers to Private Sector Growth**

### **Price and wage controls**

109. Extensive price and wage controls affect all enterprises in Belarus. Apart from basic food items, prices are regulated for products of 26 "strategic enterprises" in sectors such as fertilizer, glass and cement. Moreover, all products are subject to ceilings on price increases that are determined by the Council of Ministers for each sector. In January 2000, monthly ceilings were set at 7 percent for most sectors, 5 percent for food products, and 17 percent for the oil industry. Quarterly ceilings for the second half of 2000 range from 15 percent for fuel, chemical products, and some food sectors to 35 percent for bread products. If a company plans to increase prices by more than that, it needs to apply half a month in advance to the local price committee, which routinely passes on these requests to the Price Committee in the Ministry of Economy. Permissions are granted only in exceptional cases. If a firm raises

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<sup>35</sup> This discrepancy may be explained by the fact the agro-industrial complex in Belarus has not yet been dismantled, in contrast to other CIS countries.

prices above the normative ceiling without applying for a permission or without obtaining the permission, it has to pay fines equaling three times the difference in revenues.

110. The system of periodic price ceilings jeopardizes the health of the enterprise sector, especially in an environment of high and volatile inflation. If inflation rises above the monthly ceiling, there is an automatic squeeze on enterprise profitability. The bureaucratic hurdles for seeking permission for each above-ceiling price increase deter most enterprises from applying in the first place. Moreover, some firms may raise prices in low-inflation months above optimal level in order to build a cushion for future months with potentially higher inflation. The policy is therefore also ineffective as a measure to contain inflation. Moreover, it drives enterprises into the gray economy.

111. In addition to widespread price controls, the state continues to regulate wages, setting not only ceilings and floors, but also salary structures. All companies remaining in state ownership have to employ the public-sector “grid” of pay scales that is expressed in multiples of the minimum wage. If a firm wants to reward a particular employee with a pay increase, it would have to shift the entire pay scale for the firm upwards, for all employees. In addition, all firms—state-owned and private—have to keep pay increases in line with inflation and enterprise profitability. These regulations encourage side payments to productive employees, which in turn tends to undermine tax revenues.

### **Controls on foreign trade and exchange**

112. Belarus has a relatively specialized economy that depends heavily on foreign trade (for the year 2000, exports are estimated by the staff to reach 70 percent of GDP, imports 80 percent). The principal imports are grains, oil and gas, as well as consumer products, while the main exports are manufacturing goods, especially household products and transport vehicles. Despite the importance of foreign trade, the state maintains extensive restrictions on foreign trade and exchange, although there were a number of important liberalizing measures in late 1999 and early 2000 (Appendix I).

113. The import tariff regime is in line with international practice. Tariffs range from 0 percent to 30 percent for most goods and the weighted average import tariff is 10.5 percent. Belarus maintains free trade with Russia, Kazakhstan, the Kyrgyz Republic, and Tajikistan. However, it imposes quantitative export restrictions on a number of products, such as fertilizers, scrap metals, copper, and aluminum. There are also minimum prices on exports of meat, dairy, and a number of other products. This measure is partly a reflection of the price controls in the domestic market, with the intention to prevent the export of subsidized basic consumer products. However, these minimum export prices create an indirect export tax on relatively more efficient producers and incentives for smuggling.

114. The most damaging restriction on foreign trade and exchange has been the multiple exchange rate system, coupled with the 30 percent export surrender requirement. At the beginning of 2000, the Belarusian rubel was worth three times more at the official than at the parallel market rate. Surrendering export proceeds at the official rate thus amounted to an

implicit export tax of 20 percent, drastically reducing the competitiveness of Belarusian exports. However, as a result of numerous exemptions, the effective surrender rate has been in the range of 14–15 percent, rather than 30 percent. Apart from exempting individual firms, there are no surrender requirements on exports in local currency (although these were themselves prohibited until early 2000). Barter exports are also exempt, providing strong incentives for this untransparent way of conducting foreign trade. A 15 percent fee on barter transactions (or 5 percent if raw materials are imported at the same time) imposed in June 1999 was suspended in August 2000.

115. The liberalization of the cash market and the second session of the Belarus Currency and Stock Exchange (BCSE) in late 1999/early 2000, as well as the accelerated depreciation of the official exchange rate in the first half of 2000, have contributed to increase demand for Belarusian rubels and virtually eliminated the black market. However, remaining restrictions, such as on imports in Belarusian rubels, as well as the persistence of multiple exchange rates and surrender requirements, continue to provide incentives for gray market activities and arbitrage rather than for developing long-term trading ties and investment in upgrades and new products lines that could expand the export market.

#### **Administrative controls**

116. Further to price and foreign exchange controls, enterprises are constrained by extensive administrative controls. Among them is the process of repeated re-registrations for all businesses. The most recent (third) round required enterprises to re-register by January 1, 2001. The conditions attached to re-registration are difficult to achieve for many small enterprises. As a result, after more than a year of registration under this round, only about 15 percent of enterprises had re-registered. To register, firms need to specify and later adhere to business plans and lines of business. If these plans are not executed, the local registration authorities can withdraw the business license without going through the court system. Withdrawal of business licenses is also possible whenever a firm is loss-making for more than three months.

117. New business formation is constrained by the same registration hurdles. In particular, minimum capital requirements suppress the emergence of small firms. Capital requirements are about \$15,000 for limited liability companies, and \$50,000 for joint stock companies. It is generally difficult to limit personal liability when setting up a new firm, which makes new ventures particularly risky for entrepreneurs. Moreover, all business activities are subject to cumbersome licensing procedures.

118. In addition to the complicated registration process, the state maintains a regime of tight controls and reporting requirements. Firms have to submit a minimum of 22 reports per year, mainly to tax authorities. There are additional regular reporting requirements to the statistical office. Moreover, enterprises are subject to frequent inspections, usually around 10 per year, up to 20 for some firms.

119. The wide-ranging administrative barriers and complex regulations are particularly difficult to cope with for small and medium-sized companies that have little recourse to the local authorities. The over-regulation of the private sector also tends to foster corruption, although this is deemed to be less of a problem than in neighboring countries. The government has recently set up a commission to study the regulatory environment. As a first step, the government has been preparing a number of measures to simplify business registration and licensing, for small enterprises and foreign investors. In addition, it is considering simplifications of accounting and tax rules for small businesses.

### **State intervention and legal environment**

120. The unstable legal and regulatory environment, including frequent *ad hoc* interventions by the state, is seen as particularly damaging for private sector growth. Legislation and regulations are perceived as generally anti-business. Trading companies and other intermediaries are viewed with suspicion by the authorities. In addition, legislation and regulation are subject to frequent change, creating uncertainty and deterring investment.

121. The tax system also creates a number of problems for enterprises. Although tax rates are not unusually high, the system is fairly complex, following mostly the Russian example. While the profit tax rate is only 25 percent, not all costs are deductible, including advertising, which is not seen as a necessary business expense. In addition, the use of a linear depreciation rule for tax purposes tends to keep taxable income relatively high compared to other countries that allow faster depreciation.

122. The state also sometimes intervenes in business operations without a legislative basis. The local and national authorities frequently use discretionary campaigns in the form of formal or informal requests and recommendations to extract “contributions” from profitable firms. Such discretionary taxes are often used to support loss-making enterprises (especially in agriculture) or to finance local public investment. The most prominent recent examples were a resolution by the Council of Ministers in March 2000 to provide aid to state and collective farms by requesting all government agencies, banks, and state enterprises to “adopt a farm”, as well as a presidential decree in May 2000 to establish off budget housing investment funds, financed by contributions from enterprises amounting to 0.5 to 1 percent of their revenues. Similarly, the surrender requirement was temporarily augmented by another 10 percent during March and April 2000 to finance oil imports for agriculture. Banks have recently been asked to provide Rbl 35 billion in lending to agriculture, which they have been doing by selling their foreign exchange reserves to the central bank.

### **C. Privatization and Foreign Investment**

123. The government continues to pursue a strategy of gradualism in privatization. After almost a decade of transition, little more than half of small enterprises have been privatized. This contrasts sharply with the experience of other transition economies where small-scale privatization only took a few years to complete. Only about 50 percent of vouchers issued to the public have been used so far. In trade and light industry, about 70 percent of firms have



been privatized, more than in many other sectors. Some progress was made with technical assistance from the IFC, although this project has now expired. The Ministry of Privatization maintains that budget cuts and weak demand for service companies in remote locations have slowed down the process of small enterprise privatization. The privatization of small firms is usually the responsibility of local authorities, as most property in this category is communal rather than republican. Although revenues from the auctions and tenders thus accrue to local budgets, local governments are often unable to sell off the property, given low purchasing power of citizens and employees and the need to get the approval of the work collective.

124. Progress in large enterprise privatization has been minimal. Although many firms have been converted into joint stock companies, most remain majority state owned. The Ministry of Privatization generally decides on the method of privatization on a case-by-case basis, specifying the sales price and the allocation of share to workers, investors and residual state ownership. Privatization can only go ahead when a business plan is approved that ensures continued production and employment. Some 960 firms are excluded from privatization altogether. Moreover, since the privatization of large, "town-forming" enterprises requires the initiative of the workers collective, all of these enterprises have remained in state ownership.

125. The government hopes that foreign capital will support the privatization and restructuring process. However, the current procedures and the general investment climate are not conducive to attracting investors. The stock of FDI in Belarus amounted to \$697 million at the end of 1999, of which the lion share related to the Yamal pipeline, a project by Russia's Gazprom to export gas to Western Europe. The European Bank for Reconstruction and Development (EBRD) puts Belarus in 23rd place of 25 transition economies, with cumulative net FDI inflows from 1989 to 1998 of \$45 per capita, higher only than in Tajikistan and Uzbekistan. In mid-2000, the government set up a foreign investment council to work out recommendations for attracting foreign investors.

## **VII. SOCIAL SAFETY NET<sup>36</sup>**

### **A. The Current System**

126. The relatively large social programs in Belarus have not succeeded in significantly reducing poverty. Living standards have fallen for most households since the breakup of the former Soviet Union. About 33 percent of the population are estimated to live below the poverty line,<sup>37</sup> although the cost of different social programs, excluding outlays on education

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<sup>36</sup> Prepared by Joerg Zeuner.

<sup>37</sup> In terms of data and unless otherwise indicated, this section refers to a 1999 FAD technical assistance report on social protection in Belarus.

and health, exceeds 30 percent of GDP.<sup>38</sup> Poverty is concentrated among households who have three or more children or have unemployed members. A large share of total spending is on pensions, followed by foreign exchange subsidies due to the multiple exchange rate practice and income support for private households.

127. The failure to address poverty effectively has primarily resulted from a proliferation of small benefits to the majority of the population, which are not well-targeted to the poor. Leaving aside pensions (see below) and foreign exchange subsidies (see Appendix I), these benefits feature most prominently the gains from formal price controls. A weighted 25 percent of the goods and services in the CPI basket are subject to price regulation.

128. Price controls continue to be pervasive in Belarus. First, socially-important goods, mainly food products, are regulated. More importantly, housing rents, communal service tariffs, transportation services, and communication services are also controlled. In July 2000, the monthly rent for a 100-square meter apartment was, for example, limited to about 50 cents.<sup>39</sup> The cold water and sewer service rate stood at 3 cents per cubic meter during the same period. Hot water cost about 65 cents per gigacalorie of heat spent, and the gas rate was set at 7 cents per tenant per month (measured at the parallel exchange rate). Households covered less than 25 percent of the costs of housing and communal services during the first six months of 2000.<sup>40</sup> Low cost recovery has led to large-scale wastage for all regulated goods and services.

129. An expensive system of direct and indirect subsidies ensures the availability of controlled items in a high inflation environment.<sup>41</sup> Direct subsidies have been provided for agriculture and public enterprises. Agricultural subsidies include payments for fertilizers, pesticides, leasing machinery, drainage, and veterinary medicines. The basic objective of these subsidies is to equalize production costs between areas with varying soil quality. Apart from income support to farmers, agricultural subsidies also aim at containing prices of socially important goods. Direct subsidies to public enterprises are extended to the communal services sector, transportation, and communication. The transfers cover the difference

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<sup>38</sup> FAD estimates that targeted spending of about 1 percent of GDP could eliminate poverty in Belarus, a small amount in relation to the current annual spending on various social programs.

<sup>39</sup> The average monthly wage amounted to \$59 at end-June, 2000.

<sup>40</sup> In 1999, the cost-coverage of housing and communal services was even lower, below 18 percent on average, ranging from less than 11 percent for rent to almost 50 percent for sewerage.

<sup>41</sup> Producer prices have been rising by about 170 percent per year on average over the last three years.

between the costs of production and the tariffs paid by users. They amounted to about 1 percent of GDP in 1999.

130. Indirect subsidies have included large cross-subsidies and subsidized credit. Communal services, transportation, and communication have been the main recipients of cross-subsidies. They have taken the form of differential pricing for different types of users. Non-residential users, typically enterprises, have been charged higher tariffs than residential users, mainly private households. Cross-subsidies were estimated at 4 percent of GDP in 1999. The burden of cross-subsidies on enterprises has squeezed their profit margins, with an adverse impact on their productivity and competitiveness. In 1999, the banking system—including the NBB—provided credit at preferential rates for housing construction, the agricultural sector, and selected manufacturers. The cost of subsidized credits totaled 3.5 percent of GDP in 1999.<sup>42</sup>

131. The system of subsidies has been costly for Belarus. Total subsidies have been rising and amounted to at least 18 percent of GDP in 1998. Budget sector subsidies, together with profits forgone by the NBB due to credit subsidies, came up to more than 6½ percent of GDP in 1998. The cost of the subsidy system for enterprises through cross-subsidies and the surrender of currency from exports at preferential rates amounted to 11½ percent of GDP during the same period. Although no precise calculations are available for 1999, there is no evidence that the level of subsidies declined in relation to the previous year.

132. The Belarusian pension system is severely compressed, providing a minimum level of protection for all pensioners under difficult financial and demographic conditions. The pension system covers about 2.5 million pensioners, implying a dependency rate of 50 percent. Based on current contribution rates and defined benefits, the social protection fund is actuarially unsound. In view of financial difficulties, the original objective of replacing at least 55 percent of a worker's average wage, has been dropped. To reduce pension costs, the formula was adjusted downward to drastically reduce replacement rates for higher income workers. Since lower-income workers are guaranteed a minimum pension, the replacement rate for these workers was well in excess of 100 percent in 1999.

133. The government also manages the distribution of a number of family benefits. Besides pensions, social insurance contributions have been used to fund child allowances for children under 3 years of age. In addition, budgetary resources have been used for financing allowances for children in low-income households between the ages of 3 and 16, invalid child care, mothers of babies under 1½ years old, and maternity and childbirth benefits. Finally, benefits have also included *ad hoc* exemptions from utilities payments, such as granting free housing to war veterans.

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<sup>42</sup> Subsidies for purchase of foreign exchange account for nearly 50 percent of total subsidies. As explained in Appendix I, exporters are required to surrender 30 percent of their foreign exchange earnings to finance priority imports at the accounting rate set by the NBB.

## **B. The Reform Agenda**

134. The government recognizes the unsustainability of the country's social protection system, which has performed poorly, created disincentives to work, and has been a burden on the budget. Moreover, the costs of operating the current system when deregulating the exchange rate and eventually liberalizing domestic prices would almost certainly have serious adverse effects on macroeconomic stabilization. Therefore, in March 2000, the Council of Ministers approved a revision of the country's social protection system.

135. Social safety net reform is planned to be carried out in two stages. In the first stage, during 2000 and 2001, the government intends to prevent a further decline in the living standard of the population, strengthen the system of minimum social guarantees, and enhance targeted social support for population groups that are in need. In the second stage, from 2002–2005, the government plan is to divide the country's social protection system into two organizationally independent systems: social insurance and social assistance.

136. Phase one of the reform started with a focus on social assistance, with a view to providing a targeted 10–15 percent of the population with income support. A targeted social safety net was adopted by the government on May 29, 2000, and is expected to become operational on January 1, 2001, with technical support from the World Bank. Current estimates suggest that about 700,000 people would be eligible to transfer payments under this scheme. The costs for 2001 are estimated at \$16 million. Given the large share of wage and wage-related payments in total household income, income will be the principal determinant of eligibility for benefits under the new system. A household or individual will be eligible for social benefits if their average per capita income for the three months preceding the month of their application for assistance does not exceed 50 percent of the subsistence level budget, which determines poverty in Belarus.

137. The income criterion will be supplemented with other characteristics of poor households, narrowing the number of eligible beneficiaries. Eligible to targeted social assistance under the new scheme will be households with members who by virtue of their physical condition and financial and domestic circumstances require social support. Currently, these include most prominently single pensioners, single parents with children under age 16, families with three or more children, families with disabled members, and households with members over the age of 80 who require constant outside assistance.

138. The envisaged social protection system will be application-based and require households to forward income declarations. At the same time, it will be targeted, thus breaking with the tradition of widespread but small benefits that also supported the non-poor. Most importantly, by linking the scheme to the subsistence level budget, social benefits are protected against inflation and the adverse income effects of price liberalization. The subsistence level budget is reviewed and adjusted every quarter according to price developments.

139. The targeted social protection system will allow the government to consider a phased reduction of subsidies. Thus, for housing and communal services, the government has already announced target rates that would cover 25 percent of total costs by the end of 2000. The cost recovery rate should increase to 50 percent by end-2001, reaching 80 percent at end-2002, eliminating budgetary support and cross-subsidies afterwards.

140. With respect to the pension system, reforms have not yet started. However, the intention is to introduce a three-tier system by 2003. Social pensions would be paid out of the state budget as benefits to persons who did not contribute to any kind of pension insurance system. A pay-as-you-go system based on mandatory contributions would provide the core pension, supplemented by a capital-based voluntary insurance scheme. Payments and contributions to the mandatory pension system would be determined according to the principles of financial soundness, length of employment, length of insurance coverage, and the size of the contributions.

### VIII. AGRICULTURAL REFORM<sup>43,44</sup>

141. The agriculture sector continues to play a key role in the Belarusian economy, accounting for approximately 15 percent of output and employment. Its performance has been negatively impacted in recent years by difficult weather conditions, which have exacerbated growing underlying financial and operational weaknesses among agriculture producers. State support for the sector averaged \$250–300 million per year during the 1990s, approximately 3 percent of 1999 GDP or one-fifth of sectoral output. State support has come directly from the budget or from central bank credits channeled through local commercial banks, as well as indirectly in the form of subsidized fuel, foreign exchange and other inputs. The scale of state support is significant both in comparison with agriculture sector output and in terms of macroeconomic implications. Centralized credits channeled via commercial banks have created a legacy of bad debts, while cheap fuel and foreign exchange have acted to discourage reforms enacted elsewhere in the region.

142. During the past decade, few efforts have been made to dismantle or modify the system of collective and state farms, centralized financing and state supply and procurement, in favor of private agriculture development, marketing and finance.<sup>45</sup> State involvement and

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<sup>43</sup> Prepared by Mark Horton.

<sup>44</sup> This section draws on *Farm Sector Restructuring in Belarus: Progress and Constraints*, an ECSSD Technical Paper of the Europe and Central Asia Region of the World Bank, prepared by Csaba Csaki, Zvi Lerman and Sergey Sotnikov, May 17, 2000 (herein referenced to as the World Bank Report).

<sup>45</sup> The World Bank report identifies five critical actions needed to address sectoral weaknesses: a drastic reduction of government intervention, including abolition of price controls and procurement quotas; allocation of secure land use rights to individuals, rather  
(continued...)

controls are pervasive, including via direct ownership, state orders, and price, margin, and trade controls. A push on land reform during 1990–1993 was not sustained. Reform efforts have largely focused on improving organization and management, supplying farms with new equipment and encouraging greater specialization, without changing the current system.

#### A. Background

143. At the beginning of the 1990s, Belarus had approximately 2,500 state and collective farms. By the end of the decade, less than five percent of these farms had been formally reorganized into other legal forms. On the reorganized farms, changes have been mainly formal, with little internal restructuring or reorientation of labor, few gains in productivity, continued maintenance of a wide range of social functions, and little development of specialized marketing, technical or finance units.

144. Farms in Belarus undergoing restructuring are required to divide non-land assets among member-shareholders, but land is not divided. Land shares, which have been used throughout the CIS to give entitlement to land, are not employed. According to the World Bank, Belarus is the only CIS country outside Central Asia that does not allow for private ownership of all agricultural land. Only agricultural land in household plots of up to 1.0 hectare may be privately owned.<sup>46</sup> All other land for commercial farming remains state-owned, so that the pool of potentially privately owned land is limited to less than 20 percent. Concerning property distribution, of the 100 reorganized farms, official property ownership documents are held by individual shareowners in less than 15 percent of the farms, i.e., in less than one percent of all farms, with limited redemption and/or transferability.

145. The model of agriculture restructuring employed in central and eastern Europe and in some smaller CIS countries has aimed to create smaller, more manageable and more responsive private farms. The model is based on clear, transparent and stable land ownership or use rights, competitive input supply and marketing arrangements and devolution of social service functions from collective farm structures to local governments. In Belarus, continuing state support for large collective farms reflects a belief in economies of scale and highly mechanized farming, while collective farms also continue to be the main conduit for services and goods to the rural population. Only housing has been privatized to a great extent, while only kindergartens, libraries and halls have begun to be transferred to local governments.

146. More generally, the agriculture sector in Belarus continues to be characterized by pervasive government involvement and control. This includes district and regional production targets, fixed-price procurement quotas, indicative prices, profit margin

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than collectives; ensuring transferability of land use rights; deep internal restructuring of the operations of state and collective farms; and coherent settlement of debts of farm enterprises.

<sup>46</sup> Plots of land immediately adjacent to private houses may also be privately owned.

restrictions, and extensive trade restrictions and licensing requirements. All farm enterprises are subject to obligatory deliveries to state procurement agencies, and procurement quotas cover all major crop and livestock products. Officials of the Ministry of Agriculture concede that for some commodities, pure commercial sales simply “may not take place,” due to pressures to fulfill production quotas.

147. Publicly-owned farm enterprises surveyed by the World Bank sell nearly 85 percent of their output to state procurement channels or to the processing industry, while private farms sell nearly two-thirds. Even individuals working household plots sell 20 percent of their output directly to state purchasers or processors and another 35 percent to local collective farms. State agencies supply nearly all fertilizer, farm machinery, construction materials and fuel, although private parties are emerging as suppliers of herbicides and pesticides, spare parts and veterinary drugs.<sup>47</sup>

148. The country’s leadership recognizes the need for farm reorganization, given declining sectoral output and financial weaknesses, as well as the inability of the state budget and central bank to continue to provide the scale of support extended in recent years. Current proposals envisage that approximately 20–25 percent of the farms will remain as is, while new management will be sought for a middle group of 50–60 percent of the farms. The remaining farms would be placed in bankruptcy and either merged with other profitable farms, input suppliers or processors or broken up.

### **B. Land Reform and the Development of Private Farming**

149. Land reform in Belarus was undertaken mostly during 1990–92 and led to the transfer of nearly 16 percent of agricultural land to household plots and to individual private farms under leases. Household plots make up the bulk of the non-state land under cultivation, producing almost 40 percent of Belarus’ gross agricultural product on just 15½ percent of the land.

150. The level of land use by private parties in Belarus is equivalent to the average for CIS countries and that in Russia and Ukraine.<sup>48</sup> Still, the World Bank considers that Belarus stands out as the only country in central and eastern Europe and the CIS that (i) recognizes only very limited private ownership of land (household plots only); (ii) has no strategy for the allocation of the bulk of farmland to individuals or legal entities, either via sales, restitution or distribution to ex-collective farm members; and (iii) has a total prohibition of

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<sup>47</sup> World Bank report, p. 83.

<sup>48</sup> In neighboring Lithuania, by comparison, farming by individuals increased from 8.3 percent of total crop area in 1990 to 65.9 percent in 1995 and 80.8 percent in 1998. Statistical Yearbook of Lithuania 1999 (p. 377).

transferring of use rights.<sup>49</sup> All other countries of the region meet at least one of these three criteria.

151. A new Land Code, adopted in 1999, allows for the increase of the size of household plots under private ownership from 0.5 hectares to up to one hectare and for private ownership of up to 0.25 hectares of agricultural land under and around a private house. Privatized land must be used for its initial purpose after privatization, and the right to own land extends only to Belarusian citizens. Land restitution has not taken place. Owners of household plots may lease an additional two hectares of land for subsistence farming, while private farmers may now lease up to 100 hectares of land, an increase from 50 hectares under the 1990 Land Code.

152. In spite of the decade-long right of private land ownership via household plots, the World Bank has estimated that just 3 percent of the land in household plots is formally privately owned in practice. Just 11 percent of respondents to a Bank survey reported that they have some form of official documentation certifying their rights under any form of possession or use.<sup>50</sup>

153. The new civil code allows for subleasing of land and mortgaging of land held by leaseholders in use rights. According to officials of the state Land Committee, loans may not be granted against privately-owned land, but beginning in mid-2000, loans may be granted against land leases according to presidential decree. The new land and civil codes provide for termination of land-use rights by local governments in cases of poor crop yields—which may be beyond the control of producers—while local authorities also have the right to dictate cropping patterns to land users.

154. Private farming by individual family farms has been slow to develop in Belarus. There are less than 3,000 independent family farms in the country, and this figure has declined by 15 percent since 1995.<sup>51</sup> These farms average some 25 hectares in size and constitute just 0.6 percent of agricultural land.<sup>52</sup> The private farms are comprised of land

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<sup>49</sup> The prohibition of transferring of use rights appears to have been eased, at least in principle, by the new civil code, which came into force in July 1999.

<sup>50</sup> World Bank report, p. 43.

<sup>51</sup> By comparison, as of July 1, 2000, there were nearly seventy thousand private farmers registered in neighboring Lithuania, which has one-third of Belarus' population and a similar proportion of rural dwellers. Source: Economic and Social Development in Lithuania, January–June 2000 (p. 59).

<sup>52</sup> By contrast, the 2,500 state and collective farm enterprises average more than 3,000 hectares and employ more than 300 workers per farm.



leased from state reserves, which were formed in 1991 from 10 percent of the land farmed (on an ongoing basis) by the collective farms, approximately one million hectares of arable land. With the new 1999 Land Code, private farmers may now lease up to 100 hectares from the state land reserves; more land may be subleased from collective farms, with the approval of the local administrations. Under the new civil code, land leases may be transferred or sold, and leasing of land is possible by Belarusian or foreign legal entities or physical persons.

155. Belarusian officials regard the small number of private farmers and the few applications for leasing of land as sign that there is little interest among the rural population in becoming private farmers. On the other hand, the authorities concede that the state reserve land in most cases is not the best land. A World Bank survey confirmed ambivalence among employees of collective farms concerning becoming private, independent farmers. Over 90 percent of farm employees surveyed by the Bank indicated that they have no intention of becoming private farmers, citing concerns about risk or personal health (old age) and shortage of funds. Yet, in spite of the cautiousness of collective farm members, the Bank's survey found that 60 percent of private farmers reported incomes above the subsistence level and an increasing standard of living with a much higher proportion of ownership of personal automobiles and household electronics and durable.<sup>53</sup>

### **C. Conclusion**

156. During the past decade, agricultural reform in Belarus has focused on marginal improvement of the current system, with no major efforts made to move toward a market-based system centered on private ownership. The collective farm system continues to be the dominant institutional structure in the sector, together with tight controls over trade and prices. The state has provided very substantial subsidies to the agriculture sector, and poor performance has been exacerbated by poor weather conditions in recent years. The authorities appear to be aware of worsening conditions and the inability to continue providing large-scale support, but proposals for changes are not yet ambitious or far reaching.

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<sup>53</sup> World Bank report, pp. 93-97.

## EXCHANGE SYSTEM

157. The monetary guidelines for 2000 stipulate a move toward exchange rate unification and removal of exchange restrictions. The NBB has pursued this goal with an accelerated depreciation of the official exchange rate, from Rbl 320 to the dollar at the beginning of the year to around Rbl 645 to the dollar at the end of June. The exchange rates in the parallel market segments have remained relatively stable in nominal terms during this period, depreciating from around Rbl 945 to around Rbl 980 to the dollar.

158. The four main parallel rates have converged to within five percent of each other and appreciated in real terms during the first half of 2000. This reflected tighter monetary policy, the accelerated depreciation of the official rate, and the shift from the black market to the exchange bureaus in the wake of a number of liberalization measures. Key developments in the main five market segments are summarized below.

159. The official exchange rate remains the basis for accounting and is determined during the first session of the Belarus Currency and Stock Exchange (BCSE), where surrendered export proceeds are channeled to priority importers.

160. The 30 percent surrender requirement on foreign exchange income from exports remains in place. A temporary 10 percent surrender surcharge imposed in March 2000 to finance oil imports expired after two months. Numerous exemptions to the surrender requirement imply that only about 14–15 percent of export proceeds are effectively surrendered. This amounted to around \$50 million per month in mid-2000.

161. The NBB distributes the full amount of the foreign exchange proceeds surrendered by exporters to priority importers during the morning session, according to percentage quotas set by the Council of Ministers. Of the dollars surrendered, 59 percent are allocated to oil, gas and coal imports, 11 percent to agro-industrial companies and 6 percent to medical goods importers, while the Ministry of Finance receives 7 percent for the service of sovereign guaranteed loans. Similar percentage quotas apply to Russian rubles and other major currencies.

162. The surrender requirement does not apply to exports to CIS countries other than Russia, nor does it apply to barter exports. Due to this inconsistency, a 15 percent barter fee was introduced in June 1999, although numerous exemptions apply to this fee. The fee was suspended in August 2000 by presidential decree.

163. The additional trading session at the BCSE was fully liberalized in March, 2000, when the NBB allowed banks to buy foreign exchange. The turnover during the first five months of this year was \$72.6 million compared to \$6.3 million during the same period in 1999. Since February 15, the difference between official rate and the rate on the additional session is no longer taxable. However, buyers of foreign exchange at the additional session are still disadvantaged as they have to account purchases of foreign exchange at the official

rate and cannot record the difference between the official and actual rate as a cost item for tax purposes.

164. The cash market was liberalized in December 1999, allowing exchange bureaus to set rates freely. This led to a significant increase in turnover in exchange bureaus and eliminated most of the black market (although not fully, given the requirement to present a passport and given the daily limit of exchanging \$300 per person per exchange bureau). Exchange bureaus are no longer required to sell their surplus foreign exchange at the official exchange rate. As of mid-2000, some 1,600 exchange bureaus operated in the country.

165. The interbank market was liberalized after restrictions on volumes were removed in December 1999. The differential between the official exchange rate and the interbank rate is still taxable, although this is expected to change soon, in addition to changes in accounting rules to prepare for the revaluation implied by exchange rate unification. During the first five months of 2000, the turnover on the interbank market was \$159.4 million, compared to \$113.6 million in the same period a year earlier.

166. The non-resident markets (mainly in Russia and the Baltic states) remain affected by restrictive measures, although these have been partly lifted. At the end of 1999, the use of Belarusian rubels was allowed for invoicing of exports. Payments for imports in rubels still require a permit by the NBB, although the group of goods for which this permit is granted has been widened and medical goods were exempted from the restriction in May 2000. As a result of the liberalization of rubel payments for exports and the persistence of restrictions on rubel payments for imports, the Belarusian rubel has strengthened on the non-resident markets and the NBB has intervened as a buyer of foreign exchange on this segment. The non-resident market accounts for 5–10 percent of the total foreign exchange turnover.

167. The NBB has plans to unify the exchange rate by the end of the third quarter of 2000. However, there is not yet agreement within the government on this timetable and the possible complementary policy measures, even if there is little opposition to the principle of unification. A number of governmental task forces have been set up to analyze the ramifications of unification and work on various implementation issues.

168. According to the NBB, the unification of the exchange rates should go hand in hand with further liberalization of the foreign exchange market. Specifically, it plans to merge the morning session of the BCSE with the additional session.<sup>54</sup> The NBB also plans to reduce the 30 percent export surrender requirement, possibly to 20 percent, but not to eliminate it in the near term. Finally, restrictions on payments of imports in Belarusian rubels should be eased, although it is not clear when they would be eliminated.<sup>55</sup>

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<sup>54</sup> This was done in mid-September 2000.

<sup>55</sup> This restriction was lifted in mid-September 2000.

Table 1. Belarus: Gross Domestic Product by Sector, 1995-99 1/

	1995	1996	1997	1998	1999
	(In millions of rubels)				
GDP at market prices	119,813	184,174	356,079	675,159	2,890,320
GDP at factor cost	108,037	163,351	309,325	583,523	2,495,047
Industry	33,922	56,519	110,727	200,680	855,049
Agriculture and forestry	19,104	26,074	45,537	79,459	322,299
Construction	6,563	8,943	20,275	40,922	178,767
Transportation/communications	14,867	21,046	37,546	69,474	298,048
Trade and catering	9,191	14,336	26,401	60,164	285,976
Material supply and procurement	3,714	2,766	5,422	10,423	43,718
Housing and public utilities	4,701	7,208	13,723	25,230	93,069
Health care	3,584	5,695	11,523	21,678	96,401
Education, culture, and science	5,708	9,909	18,840	37,642	156,655
Other	6,684	10,855	19,332	37,850	165,065
	(In percent of nominal GDP at factor cost)				
Industry	31.4	34.6	35.8	34.4	34.3
Agriculture and forestry	17.7	16.0	14.7	13.6	12.9
Construction	6.1	5.5	6.6	7.0	7.2
Transportation/communications	13.8	12.9	12.1	11.9	11.9
Trade and catering	8.5	8.8	8.5	10.3	11.5
Material supply and procurement	3.4	1.7	1.8	1.8	1.8
Housing and public utilities	4.4	4.4	4.4	4.3	3.7
Health care	3.3	3.5	3.7	3.7	3.9
Education, culture and science	5.3	6.1	6.1	6.5	6.3
Other	6.1	6.6	6.2	6.5	6.6
Total	100.0	100.0	100.0	100.0	100.0

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

1/ Data have been revised backward to reflect the redenomination of the rubel on January 1, 2000 which removed three zeros from the currency.

Table 2. Belarus: Gross Domestic Product by Expenditure, 1995-99  
(At current prices)

	1995	1996	1997	1998	1999
(In millions of rubels)					
GDP at market prices	119,813	184,174	356,079	675,159	2,890,320
Consumption of goods and services	95,513	146,230	275,316	538,987	2,267,664
Household consumption	68,635	104,226	193,708	382,914	1,616,780
Public consumption	26,877	42,004	81,608	156,072	650,884
General government	23,157	36,627	72,441	139,143	581,868
Public organizations	3,721	5,377	9,167	16,930	69,016
Gross capital formation	30,047	45,119	98,446	187,561	692,883
Gross fixed capital formation 1/	29,984	40,938	92,555	182,103	740,550
Changes in inventories	63	4,631	5,891	5,458	-47,667
Trade balance 2/	-5,747	-7,174	-22,401	-34,024	-82,829
Statistical discrepancy	0	0	4,718	-17,365	12,604
(In percent of nominal GDP at market prices)					
Consumption of goods and services	79.7	79.4	77.3	79.8	78.5
Household consumption	57.3	56.6	54.4	56.7	56.0
Public consumption	22.4	22.8	22.9	23.1	22.5
General government	19.3	19.9	20.3	20.6	20.1
Public organizations	3.1	2.9	2.6	2.5	2.4
Gross capital formation	25.1	24.5	27.7	27.8	24.0
Gross fixed capital formation 1/	25.0	22.0	26.0	27.0	25.6
Changes in inventories	0.1	2.5	1.7	0.8	-1.6
Trade balance 2/	-4.8	-3.9	-6.3	-5.0	-2.9
Statistical discrepancy	0.0	0.0	1.3	-2.6	0.4

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

1/ Includes residential investment.

2/ Provisional data, not fully consistent with recently revised balance of payments data (Table 43).

Table 3. Belarus: Growth of Gross Domestic Product by Expenditure, 1995-99  
(Index, 1995=100)

	1995	1996	1997	1998	1999
	(Percentage change)				
Gross domestic product	-10.4	2.8	11.4	8.4	3.4
Total consumption of goods and services	-9.5	3.2	9.5	10	4.2
Household consumption	-12.3	4.5	10.0	11.8	5.0
Public consumption	...	0.0	8.4	5.7	2.1
General government	-2.9	-0.2	8.9	6.1	2.0
Consumption of public organizations	-0.6	1.1	5.1	2.3	2.4
Gross capital formation	-28.7	7.2	15.9	6.9	-13.7
Gross fixed capital formation 1/	-29.6	-3.1	21.7	10.1	-5.4
Changes in inventories	0.9	10.3	-5.8	-3.2	-8.3
Balance of exports and imports	145.2	24.8	212.2	51.9	143.4
Statistical discrepancy	...	...	...	60.0	...
	(Contribution to growth)				
Total consumption of goods and services	-7.6	2.5	7.3	8.0	3.3
Household consumption	-7.0	2.5	5.4	6.7	2.8
Public consumption	0.0	0.0	1.9	1.3	0.5
General government	-0.6	0.0	1.8	1.3	0.4
Consumption of public organizations	0.0	0.0	0.1	0.1	0.1
Gross capital formation	-7.2	1.8	4.4	1.9	-3.3
Gross fixed capital formation 1/	-7.4	-0.7	5.6	2.7	-1.4
Changes in inventories	0.0	0.3	-0.1	0.0	0.1
Balance of exports and imports 2/	0.81	0.02	0.12	0.01	0.02
Statistical discrepancy	...	...	...	1.0	...

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

1/ Includes residential investment.

2/ Provisional data, not fully consistent with recently revised balance of payments data (Table 43).

Table 4. Belarus: Growth of Gross Domestic Product by Sector, 1995-99  
(At comparable prices) 1/

	1995	1996	1997	1998	1999
	(Percentage change)				
GDP at market prices	-10.4	2.8	11.4	8.4	3.4
Industry	-10.2	4.1	16.5	8.7	8.3
Agriculture	-2.5	1.4	-5.9	-0.9	-9.1
Forestry	-5.1	2.1	-9.4	13.9	-20.0
Construction	-33.2	-7.6	21.4	14.2	-0.2
Transport	-9.4	-2.1	5.2	3.5	3.2
Communications	-13.3	-1.0	13.6	4.6	5.7
Trade and catering	-24.0	21.2	18.4	26.2	9.1
Material supply and procurement	-22.7	-1.3	4.3	-0.3	-11.5
Housing	-0.3	0.6	1.3	2.9	1.4
Public utilities	-5.6	-3.7	-1.3	-2.3	-0.5
Health care	-0.6	1.8	14.2	7.2	1.9
Education	-1.5	2.8	14.7	5.9	5.2
Culture and science	-9.2	1.8	-3.5	3.0	-0.4
Banks and insurance	17.0	2.0	1.9	6.1	3.3
Public administration and defense	-2.0	-0.8	6.7	3.6	0.9
	(Contribution to growth)				
Industry	-3.2	1.4	5.9	3.0	2.8
Agriculture	-0.4	0.2	-0.8	-0.1	-1.1
Construction	-2.0	-0.4	1.4	1.0	0.0
Transport	-1.1	-0.2	0.5	0.4	0.3
Trade and catering	-2.0	1.9	1.6	2.7	1.0

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 for the previous period based on prices for the previous period.

Table 5. Belarus: Capital Investment by Sector in Comparable Prices, 1995-99 1/  
(In comparable prices)

	1995	1996	1997	1998	1999
	(Index, 1990=100)				
Total	39.2	37.3	44.6	55.6	45.2
Industry	47.7	47.7	56.6	79.7	50.8
Agriculture	11.6	9.8	9.8	13.2	9.6
Transport and communication	85.1	99.6	108.6	98.9	97.7
Construction	21.6	14.6	17.9	25.6	14.2
Residential construction	40.0	38.1	54.0	68.3	63.9
Other	56.4	45.6	53.3	65.2	59.3
	(Share of total)				
Industry	29.7	31.2	30.9	35.0	27.4
Agriculture	8.5	7.5	6.4	6.6	6.1
Transport and communication	16.0	19.7	17.9	12.9	15.9
Construction	1.7	1.2	1.3	1.9	1.0
Residential construction	20.0	20.1	23.7	23.3	27.8
Other	24.1	20.3	19.8	20.3	21.8
<i>Of which</i>					
Trade and catering	1.6	2.0	2.0	3.7	1.7
Total	100.0	100.0	100.0	100.0	100.0
<i>Memorandum items:</i>					
Real gross investment (Index, 1991=100) 2/	45.6	48.9	56.7	60.6	52.3
Gross investment (in percent of GDP) 2/	25.1	24.5	27.7	27.8	24.0

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

1/ Some figures may be inconsistent with the national accounts tables, as the data are based on surveys of industrial projects by branches of the economy.

2/ According to national accounts data.



Table 6. Belarus: Industrial Production, 1996-2000 (Q1)

	1996	1997	1998	1999	2000 1/ Q1
(Percentage change in comparable prices)					
Total	3.5	18.8	12.4	10.3	7.5
<i>Of which:</i>					
Power generation	-1.6	5.6	-7.4	5.4	2.4
Refineries	-5.5	-1.0	0.7	1.9	9.8
Chemicals and petrochemicals	7.2	19.4	7.7	7.0	8.8
Ferrous metallurgy	23.4	35.1	14.9	0.0	6.1
Machine building	1.6	25.7	15.5	16.2	8.3
Wood and paper	14.2	34.7	21.7	16.0	12.9
Construction materials	-4.0	26.1	15.2	1.5	-5.8
Light industry	11.9	27.1	22.8	10.8	9.8
Food-processing industries	5.5	21.0	19.2	14.4	7.7

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

1/ Compared to the first quarter of 1999.

Table 7. Belarus: Inventories of Final Products in the Warehouses of Industrial Enterprises by Subsector, 1996-2000 (Q1) 1/ 2/

	1996	1997	1998	1999	2000 Q1
(In millions of rubels)					
Total	9,514	16,453	46,971	135,733	223,607
<i>Of which:</i>					
Fuel	76	164	1,376	5,755	8,775
Ferrous metallurgy	66	199	1,354	1,920	3,013
Nonferrous metallurgy	10	...	90	86	113
Chemicals and petrochemicals	1,063	2,065	8,318	18,520	21,732
Machine building and metal-working	5,446	9,180	20,896	59,580	98,658
Forestry, wood, and paper products	451	646	2,655	7,743	17,241
Construction materials industry	329	553	1,238	4,023	6,530
Light industry	783	1,361	5,952	17,460	30,877
Food processing industries	739	1,449	3,498	14,911	27,263
(As a percent of current month's output)					
Total	52.2	38.0	85.9	54.7	52.3
<i>Of which:</i>					
Fuel	12.6	13.2	63.0	56.4	37.8
Ferrous metallurgy	13.5	16.6	67.7	23.5	21.0
Nonferrous metallurgy	...	...	160.5	40.2	36.8
Chemicals and petrochemicals	51.7	43.2	103.2	47.6	35.2
Machine building and metal-working	138.6	106.1	145.7	93.9	93.6
Forestry, wood, and paper products	52.3	34.3	79.9	51.4	64.9
Construction materials industry	58.6	47.9	59.4	44.7	53.8
Light industry	47.5	38.4	110.8	71.5	65.2
Food-processing industries	26.5	23.2	36.6	34.9	35.9

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

1/ End-of-period stocks.

2/ Data have been revised backward to reflect the redenomination of the rubel on January 1, 2000 which removed three zeros from the currency.

Table 8. Belarus: Agricultural Production, 1995-99

	1995	1996	1997	1998	1999
(In thousands of metric tons, unless otherwise indicated)					
Grain	5,502	5,792	6,420	4,831	3645
Potatoes	9,504	10,881	6,942	7,574	7491
Flax	60	49	26	36	21
Sugar beets	1,172	1,011	1,262	1,428	1186
Meat	995	937	941	981	949
Milk	5,070	4,908	5,133	5,232	4741
Eggs	3,373	3,403	3,459	3,481	3395
Live animals (1,000 head) 1/					
Cattle	5,054	4,855	4,802	4,686	4326
Pigs	3,895	3,715	3,686	3,698	3566
Sheep	204	155	127	106	92
Horses	229	232	233	229	221
(Percentage change from previous year)					
Grain	-9.7	5.3	10.8	-24.8	-24.5
Potatoes	15.3	14.5	-36.2	9.1	-1.1
Flax	22.4	-18.3	-46.9	38.5	-41.7
Sugar beets	8.7	-13.7	24.8	13.1	-16.9
Meat	-12.6	-5.8	0.4	4.2	-3.2
Milk	-8.0	-3.2	4.6	1.9	-9.4
Eggs	-0.8	0.9	1.7	0.6	-2.5
Livestock 1/					
Cattle	-6.5	-3.9	-1.1	-2.4	-7.7
Pigs	-2.7	-4.6	-0.8	0.3	-3.6
Sheep	-11.3	-23.7	-18.1	-16.7	-13.4
Horses	4.1	1.3	0.7	-1.9	-3.2
(Yield per hectare)					
Grain	20.4	21.7	23.6	18.3	14.5
Potatoes	131.0	151.0	99.0	109.0	113
Flax	6.1	6.2	3.6	4.8	2.7
Sugar beets	212.0	223.0	267.0	278.0	217.0

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

1/ End-of-period stocks.

Table 9. Belarus: Production and Consumption of Energy, 1995-99

	1995	1996	1997	1998	1999
<b>Production</b>					
Electricity (million kwh)	24,918	23,728	26,057	23,492	26,516
Natural gas (million cubic meters)	266	249	246	252	256
Crude oil (thousand tons)	1,932	1,860	1,822	1,830	1,840
Gasoline (thousand tons)	1,849	1,816	1,954	1,907	1,685
Diesel (thousand tons)	3,465	3,170	3,115	3,318	3,398
Heavy fuel oil (thousand tons)	5,592	4,812	4,524	4,253	4,305
<b>Imports</b>					
Electricity (million kwh)	7	9	10,308	12,747	10,192
Natural gas (million cubic meters)	14	14	16,241	16,004	16,565
Crude oil (thousand tons)	12	11	10,461	10,055	9,900
Gasoline (thousand tons)	53	72	56	21	55
Diesel (thousand tons)	24	18	33	83	90
Heavy fuel oil (thousand tons)	36	16	27	42	343
<b>Exports</b>					
Electricity (million kwh)	2,907	2,601	2,688	2,073	3,029
Crude oil (thousand tons)	200	300	400	382	300
Gasoline (thousand tons)	551	683	666	688	624
Diesel (thousand tons)	1,711	1,470	990	1,609	1,761
Heavy fuel oil (thousand tons)	233	901	713	887	2,332
<b>Change in stocks</b>					
Natural gas (million cubic meters)	43	-7	110	22	6
Crude oil (thousand tons)	-25	250	-95	-47	48
Gasoline (thousand tons)	-82	100	-97	33	11
Diesel (thousand tons)	27	182	-242	163	96
Heavy fuel oil (thousand tons)	-217	189	-133	-4	531
<b>Consumption</b>					
Electricity (million kwh)	22,018	21,136	33,677	34,166	33,680
<i>Of which:</i>					
Industrial sector (million kwh)	13,383	13,456	15,321	15,714	15,668
Natural gas (million cubic meters)	13,840	14,587	16,597	16,278	16,827
<i>Of which:</i>					
For production of heating and electricity (million meters)	9,903	10,748	12,449	11,422	12,096
Crude oil (thousand tons)	1,719	1,821	11,788	11,456	11,488
Gasoline (thousand tons)	1,269	1,305	1,247	1,273	1,127
Diesel (thousand tons)	1,805	1,900	1,916	1,955	1,823
Heavy fuel oil (thousand tons)	5,178	4,711	3,705	3,404	2,847
<i>Of which:</i>					
For production of heating and electricity (million meters)	4,238	4,073	2,759	2,612	2,335
<b>Losses in distribution</b>					
Electricity (million kwh)	3,636	3,757	3,801	3,796	3,544
Natural gas (million cubic meters)	139	155	135	133	103

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

Table 10. Belarus: Change in Consumer and Producer Prices 1996-2000 (June)

	Consumer Prices: CPI 1/		Producer Prices: IPPI 2/	
	Monthly percentage change	Year-on-year percentage change	Monthly percentage change	Year-on-year percentage change
<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	6.2	391
May	8.9	312	6.7	412
June	7.1	330	5.1	420
July	6.0	343	5.3	421
August	7.1	357	7.8	429
September	12.1	336	7.5	407
October	14.2	311	9.5	378
November	14.3	276	10.4	334
December	13.6	251	11.9	245
<b>2000</b>				
January	14.1	244	11.6	200
February	9.3	230	10.3	180
March	5.8	212	10.3	168
April	5.1	205	6.4	169
May	4.7	193	9.7	176
June	6.1	191	10.2	190
<b>Average</b>				
1992	30.6	971	49.9	1,939
1993	29.2	1,190	31.3	1,536
1994	29.1	2,221	28.6	2,171
1995	11.5	709	7.4	462
1996	2.8	53	2.3	34
1997	4.2	64	5.6	88
1998	9.3	73	10.1	72
1999	11.1	294	11.1	356

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 11. Belarus: Changes in Administered Prices of Household Services, 1999-2000 (June)  
(Percentage change)

	Dec 97/ Dec 96	Dec 98/ Dec 97	Dec 99/ Dec 98	1999												2000						
				Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
<b>Utilities</b>																						
Rent	20.0	20.0	...	...	...	...	...	...	60.0	4.7	5.2	...	...	...	...	8.4	2.1	35.1	11.6	30.0	10.9	
Water	58.7	662.7	36.3	25.0	...	...	...	70.0	4.9	4.7	5.2	5.4	6.7	8.2	7.7	8.6	1.9	11.7	11.7	5.9	10.9	
Sewage	58.7	534.4	36.3	25.0	...	...	...	45.0	4.9	4.7	5.2	5.4	6.7	8.2	7.7	8.6	1.9	11.7	11.7	5.9	10.9	
Heating 1/	38.0	...	...	...	...	...	...	...	4.9	50.0	30.0	...	6.7	8.2	20.0	8.6	1.9	11.2	11.7	30.0	10.9	
Hot water	38.0	...	...	...	...	...	...	...	4.9	50.0	30.0	20.0	6.7	8.2	20.0	8.6	1.9	11.8	11.7	30.0	10.9	
<b>Electricity</b>																						
City dwellers	33.0	88.3	...	...	...	...	...	20.0	...	...	20.0	...	...	...	18.0	...	25.0	...	200.0	...	200.0	
Rural dwellers	61.2	88.3	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
<b>Transportation</b>																						
Urban transport	87.4	50.0	...	33.0	...	...	...	50.0	...	...	66.7	...	...	...	200.0	...	...	...	...	200.0	...	
Commuter transport	65.8	139.1	...	...	...	...	45.5	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
<b>Energy</b>																						
Crude oil	87.2	85.2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
Natural gas (for cooking) 2/	151.2	68.0	...	...	...	...	...	...	...	...	20.0	...	...	...	18.0	8.0	1.8	11.7	11.7	31.0	10.9	
Gasoline 3/ 4/																						
Unleaded AI-76 4/	87.2	117.7	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
Leaded AI-93 4/	87.2	261.2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
Diesel fuel 3/ 4/	0.0	117.4	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
Fuel oil 3/ 4/	0.0	67.3	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
<b>Electricity (industrial tariff)</b>																						
Use above 750 Kwh	...	...	...	26.6	36.8	35.2	4.9	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
Use below 750 Kwh	...	...	...	24.0	36.1	35.6	3.5	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
<b>Memorandum item:</b>																						
CPI (percentage change)	63.1	181.7	62.7	16.6	13.7	12.1	7.4	8.9	7.1	6.0	7.1	12.1	14.2	14.3	13.6	14.1	9.3	5.8	5.1	4.7	6.1	

Sources: Ministry of Economy; and Fund staff estimates.

1/ Payment for heating is calculated on the basis of living space; after September 1,1999 the definition was broadened.

2/ Domestic resale.

3/ For preferred users.

4/ Oil product prices for households are not regulated.

Table 12. Belarus: Tariffs and Cost Coverage for Households, 1998-2000 (May) 1/

	January 1, 1998			January 1, 1999			January 1, 2000			May 1, 2000		
	Unit Tariff 2/ (In rubels)	Representative Household Expenditure 3/ (In rubels)	Cost Coverage (In percent)	Unit Tariff 2/ (In rubels)	Representative Household Expenditure 3/ (In rubels)	Cost Coverage (In percent)	Unit Tariff 2/ (In rubels)	Representative Household Expenditure 3/ (In rubels)	Cost Coverage (In percent)	Unit Tariff 2/ (In rubels)	Representative Household Expenditure 3/ (In rubels)	Cost Coverage (In percent)
Rent	1.2	36.7	31.1	1.5	44.1	35.2	2.2	67.2	10.8	3.7	112.2	9.5
Heating	4.9	146.0	45.3	4.9	146.0	38.8	10.3	309.0	13.8	14.2	426.6	8.7
Water	0.6	15.4	22.1	4.2	112.3	100.0	10.7	288.9	44.2	15.7	422.6	38.4
Sewage	0.6	15.1	28.6	3.8	102.9	100.0	8.4	226.8	49.1	12.3	331.3	41.0
Hot water	14.6	43.8	25.4	14.6	43.8	21.8	49.7	149.1	7.8	68.6	205.9	4.9
Radio	4.4	4.4	64.7	6.4	6.4	60.0	...	...	...	...	...	...
Telephone	33.0	33.0	53.2	48.0	48.0	64.1	...	...	...	...	...	...
Television antenna	3.4	3.4	60.0	...	...	...	...	...	...	...	...	...
Gas	10.2	30.6	62.1	17.1	51.3	41.5	35.2	105.6	21.9	48.3	144.9	29.3
Electricity	0.5	67.5	44.9	0.9	127.5	48.3	1.4	216.5	14.7	3.6	540.0	24.7

Sources: Ministry of Housing and Communal Services; and Ministry of Economy.

1/ Data have been revised backward to reflect the redenomination of the rubel on January 1, 2000 which removed three zeros from the currency.

2/ 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.

3/ A representative household consists of: 1) the area of a 30-square-meter, two-bedroom apartment; with 2) each person consuming 9 cubic meters of water and 50 kwh of electricity per month.

Table 13. Belarus: Average Monthly Wages, 1995-99  
(In thousands of rubels) 1/

	1995	1996	1997	1998	1999
	(Annual survey) 2/				
Average	755	1,212	2,270	4,635	19,581
(Excluding collective farms)	803	1,287	2,416	4,887	20,585
Good-producing sectors	777	1,174	2,222	4,518	19,489
Construction	1,048	1,474	2,852	5,796	25,238
Industry	862	1,366	2,689	5,630	23,865
Forestry	728	1,100	2,018	3,867	17,570
Agriculture 3/	468	758	1,329	2,777	11,282
Service-producing sectors	840	1,316	2,415	4,823	20,367
Banks and insurance	1,612	2,207	4,353	9,056	39,928
Administration	1,192	1,750	3,446	6,439	24,221
Information and computing services	960	1,513	2,709	5,842	24,222
Transport	936	1,463	2,553	4,903	21,240
Science	816	1,354	2,585	5,213	23,753
Communication	919	1,352	2,345	4,707	21,188
Housing and communal services	753	1,203	2,071	4,178	18,180
Health	652	1,118	1,958	3,649	15,290
Trade and catering	607	1,070	1,945	4,067	16,397
Education	595	1,015	1,874	3,646	14,577
Culture	518	893	1,596	3,122	12,775
Arts	517	859	1,545	3,061	12,634
<i>Memorandum item:</i>					
Collective farms	437	700	1,221	2,520	10,234
	(Percentage change from the previous year)				
Average	669	61	87	104	322
(Excluding collective farms)	670	60	88	102	321
Good-producing sectors	701	53	87	103	330
Construction	675	41	93	103	335
Industry	619	59	97	109	324
Forestry	862	51	83	92	354
Agriculture 3/	646	62	75	109	306
Service-producing sectors	734	61	82	99	321
Banks and insurance	650	37	97	108	341
Administration	855	47	97	87	276
Information and computing services	910	58	79	116	315
Transport	711	56	75	92	333
Science	742	66	91	102	356
Communication	871	47	74	101	350
Housing and communal services	769	60	72	102	335
Health	714	71	75	86	319
Trade and catering	604	76	82	109	303
Education	654	71	85	95	300
Culture	676	73	79	96	309
Arts	657	66	80	98	313
<i>Memorandum items:</i>					
Minimum wage (in thousands of rubels, end-of-period)	60	100	200	350	1450
Real average monthly wage index (1991=100)	54	57	65	76	82

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

1/ Data have been revised backward to reflect the redenomination of the rubel on January 1, 2000 which removed three zeros from the currency.

2/ The average monthly wage of workers for 1995-98 are for the full range of enterprises and other entities.

3/ Including collective farms.



Table 14. Belarus: Price and Wage Developments, 1996-2000 (Q2)  
(Percentage change from previous period)

	1996	1997	1998	1999	2000	
					Q1	Q2
Consumer prices (period average)	53	64	73	294	227	196
Change at end-of-period	39	63	182	251	212	191
Goods (period average)	41	63	75	304	227	206
Food	43	66	76	313	238	213
Nonfood	30	49	74	275	188	180
Services (period average)	30	66	56	212	237	254
Producer prices (period average)	34	88	72	356	181	179
Change at end-of-period	31	89	200	245	168	190
Industrial goods	26	95	216	220	144	174
Consumer goods	42	84	179	291	219	222
Minimum wage (end-of-period)	67	100	75	4,043	2,800	1,350
Average monthly wage	61	88	105	250	289	202
Real wage (period average)	4	14	22	4	25	4

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

Table 15. Belarus: Money Income and Expenditures of the Population, 1996-2000 (Q1)

	1996	1997	1998	1999	2000 Q1
(In millions of rubels) 1/					
Money incomes	136,979	238,228	492,129	1,889,326	946,000
Salaries and wages of workers, and employees of collective farms	63,553	127,231	245,333	1,034,516	503,000
Revenues from sale of agricultural products	1,726	3,308	7,792	39,074	5,000
Pensions, benefits, and scholarships	23,159	42,109	82,798	329,087	181,000
Revenues from financial system 2/	1,622	8,267	17,775	53,069	
Revenues of population from officially unaccounted business and other activities	46,919	57,313	138,431	433,580	257,000
Expenditures	134,801	232,738	484,742	1,859,437	935,000
Consumption of goods and payments for services	100,033	185,893	387,884	1,625,369	768,000
Taxes and other obligatory payments and voluntary contributions	7,903	22,565	43,467	152,707	75,000
Accumulation of savings in deposit accounts, securities, and foreign currency purchases	26,865	24,280	53,391	81,361	92,000
Unallocated income	2,178	5,490	7,387	29,889	11,000
(As a percent of income)					
Salaries and wages of workers, and employees of collective farms	46.4	53.4	49.9	54.8	53.2
Revenues from sale of agricultural products	1.3	1.4	1.6	2.1	0.5
Pensions, benefits, and scholarships	16.9	17.7	16.8	17.4	19.1
Revenues from financial system 2/	1.2	3.5	3.6	2.8	
Revenues of population from officially unaccounted business and other activities	34.3	24.1	28.1	22.9	27.2
Saving rate 3/	21	11	12	5	11

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

1/ Data have been revised backward to reflect the redenomination of the rubel on January 1, 2000 removing three zeros from the currency.

2/ Beginning in January 2000, the item "Revenues from the financial system" is removed from the revenue side of the income balance. The reason for this is that credits received from the population are not current revenues, but equivalent to a change in financial assets. It is included in the item "Accumulation of savings in deposit accounts, in securities, and the purchase of foreign exchange" on the expenditure side.

3/ Including securities and foreign exchange deposits; expressed as a percent of money income as defined for tax purposes.

Table 16. Belarus: Labor Market Indicators, 1996-2000 (Q1)

	1996	1997	1998	1999	2000 Q1
	(In thousands of persons)				
Employment 1/	4,365	4,370	4,417	4,442	4,384
Job leavers	769.0	779.2	870.0	904.0	200.9
Jobs taken up	678.0	797.0	894.0	894.2	189.3
Number of unemployed at the end of the period 2/					
Officially recognized	182.5	126.2	105.9	95.4	97.8
<i>Of which:</i>					
Benefit recipients	85.0	49.1	40.8	35.6	36.8
Long-term unemployed 3/	28.0	30.9	19.8	13.0	...
Activity of the Employment Bureau					
Applications from job seekers	300.0	271.4	308.5	284.2	64.9
Placements	150.0	207.7	241.1	223.1	44.1
Vacancies	16.0	29.4	30.3	37.8	43.7
Unemployment rate (in percent) 4/	3.9	2.8	2.3	2.1	2.1
<i>Of which:</i>					
Benefit recipients (in percent)	1.8	1.0	0.9	0.9	...
Economically active population 5/	4,537.0	4,527.9	4,527.8	4,542.0	...
	(In percent)				
<i>Memorandum items:</i>					
Labor force participation rate 6/	44.3	44.3	44.4	45.3	...
Economically active population as share of working-age population	79.0	78.5	77.9	78.6	...
Share of women in the labor force 7/	51.7	51.7	51.8	52.4	...
Share of women in total number of unemployed	63.8	66.6	66.7	64.2	61.5

Sources: Belarusian authorities; and Fund staff estimates.

1/ Average employment during the year for annual data; end-of-period data for Q1 2000.

2/ Unemployed is any able-bodied person without a job other than: those engaged in business, those in education or training, or those serving in the armed forces. The definition was widened in 1993.

3/ Unemployed for more than one year.

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

5/ Working-age population comprises all people able to work older than 16 years and below the retirement age. The economically active population excludes, among others, students, housewives, and members of the armed forces.

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

7/ Women on leave for maternity or caring for children under three years of age are excluded from the economically active population.

Table 17. Belarus: Average Monthly Employment by Sector, 1996-2000 (Q1)

	1996	1997	1998	1999	2000 Q1	1996	1997	1998	1999	2000 Q1
	(In thousands)					(Percentage change over previous period)				
Annual survey 1/	4,365	4,370	4,417	4,442	4,384	-1.0	0.1	1.1	0.6	0.2
Monthly survey	3,685	3,708	3,738	3,745	3,638	-3.4	0.6	0.8	0.2	-2.9
Good-producing sectors	2,088	2,063	2,036	1,993	1,906	-6.8				
Industry	1,081	1,072	1,073	1,084	1,071	-6.8	-0.8	0.1	1.0	-0.9
Agriculture 2/	759	738	698	646	581	-5.5	-2.8	-5.4	-7.4	-6.0
Construction	248	253	265	263	254	-10.8	2.0	4.7	-0.8	-4.2
Service-producing sectors	1,597	1,645	1,702	1,752	1,732	1.6				
Transport and communication	277	279	284	286	275	-1.1	0.7	1.8	0.7	-3.5
Trade and related services	216	227	238	249	255	-3.1	5.1	4.8	4.6	-0.4
Communal services	125	128	133	141	148	13.5	1.6	3.9	6.0	2.1
Health and social services	264	271	279	283	282	1.5	2.7	3.0	1.4	-1.7
Education, culture, and science	471	489	506	521	529	2.2	3.8	3.5	3.0	-0.6
Banks and insurance	45	46	49	52	53	0.0	2.2	6.5	6.1	0.0
Administration	75	75	78	82	80	2.7	0.0	4.0	5.1	-3.6
Other	124	130	135	138	110	3.3	4.8	3.8	2.2	-21.4
	(Share in total)					(Percentage change of share in total)				
Good-producing sectors	56.7	55.7	54.5	53.1	52.4	-3.6	-1.7	-2.1	-1.8	-3.9
Industry	29.3	28.9	28.7	28.9	29.4	-3.6	-1.3	-0.9	-0.7	2.4
Agriculture 2/	20.6	19.9	18.7	17.2	16.0	-2.2	-5.9	-6.0	-4.5	-14.4
Construction	6.7	6.8	7.1	7.0	7.0	-7.7	1.5	3.9	0.7	-1.4
Service-producing sectors	43.4	44.6	45.5	46.9	47.6	6.1	2.7	2.1	2.1	4.6
Transport and communication	7.5	7.5	7.6	7.6	7.6	2.4	0.2	0.9	-1.4	0.0
Trade and related services	5.9	6.1	6.4	6.7	7.0	6.6	4.6	4.4	4.2	9.4
Communal services	3.4	3.4	3.5	3.8	4.1	18.5	-0.6	2.9	6.5	17.1
Health and social services	7.2	7.3	7.5	7.6	7.8	5.1	2.2	2.5	1.1	4.0
Education, culture, and science	12.8	13.2	13.5	13.9	14.5	5.7	3.3	2.3	1.2	7.4
Banks and insurance	1.2	1.2	1.3	1.4	1.5	3.5	1.7	4.7	9.3	15.4
Administration	2.0	2.0	2.1	2.2	2.1	6.3	-0.5	3.7	4.9	0.0
Other	3.4	3.7	3.6	3.7	3.0	6.9	10.0	-2.7	2.9	-16.7

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.

Table 18. Belarus: Enterprise Profits and Losses, 1996-2000 (Q1)

	1996	1997	1998	1999	2000 Q1
(Profitability of enterprises) 1/					
Total economy	9.7	10.1	10.9	14.7	9.5
Industry	10.6	13.2	14.5	17.1	12.5
<i>Of which:</i>					
Power generation	2.7	4.0	2.8	3.9	-9.0
Refineries	24.4	23.7	19.9	31.4	34.0
Ferrous metallurgy	12.0	14.4	16.9	13.4	17.2
Chemicals	10.4	14.5	20.9	27.3	22.7
Petrochemicals	9.4	10.8	8.8	10.6	8.5
Machine building	9.1	15.4	15.6	18.2	12.2
Wood and paper	13.4	17.5	21.3	17.7	13.4
Construction materials	5.9	8.6	6.4	7.9	-3.4
Light industry	11.0	14.5	20.7	22.5	16.9
Food industry	12.8	12.7	12.9	13.3	8.8
Agriculture 2/					
Collective farms	11.5	13.8	3.2	12.4	...
State farms	8.6	7.6	1.5	11.1	...
(Number of loss-making enterprises)					
Total	1,737	1,351	1,815	1,924	3,836
<i>Of which:</i>					
Industry	324	264	246	216	693
Agriculture 2/	471	369	1,170	1,121	...
(Share of loss-making enterprises per sector in percent)					
Total economy	18.4	12.3	16.2	17.1	33.9
Industry	17.6	11.8	10.5	9.2	29.3
<i>Of which:</i>					
Power generation	...	0.0	14.3	0.0	71.4
Refineries	...	0.0	0.0	0.0	0.0
Ferrous metallurgy	...	0.0	0.0	6.3	25.0
Chemicals	11.1	2.4	1.9	9.6	25.0
Petrochemicals	...	...	10.0	10.0	44.4
Machine building	13.4	8.2	8.0	7.7	25.2
Wood and paper	9.1	7.7	8.3	8.6	25.5
Construction materials	33.8	24.4	22.0	21.4	60.8
Light industry	39.0	22.2	15.5	13.6	33.4
Food industry	9.8	7.5	5.4	3.0	24.7

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 an exclusively positive profitability.

2/ Includes state and collective farms.

Table 19. Belarus: Interenterprise Arrears and the Barter Economy, 1996-2000 (Q1)  
(End-of-period stocks in current prices)

	1996	1997	1998	1999	2000 Q1	1996	1997	1998	1999	2000 Q1
	(In billions of rubels) 1/					(In percent of GDP)				
Overdue accounts receivable										
Total	31	42	110	419	628	17.0	11.7	16.2	14.5	48.7
Industry	15	20	41	199	281	7.9	5.7	6.1	6.9	21.8
Agriculture	1	1	1	6	8	0.4	0.3	0.2	0.2	0.6
Construction	1	2	3	9	19	0.7	0.4	0.4	0.3	1.5
Transport	9	11	40	95	157	4.9	3.1	5.9	3.3	12.2
Communications	0	0	0	1	1	0.1	0.1	0.0	0.0	0.1
Trade and public catering	0	0	1	3	7	0.2	0.1	0.1	0.1	0.5
Supply and sales	1	1	5	21	29	0.3	0.2	0.8	0.7	2.2
Housing and communal services	4	6	18	85	124	2.4	1.7	2.6	2.9	9.6
Overdue accounts payable 2/										
Total	34	47	156	555	861	18.2	13.3	23.1	19.2	66.8
Industry	19	26	76	311	480	10.2	7.2	11.3	10.7	37.2
Agriculture	4	7	14	63	76	2.2	1.9	2.0	2.2	5.9
Construction	1	1	3	8	18	0.7	0.4	0.4	0.3	1.4
Transport	3	4	29	66	112	1.9	1.3	4.3	2.3	8.7
Communications	0	0	1	3	5	0.0	0.0	0.1	0.1	0.4
Trade and public catering	1	2	3	14	24	0.5	0.4	0.5	0.5	1.9
Supply and sales	1	1	11	16	20	0.3	0.3	1.7	0.5	1.6
Housing and communal services	4	6	19	74	124	2.4	1.7	2.8	2.6	9.6
Barter transactions										
Total	...	...	254	1,088	421	...	...	37.7	37.6	32.7
Industry	...	...	217	930	362	...	...	32.2	32.2	28.1
Agriculture	...	...	12	49	19	...	...	1.7	1.7	1.5
Construction	...	...	8	35	11	...	...	1.2	1.2	0.9
Transport	...	...	2	10	2	...	...	0.3	0.3	0.2
Communications	...	...	1	2	1	...	...	0.1	0.1	0.1
Trade and public catering	...	...	3	11	4	...	...	0.5	0.4	0.3
Supply and sales	...	...	3	19	9	...	...	0.5	0.7	0.7
Storage	...	...	...	...	...	...	...	...	...	...
Housing and communal services	...	...	7	28	10	...	...	1.0	1.0	0.8
<i>Memorandum item:</i>										
Gross domestic product	184	356	675	2,890	1,289	...	...	...	...	...

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

1/ Data have been revised backward to reflect the redenomination of the rubel on January 1, 2000 which removed three zeros from the currency.  
2/ Overdue accounts payable only include overdue payments to the republican and local governments, workers, and to other entities for goods and services.

Table 20. Belarus: Sectoral Distribution of Energy Debts of Enterprises, 1997-99 1/

	1997				1998				1999			
	Total	Gas	Oil	Electricity	Total	Gas	Oil	Electricity	Total	Gas	Oil	Electricity
(In billions of rubels) 2/												
Domestic debts	30.30	19.05	...	9.59	96.02	60.31	...	33.71	377.25	206.44	...	160.88
Industry	15.77	9.55	...	5.98	53.57	27.56	...	25.25	225.82	105.68	...	115.00
Agriculture	3.61	0.51	...	2.97	9.05	1.63	...	7.15	46.04	7.03	...	38.20
Transportation, including pipelines	0.12	0.01	...	0.05	0.53	0.20	...	0.14	10.49	7.99	...	0.88
Communications	0.00	...	...	...	0.00	...	...	0.00	0.13	...	...	0.12
Construction	0.10	0.01	...	0.06	0.23	0.04	...	0.16	0.85	0.21	...	0.51
Trade and public catering	0.02	...	...	0.02	0.07	0.00	...	0.06	0.45	0.00	...	0.15
Supply and sale	1.13	0.01	...	0.03	0.58	0.00	...	0.05	0.86	0.00	...	0.28
Housing and communal services	9.53	8.96	...	0.47	31.93	30.87	...	0.86	92.40	85.48	...	5.60
Other	0.02	0.00	...	0.02	0.06	0.01	...	0.05	0.20	0.03	...	0.14
(In millions of U.S. dollars)												
Foreign debts	0.13	0.10	0.00	0.03	0.37	0.24	0.01	0.13	...	...	...	...
Industry	...	...	...	...	...	...	...	...	...	...	...	...
Agriculture	0.03	...	0.00	0.03	0.14	0.00	0.01	0.13	...	...	...	...
Transportation, including pipelines	...	...	...	...	...	...	...	...	...	...	...	...
Communications	0.10	0.10	...	...	0.23	0.23	...	...	...	...	...	...
Construction	...	...	...	...	...	...	...	...	...	...	...	...
Trade and public catering	...	...	...	...	...	...	...	...	...	...	...	...
Supply and sale	...	...	...	...	...	...	...	...	...	...	...	...
Housing and communal services	0.00	...	...	...	0.00	0.00	...	...	...	...	...	...
Other	...	...	...	...	...	...	...	...	...	...	...	...
(As a percent of domestic debts, total and by type of energy)												
Domestic debts by sector	...	...	...	...	...	...	...	...	...	...	...	...
Industry	52	50	...	62	56	46	...	75	...	...	...	...
Agriculture	12	3	...	31	9	3	...	21	...	...	...	...
Foreign debts by sector	...	...	...	...	...	...	...	...	...	...	...	...
Industry	23	...	100	100	37	1	100	100	...	...	...	...
Transportation, including pipelines	77	100	...	...	62	99	...	...	...	...	...	...
(As a percent of GDP)												
Memorandum items:	...	...	...	...	...	...	...	...	...	...	...	...
Domestic energy debts	9	5	...	3	14	9	...	5	...	...	...	...
Foreign energy debts	1	1	0	0	6	4	...	2	...	...	...	...

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

1/ These debts are not necessarily overdue.

2/ Data have been revised backward to reflect the redenomination of the rubel on January 1, 2000 which removed three zeros from the currency.

Table 21. Belarus: General Government Operations, 1996-2000 (Q1)  
(In millions of rubels) 1/

	1996	1997	1998	1999	2000 Q1
Revenue and grants	75,199	159,896	304,164	1,332,105	649,681
Revenue (excluding extrabudgetary funds)	75,199	159,896	304,164	1,332,105	649,681
Current revenue	74,539	158,362	301,145	1,322,558	647,820
Tax revenue	68,707	150,038	280,691	1,231,549	115,459
Income, profits, capital gains	12,735	28,195	55,995	235,750	44,692
Social security contributions	15,796	31,639	61,480	262,858	136,544
Payroll taxes	4,870	7,794	10,803	47,232	12,292
Taxes on property	1,852	4,935	9,029	18,051	14,494
Domestic taxes on goods and services	29,258	66,153	123,664	587,652	268,400
Taxes on international trade and transactions	3,169	8,964	15,269	58,011	21,166
Nontax revenue	5,833	8,325	20,454	91,009	69,032
Capital revenue	660	1,533	3,019	9,546	1,861
Grants	0	0	0	0	0
<i>Functional classification</i>					
Expenditure	78,654	164,312	307,632	1,385,001	640,034
General public services	3,721	8,727	15,266	59,800	23,142
Defense	2,264	6,080	9,837	38,741	18,653
Public order	2,979	4,985	8,501	41,795	21,687
Education	11,688	26,283	47,610	185,708	93,829
Health	9,013	19,913	32,218	142,702	69,189
Social security and welfare	19,872	36,592	70,973	286,161	151,326
Housing and communal amenities	4,041	10,563	17,163	81,388	33,832
Recreation and culture	1,629	4,292	7,719	28,581	13,175
Industry, construction, and energy sectors	556	1,078	2,904	17,076	3,524
Agriculture, forestry, fishing, and hunting	4,944	12,314	23,322	124,882	67,493
Mining, manufacturing, and construction	120	1,640	887	3,399	669
Transport and communications	4,352	11,663	22,237	103,210	42,951
Other economic affairs and services, including research	1,799	6,217	19,857	27,368	14,501
Other expenditure, including disasters and emergencies	11,678	13,964	29,138	244,190	86,062
<i>Economic classification</i>					
Expenditure and net lending	78,654	164,312	307,632	1,385,001	640,034
Expenditure	78,688	162,532	307,808	1,382,258	640,396
Current expenditure	64,923	130,214	248,253	1,059,185	530,290
Expenditure on goods and services	33,942	65,158	122,522	483,558	231,733
Wages and salaries	15,274	28,438	54,347	221,065	117,529
Goods and services	18,668	36,721	68,174	262,494	114,204
Interest payments	1,227	2,374	5,087	19,512	13,179
Subsidies and current transfers	29,754	62,682	120,644	556,115	285,378
Subsidies	7,821	16,898	37,218	195,002	91,645
Transfers to households	21,709	45,784	81,899	350,644	192,274
Transfers abroad	224	0	1,532	10,469	1,459
Capital expenditure	13,765	32,318	59,555	323,072	110,106
Net lending	-34	1,780	-176	2,744	-362
Balance	-3,455	-4,416	-3,468	-52,897	9,647
Financing	3,455	4,416	3,468	52,897	-9,647
Foreign	-223	1,609	-1,979	-24,432	-9,990
Domestic	3,678	2,807	5,447	77,329	344

Source: Belarusian authorities.

1/ Data have been revised backward to reflect the redenomination of the rubel on January 1, 2000 which removed three zeros from the currency.



Table 22. Belarus: General Government Operations, 1996-2000 (Q1) 1/  
(In percent of GDP)

	1996	1997	1998	1999	2000 Q1
Revenue and grants	40.8	44.9	45.1	46.1	50.4
Revenue	36.7	40.4	40.5	41.5	45.4
Current revenue	40.5	44.5	44.6	45.8	50.3
Tax revenue	37.3	42.1	41.6	42.6	9.0
Income, profits, and capital gains	6.9	7.9	8.3	8.2	3.5
Social security contributions	8.6	8.9	9.1	9.1	10.6
Payroll taxes	2.6	2.2	1.6	1.6	1.0
Taxes on property	1.0	1.4	1.3	0.6	1.1
Domestic taxes on goods and services	15.9	18.6	18.3	20.3	20.8
Taxes on international trade and transactions	1.7	2.5	2.3	2.0	1.6
Nontax revenue	3.2	2.3	3.0	3.1	5.4
Capital revenue	0.4	0.4	0.4	0.3	0.1
Grants	0.0	0.0	0.0	0.0	0.0
<i>Functional classification</i>					
Expenditure	42.7	46.1	45.6	47.9	49.7
General public services	2.0	2.5	2.3	2.1	1.8
Defense	1.2	1.7	1.5	1.3	1.4
Public order	1.6	1.4	1.3	1.4	1.7
Education	6.3	7.4	7.1	6.4	7.3
Health	4.9	5.6	4.8	4.9	5.4
Social security and welfare	10.8	10.3	10.5	9.9	11.7
Housing and communal amenities	2.2	3.0	2.5	2.8	2.6
Recreation and culture	0.9	1.2	1.1	1.0	1.0
Fuel and energy sectors	0.3	0.3	0.4	0.6	0.3
Agriculture, forestry, fishing, and hunting	2.7	3.5	3.5	4.3	5.2
Mining, manufacturing, and construction	0.1	0.5	0.1	0.1	0.1
Transport and communications	2.4	3.3	3.3	3.6	3.3
Other economic affairs and services, incl. research	1.0	1.7	2.9	0.9	1.1
Other expenditure, incl. disasters and emergencies	6.3	3.9	4.3	8.4	6.7
Adjustment	0.0	0.0	0.0	0.0	0.0
<i>Economic classification</i>					
Expenditure and net lending	42.7	46.1	45.6	47.9	49.7
Expenditure	42.7	45.6	45.6	47.8	49.7
Current expenditure	35.3	36.6	36.8	36.6	41.1
Expenditure on goods and services	18.4	18.3	18.1	16.7	18.0
Wages and salaries	8.3	8.0	8.0	7.6	9.1
Goods and services	10.1	10.3	10.1	9.1	8.9
Interest payments	0.7	0.7	0.8	0.7	1.0
Subsidies and current transfers	16.2	17.6	17.9	19.2	22.1
Subsidies	4.2	4.7	5.5	6.7	7.1
Transfers to households	11.8	12.9	12.1	12.1	14.9
Transfers abroad	0.1	0.0	0.2	0.4	0.1
Capital expenditure	7.5	9.1	8.8	11.2	8.5
Balance	-1.9	-1.2	-0.5	-1.8	0.7
Financing	1.9	1.2	0.5	1.8	-0.7
Foreign	-0.1	0.5	-0.3	-0.8	-0.8
Domestic	2.0	0.8	0.8	2.7	0.0
<i>Memorandum item:</i>					
Quasi-fiscal deficit	-2.4	-2.9	-3.0	-3.5	-1.4

Sources: Belarusian authorities; and Fund staff estimates.

1/ Includes Social Protection Fund.

Table 23. Belarus: Tax Arrears, 1995–99  
(In billions of rubels, unless otherwise indicated; end of period)

	1995	1996	1997	1998	1999
Total tax arrears	2,509	3,923	3,560	4,469	3,045
State budget tax arrears 1/	1,364	1,722	1,401	2,012	2,657
Taxes on income and profits	339	231	546	531	866
Personal income tax	2	...	102	24	25
Profit tax	329	...	439	500	835
Enterprise income tax	7	...	5	6	6
Chernobyl tax	226	215	102	135	138
Taxes on property	126	443	189	401	378
Real estate tax	92	79	75	188	194
Land tax	34	364	113	214	184
Domestic taxes on goods and services	674	833	565	945	1,276
Value-added tax	531	546	456	857	1,156
Excises	73	40	59	81	112
Fuel tax	10	10	0	0	0
Natural resource tax	15	75	47	6	6
Forestry tax and other taxes	44	162	3	2	1
Social Protection Fund	960	1,783	1,841	2,180	...
Fund for Support of Agricultural Producers	185	418	318	278	388
<i>Memorandum items:</i>					
Total tax arrears (in percent of GDP)	2.1	2.1	1.0	0.7	0.1
Deferred taxes 2/	1	1,419	3,873	5,668	6,228

Sources: Belarusian authorities; and Fund staff estimates.

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

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

Table 24. Belarus: General Government Debt, 1996-2000 (Q1)  
(In millions of rubels, unless otherwise indicated; end-of-period)

	1996	1997	1998	1999	2000 Q1
Total debt, net	17,884	31,751	217,290	367,197	677,787
Domestic debt, net 1/	3,066	1,749	-5,064	83,581	111,394
Republican government 2/	2,772	4,218	-33	100,210	143,949
Local governments	-896	-2,469	-5,031	-16,629	-32,554
Extrabudgetary accounts 3/	...	...	...	...	...
Budgetary organizations 4/	...	...	...	...	...
Foreign debt 5/	14,818	30,002	222,354	283,616	566,393
<i>Memorandum items:</i>					
Domestic debt (in percent of GDP) 6/	1.7	0.5	-0.8	2.9	3.8
Foreign debt (in millions of U.S. dollars) 5/	950	976	1011	886	859
Foreign debt (in percent of GDP) 5/	8.0	8.4	32.9	9.8	19.5
Official exchange rate, end-of-period (in rubels per U.S. dollar)	16	31	220	320	675

Sources: Belarusian authorities; and Fund staff estimates.

1/ The data are derived from NBB balance sheets. Negative net debt in 1998 reflects the revaluation of the government's foreign exchange credits to banks at increasingly depreciated exchange rates.

2/ Central government, including all budgetary 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 Q1 2000.

Table 25. Belarus: Monetary Survey, 1998-2000 (June)  
(In millions of rubels; end-of-period)

	1998		1999			2000	
	December	March	June	September	December	March	June
Accounting exchange rate (in rubels per U.S. dollar) 1/	220	236	259	290	320	435	675
Net foreign assets	43,228	67,830	79,464	94,145	87,376	167,500	264,769
Net foreign assets (convertible)	39,764	64,061	74,464	88,286	79,900	158,018	250,069
Foreign assets	139,890	162,806	164,504	190,846	196,126	289,140	488,197
Foreign liabilities	-100,126	-98,746	-90,040	-102,560	-116,226	-131,122	-238,128
Net foreign assets (nonconvertible)	3,464	3,769	5,000	5,859	7,476	9,482	14,700
Foreign assets	4,681	4,806	11,759	8,324	10,045	19,725	30,043
Foreign liabilities	-1,217	-1,036	-6,759	-2,465	-2,569	-10,244	-15,344
Net domestic assets	174,024	194,320	245,935	331,304	418,066	492,457	688,496
Net domestic credit	247,452	283,260	324,208	428,760	601,732	776,596	1,033,329
Net credit to general government	49,548	46,224	43,007	49,218	148,115	193,181	241,260
Net claims on central government	49,405	46,130	42,822	48,776	147,757	192,282	239,702
Gross credit to local government	143	94	185	442	358	899	1,558
Claims on economy	197,903	237,037	281,201	379,542	453,617	583,414	792,069
Claims on nonfinancial public enterprises	84,081	96,263	107,527	150,235	170,598	237,409	340,145
Claims on private sector	113,343	140,302	172,471	228,117	281,741	344,756	450,451
Claims on nonbank financial institutions	480	471	1,203	1,190	1,278	1,250	1,473
Other items, net	-73,427	-88,940	-78,274	-97,455	-183,666	-284,139	-344,833
Capital	-31,513	-42,809	-69,112	-90,607	-172,005	-268,250	-294,862
Other assets, net	-41,914	-46,130	-9,161	-6,848	-11,661	-15,889	-49,971
Broad money	217,252	262,151	325,398	425,449	505,442	659,957	953,265
Rubel broad money	96,495	114,572	162,631	224,845	284,731	337,559	441,892
Currency outside banks	27,074	32,014	55,026	69,881	86,852	108,244	157,165
Domestic currency deposits	69,422	82,558	107,605	154,965	197,879	229,316	284,727
Foreign currency deposits	120,757	147,579	162,767	200,604	220,711	322,397	511,373

Source: National Bank of Belarus.

1/ Data have been revised backward to reflect the redenomination of the rubel on January 1, 2000 which removed three zeros from the currency.

Table 26. Belarus: Accounts of the National Bank of Belarus, 1998-2000 (June)  
(In millions of rubels; end-of-period)

	1998		1999			2000	
	December	March	June	September	December	March	June
Accounting exchange rate (in rubels per U.S. dollar) 1/	107	236	259	290	320	435	675
<b>National Bank of Belarus</b>							
Net foreign assets	5,745	10,863	11,109	16,389	16,633	32,287	68,902
Net foreign assets (convertible)	5,324	10,447	10,864	16,380	15,858	31,744	65,937
Foreign assets	75,863	80,955	79,621	89,974	97,502	128,015	247,576
Foreign liabilities	-70,539	-70,508	-68,757	-73,594	-81,644	-96,271	-181,639
Net foreign assets (nonconvertible)	420	416	245	8	775	543	2,965
Foreign assets	602	456	372	785	853	579	3,262
Foreign liabilities	-181	-40	-126	-776	-78	-36	-296
Net domestic assets	60,637	69,235	87,130	122,643	168,186	193,720	239,717
Net domestic credit	100,035	106,987	123,162	161,494	200,993	242,994	304,530
Net credit to general government	48,441	54,376	59,762	66,556	138,683	170,427	218,676
Claims on nonfinancial public enterprises	22	28	28	41	44	15	33
Claims on private sector	343	728	794	1,272	2,041	2,760	3,325
Claims on banks	51,229	51,855	62,578	93,624	60,226	69,792	82,495
Other items, net	-39,398	-37,752	-36,032	-38,851	-32,807	-49,274	-64,812
Reserve money	66,381	80,098	98,239	139,032	184,819	226,007	308,620
Currency issued outside banking system	27,074	32,014	55,026	69,881	86,852	108,244	157,165
Due to banks	37,855	46,805	41,796	66,170	91,979	109,332	140,581
Required reserves	18,519	26,700	31,297	39,514	49,563	55,550	86,544
Excess reserves	19,336	20,105	10,499	26,655	42,415	53,782	54,037
Deposits of other sectors (excluding central government)	1,453	1,279	1,417	2,982	5,988	8,431	10,873

Source: National Bank of Belarus.

1/ Data have been revised backward to reflect the redenomination of the rubel on January 1, 2000 which removed three zeros from the currency.

Table 27. Belarus: Deposit Money Banks' Accounts, 1998-2000 (June) 1/  
(In millions of rubels; end-of-period)

	1998	1999				2000	
	December	March	June	September	December	March	June
Net foreign assets	37,484	56,967	68,355	77,756	70,743	135,213	195,867
Net foreign assets (convertible)	34,440	53,613	63,600	71,905	64,042	126,274	184,132
Assets (convertible)	64,027	81,851	84,883	100,872	98,624	161,125	240,620
Liabilities (convertible)	-29,587	-28,238	-21,283	-28,966	-34,582	-34,851	-56,488
Net foreign assets (nonconvertible)	3,044	3,353	4,755	5,851	6,701	8,939	11,734
Assets (nonconvertible)	4,080	4,350	11,387	7,540	9,192	19,147	26,782
Liabilities (nonconvertible)	-1,035	-997	-6,633	-1,689	-2,491	-10,208	-15,047
Net domestic assets	151,242	171,890	200,601	274,831	341,858	408,069	589,360
Net domestic credit	185,963	226,089	278,581	370,567	499,495	627,951	866,506
Net credit to general government	1,107	-8,153	-16,755	-17,338	9,432	22,754	22,583
Net credit to central government	965	-8,246	-16,940	-17,780	9,074	21,855	21,025
Claims on local government	143	94	185	442	358	899	1,558
Claims on nonfinancial public enterprises	84,059	96,235	107,499	150,193	170,553	237,393	340,112
Claims on private sector	112,999	139,574	171,677	226,845	279,701	341,996	447,155
Claims on nonbank financial institutions	480	471	1,203	1,190	1,278	1,250	1,473
Net claims on the National Bank	-12,683	-2,039	14,956	9,677	38,531	24,557	55,211
Other items, net	-34,720	-54,198	-77,980	-95,736	-157,636	-219,881	-277,146
Liabilities to nonfinancial institutions 2/	188,726	228,857	268,956	352,587	412,602	543,282	785,227
Demand deposits	52,487	62,262	79,242	118,154	140,714	155,817	184,886
Time and savings deposits	15,562	19,224	27,067	34,058	51,315	65,649	90,634
Foreign currency deposits	120,678	147,371	162,646	200,375	220,572	321,816	509,707

Source: National Bank of Belarus.

1/ Data have been revised backward to reflect the redenomination of the rubel on January 1, 2000 which removed three zeros from the currency.

2/ Excluding central government.

Table 28. Belarus: National Bank's Directed Credits, 1997-2000 (Q1) 1/  
(In millions of rubels; end-of-period)

	1997				1998				1999				2000
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Directed credit	5,645	7,202	12,222	13,724	17,231	25,027	29,225	31,392	31,908	8,263	38,348	27,695	27,441
Agriculture	2,723	2,351	1,849	1,457	2,258	3,921	4,882	4,601	4,422	25	2,229	22	17
Trade	0	...	...	...	...	439	500	499	496	...	...	...	...
Industry	276	468	3,809	5,947	5,334	6,458	5,632	4,206	2,221	304	11,947	3,279	3,059
Housing	1,808	3,543	5,738	7,510	8,854	13,447	17,473	20,831	23,546	7,294	24,161	24,383	24,354
Other	838	840	825	810	785	762	738	1,255	1,223	11	11	11	11

Source: National Bank of Belarus.

1/ Data have been revised backward to reflect the redenomination of the rubel on January 1, 2000 which removed three zeros from the currency.

Table 29. Belarus: Composition of Bank Lending by Type of Credit and Sector, 1996-2000 (Q1)

	1996	1997	1998	1999	2000	1996	1997	1998	1999	2000
	(In millions of rubels)					Q1	(Share of total)			
										Q1
Total bank credit	21,489	48,506	193,300	442,697	569,333	100.0	100.0	100.0	100.0	100.0
Type of credit										
Short-term credit	14,878	27,378	94,265	196,849	257,322	69.2	56.4	48.8	44.5	45.2
Industry	6,714	14,458	42,179	90,435	107,097	31.2	29.8	21.8	20.4	18.8
Agriculture	1,382	2,810	5,131	11,490	21,083	6.4	5.8	2.7	2.6	3.7
Construction	493	617	1,330	4,408	6,356	2.3	1.3	0.7	1.0	1.1
Trade and catering	2,286	4,341	22,887	45,155	64,585	10.6	8.9	11.8	10.2	11.3
Other	4,003	10,773	22,738	45,362	58,201	18.6	22.2	11.8	10.2	10.2
Long-term credit	6,611	21,128	99,035	245,848	312,010	30.8	43.6	51.2	55.5	54.8
Industry	2,718	6,961	48,188	77,825	133,973	12.7	14.4	24.9	17.6	23.5
Agriculture	146	639	6,548	39,473	52,333	0.7	1.3	3.4	8.9	9.2
Housing construction	1,322	8,987	24,861	86,246	101,957	6.2	18.5	12.9	19.5	17.9
Other	2,424	4,540	19,438	42,305	23,747	11.3	9.4	10.1	9.6	4.2
Type of borrower										
Short-term credit	14,878	27,378	94,265	196,849	257,322	69.2	56.4	48.8	44.5	45.2
State enterprises	6,770	11,575	41,922	66,632	94,837	31.5	23.9	21.7	15.1	16.7
Cooperatives	6,306	13,551	44,921	115,466	141,518	29.3	27.9	23.2	26.1	24.9
Private sector	862	1,329	729	2,997	2,846	4.0	2.7	0.4	0.7	0.5
Households	444	861	3,707	8,521	14,527	2.1	1.8	1.9	1.9	2.6
Other	497	62	2,987	3,233	3,594	2.3	0.1	1.5	0.7	0.6
Long-term credit	6,611	21,128	99,035	245,848	312,010	30.8	43.6	51.2	55.5	54.8
State enterprises	1,650	5,217	32,488	83,303	117,628	7.7	10.8	16.8	18.8	20.7
Cooperatives	2,454	4,906	32,328	75,395	95,156	11.4	10.1	16.7	17.0	16.7
Private sector	701	1,809	27,891	76,853	116,905	3.3	3.7	14.4	17.4	20.5
Households	1,246	8,017	21,256	58,020	65,730	5.8	16.5	11.0	13.1	11.5
Other	560	1,179	6,328	10,297	11,747	2.6	2.4	3.3	2.3	2.1

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



Table 30. Belarus: Auction of Securities Issued by the Ministry of Finance, 1999-2000  
(Average per auction)

Maturity (days)	Amount offered	Amount sold	Percent sold	Revenue raised	Price bids			Weighted average	Annualized yield (percent) 1/2/3/4/	Monthly average yield (percent) 1/2/3/4/	Number of participants	
					low	cut-off	high					
1999												
Short-term securities												
Jan	316	0	7	...	5	0.0	72.8	0.0	72.8	43.2	3.6	1
Feb	228	1,700	1,375	80.9	1,044	49.0	78.7	64.0	75.9	51.4	4.3	2
Mar	325	4,400	1,422	32.3	830	46.9	63.5	83.0	58.4	82.0	6.8	4
Apr	160	5,400	2,127	39.4	1,574	50.0	74.1	82.4	74.0	89.1	7.4	6
May	123	6,800	3,552	52.2	2,741	78.0	75.9	80.2	77.2	89.8	7.5	4
Jun	102	8,500	3,450	40.6	2,758	75.0	80.4	79.0	79.9	90.0	7.5	12
Jul	81	5,100	7,898	154.9	6,618	67.7	80.3	69.0	83.8	90.0	7.5	10
Aug	167	13,900	10,017	72.1	7,103	67.7	71.7	69.3	70.9	89.9	7.5	12
Sep	178	8,100	12,479	154.1	8,671	68.1	70.2	68.7	69.5	90.0	7.5	18
Oct	177	7,100	9,575	134.9	6,680	68.1	69.7	68.2	69.8	89.7	7.5	17
Nov	275	13,500	7,929	58.7	4,627	54.7	59.2	59.6	58.4	95.2	7.9	8
Dec	302	15,000	11,331	75.5	7,974	52.6	56.9	...	70.4	74.7	6.2	5
Long-term securities												
Nov	...	...	0	...	613	101.7	107.6	118.5	...	...	...	1
2000												
Short-term securities												
Jan	263	12,900	8,231	63.8	4,107	47.7	50.4	51.6	49.9	139.7	11.6	6
Feb	251	17,200	19,692	114.5	9,786	43.9	50.5	47.8	49.7	148.4	12.4	11
Mar	198	18,600	29,184	156.9	18,360	48.2	64.5	80.4	62.9	113.8	9.5	22
Long-term securities												
22 Feb	1,004	4,300	430	10.0	430	100.0	100.0	100.0	100.0	...	...	...

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

1/ Coupon rate: November 4, 1999 - 89.95%; January 28, 2000 - 108.93%; April 28, 2000 - 129.59%.

2/ Coupon rate: November 8, 1999 - 89.92%; November 25, 1999 - 89.99%; February 25, 2000 - 130.70%, May 25, 2000 - 121.47%.

3/ Coupon rate: November 8, 1999 - 89.95%; January 28, 2000 - 108.93%; April 28, 2000 - 129.59%.

4/ Coupon rate: February 22, 2000 - 127.25%; May 22, 2000 - 121.47%.

Table 31. Belarus: Minimum Reserve Requirements, 1995-2000  
(In percent of eligible deposits; beginning of period)

	1995				1996	1997		1998		1999	2000
	March	June	July	August	July	May	September	July	August	December	May
Category of deposits:											
Domestic currency deposits											
Demand deposits	10	12	12	12	15	17	21	18	16	16	19
Time deposits with maturity of:											
less than one year	10	12	12	12	15/10/5	17	21	18	16	16	19
between one and three years	10	12	12	12	5	13	17	18	16	16	19
greater than three years	10	12	12	12	5	5	5	18	16	16	19
Deposits of nonresident banks	...	...	...	...	...	...	...	54	46	...	...
Belarusbank	10	12	12	12	15/10/5	17/13/5	21/17/5	18	16	...	...
Foreign exchange deposits	5.5	8	10	12	15/10/5	17/13/5	21/17/5	18	16	16	16

Source: National Bank of Belarus.

Table 32. Belarus: Interest Rates of the National Bank of Belarus, 1999-2000 (June)  
(In percent per annum; beginning of period)

	1999												2000					
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Required reserves																		
Commercial banks, excluding Belarusbank	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Belarusbank	24	30	30	45	45	45	0	0	0	0	0	0	0	0	0	0	0	0
Correspondent account overdrafts	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
General government deposits	9	9	9	9	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Credit auctions 1/	...	...	100	150	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Basic Lombard rate for period less than 14 days	52	64	64	150	150	150	120	120	120	120	120	120	150	150	180	180	160	160
for 15 to 30 days	54	66	66	160	160	160	125	125	125	125	125	125	160	160	190	190	170	170
Refinance rates																		
Basic rate	48	60	60	90	90	90	90	90	90	90	110	120	120	175	150	110	100	90
Average refinance rate	10	10	10	11	11	21	6	26	28	29	27	22	23	19	22	18	17	...
Special refinance rates																		
Belpromstroibank	5-62	5-62	5-84	5-92	5-92	5-92	5-92	5-92	5-92	5-92	5-112	5-122	5-122	5-152	5-177	5-132	5-112	...
Belagroprombank	1-60	1-60	1-82	1-90	1-90	1-90	2	2-89	2-89	2-89	2-109	2-119	2-149	2-174	2-129	2-109	...	...
Individual farmers	1-30	1-30	1-41	1-45	1-45	1-45	...	...	...	...	...	...	...	...	...	...	...	...
Housing	2-6.5	2-6.5	2-6.5	2-6.5	2-6.5	2-6.5	2	2	2	2	2	2	2	2	2	2	2	...
Credit to government 2/	0/6.5/48	0/6.5/60	0/6.5/60	0/6.5/90	0/6.5/90	0/6.5/90	0/6.5/90	0/6.5/90	0/6.5/90	0/6.5/90	0/6.5/110	0/6.5/120	0/6.5/130	0/6.5/175	0/6.5/150	0/6.5/110	...	...

Source: National Bank of Belarus.

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

2/ 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 33. Belarus: Interest Rates on Bank Deposits, 1999-2000 (May)  
(In percent per annum)

	1999												2000				
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Deposits with commercial banks 1/	14.2	17.7	21.4	23.5	24.1	26.4	26.6	26.2	26.1	25.5	25.5	28.4	32.9	36.1	38.4	43.1	41.6
Of which: Belarusbank	10.6	11.8	14.0	18.7	19.3	26.5	25.5	24.6	22.5	20.4	21.4	25	26.0	27.8	28.8	35.6	33.2
Belpromstroibank	8.9	10.9	17.7	19.8	17.9	19.1	22.5	23	24.4	22.9	21.5	20	22.1	28.6	30.0	40.2	40.6
Belagroprombank	19.2	21.7	22.8	23.5	21.4	19	18.2	23.6	28.1	31.8	31.3	34	36.9	38.6	40.0	38.8	39.5
New deposits 2/	41.9	43.6	55.0	64.2	58.4	67.0	64.0	61.9	52.7	58.6	59.3	71.6	86.9	103.4	88.1	96.9	91.9
Up to 1 month	45.2	47.3	63.0	75.4	71.0	80.9	78.2	71.7	58.6	68.1	66.7	79.8	99.1	113.5	87.0	103.4	92.8
1 to 3 months	46.5	49.9	64.0	70.1	69.7	71.5	73.3	73.0	78.5	68.3	66.5	81.1	90.4	112.6	111.2	108.5	110.0
3 to 6 months	49.8	52.4	56.1	67.9	70.0	71.5	66.1	67.5	70.3	71.1	81.2	87.3	94.9	112.5	117.6	107.7	113.4
6 to 12 months	45.6	52.5	69.1	72.3	64.2	63.9	72.2	71.4	59.1	61.8	54.0	75.0	83.2	113.9	75.8	80.4	91.7
1 to 3 years	51.4	58.2	63.7	68.6	69.2	68.0	72.0	61.8	72.5	80.4	74.9	87.0	112.0	123.8	137.3	141.2	138.4
More than 3 years	57.0	57.0	66.7	44.6	75.0	70.1	13.2	75.0	75.0	88.7	99.8	119.9	120.0	139.4	169.9	175.5	152.4

Source: National Bank of Belarus.

1/ Deposits received between the twenty-first day of the preceding 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 34. Belarus: Interest Rates on Bank Credit, 1999-2000 (May)  
(In percent per annum; period average)

	1999												2000				
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Average lending interest rate 1/	30.1	36.7	43.4	50.0	52.9	53.6	54.2	55.7	57.2	58.5	59.3	65.7	73.2	80.6	82.6	75.4	71.3
<i>Of which:</i>																	
Belarusbank	18.5	21.9	27.5	34.4	39.1	40.5	41.0	41.5	41.8	43.7	44.9	47.6	50.6	52.3	55.2	51.9	50.0
Promstroibank	43.2	53.5	57.6	68.1	72.7	74.5	76.8	74.4	76.7	77.5	83.5	93.7	110.6	118.5	129.9	116.7	111.1
Agroprombank	29.7	13.9	40.3	45.0	44.8	44.2	44.9	49.8	53.3	56.0	56.5	63.7	68.5	72.0	74.3	62.1	54.5
<b>By forms of property</b>																	
Public	39.3	48.3	57.6	67.2	71.2	72.1	72.9	72.4	74.4	74.8	76.3	83.6	93.4	104.6	108.2	95.0	87.5
Collective	39.8	47.1	55.5	63.5	66.2	66.1	67.3	68.3	69.4	70.8	71.5	79.9	90.8	101.1	101.9	88.2	82.2
Private	50.4	58.0	68.2	76.8	80.9	84.9	86.1	84.9	83.9	86.6	86.7	94.1	108.5	120.6	129.7	115.3	109.6
Other	47.2	56.3	63.4	77.9	79.8	83.1	82.4	80.3	81.2	82.7	85.4	92.9	106.2	122.5	123.7	113.5	108.9
<b>By type of business</b>																	
Industry	38.1	47.6	59.8	72.8	78.7	81.1	83.7	86.3	88.3	88.5	88.9	101.6	118.3	136.0	141.7	119.5	110.0
Agriculture	22.1	25.7	28.4	31.9	31.8	30.9	31.4	32.2	31.3	30.3	28.3	28.7	27.0	28.6	28.8	28.4	26.9
Forestry	48.5	49.2	59.3	68.7	81.5	90.9	81.8	85.4	81.4	75.4	71.3	77.2	89.4	104.9	110.8	94.8	85.1
Construction	47.1	53.9	62.5	71.7	76.6	78.7	80.5	82.2	83.9	84.2	85.5	91.6	111.0	125.7	129.5	117.4	114.7
Trade and Catering	49.0	58.1	66.7	78.4	83.3	84.0	84.4	84.9	84.8	84.1	83.9	91.5	106.0	119.7	125.5	110.6	102.8
Information services	49.7	59.5	74.5	86.5	81.7	86.8	91.1	90.7	89.1	89.3	89.2	91.9	109.2	136.4	144.7	126.0	108.8
Real estate transactions	56.5	64.5	67.9	73.4	78.1	85.1	82.4	82.2	83.5	83.8	83.7	95.0	109.2	129.5	130.7	123.6	119.8
Residential services	44.3	51.6	59.9	72.0	74.8	75.0	77.3	79.1	75.9	83.3	87.4	96.2	114.2	129.6	146.0	120.1	110.1
Other	50.6	58.0	66.6	73.6	78.7	80.3	81.0	76.3	77.8	80.4	84.4	92.9	104.3	116.6	121.5	110.9	106.5
<b>Bank credit for</b>																	
Housing	5.7	5.8	5.9	5.8	5.9	5.9	5.9	6.0	6.1	6.0	6.1	6.2	6.4	6.5	6.5	6.6	6.7
Purchase of consumer goods	35.0	35.8	43.7	47.8	48.3	48.7	49.0	49.5	50.2	51.0	51.4	51.7	51.9	52.3	52.7	54.3	54.8
<b>Other credit</b>																	
Interbank	65.0	45.8	71.2	39.9	60.1	86.7	50.2	53.1	58.9	44.4	47.2	66.6	62.1	61.5	65.9	139.8	140.7
Payments arrears	61.1	69.1	70.2	71.9	85.1	88.1	95.1	95.8	99.7	100.4	104.0	112.1	137.9	159.8	166.6	142.8	140.8
<b>Term structure of lending rates</b>																	
on new loans 2/	50.1	54.1	67.4	74.1	77.4	77.3	75.5	78.6	78.9	79.8	83.0	90.0	108.3	117.2	118.3	105.8	100.9
Up to 1 month	54.7	63.4	75.4	84.7	86.7	86.2	86.1	85.9	87.6	87.9	88.2	99.3	112.9	125.9	126.3	112.1	106.2
1 to 3 months	52.8	59.3	73.6	81.8	83.6	83.1	83.8	84.4	84.4	84.2	86.9	99.4	111.1	128.5	127.9	111.3	103.1
3 to 6 months	57.2	60.1	71.0	83.4	85.1	88.4	77.4	93.2	87.9	89.1	95.0	109.0	121.2	127.4	124.8	113.2	105.2
6 to 12 months	53.6	52.5	69.2	81.2	84.8	85.1	79.7	87.6	86.8	87.5	88.6	98.4	111.8	106.1	112.3	104.7	104.9
1 to 3 years	51.7	56.5	63.5	72.6	74.5	75.1	64.5	56.9	74.3	75.7	81.8	99.2	103.6	95.3	93.6	98.8	89.4
More than 3 years	12.5	13.5	15.4	12.6	14.2	13.9	15.8	17.8	19.4	19.8	18.4	10.1	10.3	9.6	11.3	27.2	33.8

Source: National Bank of Belarus.

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 35. Belarus: Interest Rates on New Foreign Exchange Credits and Deposits, 1999-2000 (May)

(In percent per annum)

	1999												2000				
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Credits 1/	19.8	19.5	17.5	19.1	18.5	18.7	17.8	17.9	15.3	15.3	17.5	14.6	15.1	17.0	16.4	17.3	15.8
Up to 1 month	21.0	20.8	18.7	17.3	24.5	25.6	27.2	18.7	15.4	25.2	19.3	15.9	17.9	20.7	16.1	20.0	18.0
1 to 3 months	21.5	20.5	23.7	22.1	20.4	19.3	18.8	20.5	18.1	15.7	19.0	18.0	18.2	16.9	15.9	16.3	14.8
3 to 6 months	22.7	20.3	20.5	21.3	18.8	18.1	17.8	9.8	16.7	18.8	14.5	17.3	18.3	18.9	19.0	18.5	14.7
6 to 12 months	21.6	21.9	15.2	18.6	18.4	18.4	17.3	19.2	19.3	18.8	18.6	18.1	11.2	17.3	17.1	17.9	17.0
1 to 3 years	16.7	15.5	17.6	20.1	21.3	19.2	15.2	18.0	12.1	13.3	15.6	11.0	15.3	15.6	14.9	15.6	15.9
More than 3 years	13.1	13.2	12.2	14.3	13.9	14.9	14.6	15.0	15.2	15.8	16.2	16.0	15.2	16.2	17.0	15.8	16.7
Deposits 1/	10.2	12.3	10.7	11.9	12.5	10.1	8.8	8.7	9.1	8.6	9.3	8.0	9.1	9.4	9.8	10.0	10.1
Up to 1 month	5.3	8.5	5.8	8.0	9.2	5.9	4.7	8.5	4.4	5.1	9.4	5.4	5.8	9.7	7.5	11.0	11.7
1 to 3 months	11.6	11.3	10.5	11.1	10.2	9.2	10.4	6.3	8.7	9.6	6.1	6.5	7.3	7.8	8.6	8.5	10.1
3 to 6 months	11.3	11.7	11.5	10.9	11.3	11.5	10.7	10.0	10.1	9.3	9.8	9.5	10.9	10.4	10.2	10.1	9.7
6 to 12 months	13.7	14.8	12.5	12.7	11.9	12.0	11.8	11.1	10.9	10.9	11.9	10.8	10.8	10.9	10.7	9.6	10.0
1 to 3 years	11.5	13.5	12.6	17.0	23.1	12.8	12.8	11.7	12.0	11.8	11.5	10.5	11.4	9.4	9.9	12.6	12.2
More than 3 years	15.9	12.3	8.3	16.4	15.1	14.2	15.3	15.3	15.6	15.0	15.3	14.3	14.1	13.9	12.8	14.4	14.5

Source: National Bank of Belarus.

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 36. Belarus: Structural Characteristics of the Banking Sector, 1997-2000 (March)  
(In percent of total; end-of-period)

	Former specialized banks	Belagroprom- bank	Belpromstroi- bank	Belvnesheconom- bank	Belarus bank	Other commercial banks
<b>Paid-in capital</b>						
1997	46.8	3.0	3.3	13.7	26.8	53.2
1998	30.2	0.0	7.2	12.0	11.0	69.8
1999	81.7	29.6	8.2	3.0	40.9	18.3
2000 (March)	81.7	32.0	8.3	2.8	38.6	18.3
<b>Domestic currency loans</b>						
1997	84.8	34.2	11.8	2.0	36.8	15.2
1998	82.2	29.6	9.7	1.9	41.0	17.8
1999	81.7	29.6	8.2	3.0	40.9	18.3
2000 (March)	81.7	32.0	8.3	2.8	38.6	18.3
<b>Domestic currency deposits</b>						
1997	70.3	13.5	18.6	3.0	35.2	29.7
1998	70.4	11.5	26.3	2.7	29.9	29.6
1999	68.4	14.2	18.0	2.5	33.7	31.6
2000 (March)	70.6	17.1	15.6	2.6	35.3	29.4
<b>Refinancing from NBB</b>						
1997	99.7	40.4	0.8	0.1	58.4	0.3
1998	99.8	37.0	1.0	0.0	61.8	0.2
1999	90.7	40.6	0.9	0.1	49.1	9.3
2000 (March)	95.1	41.2	0.9	0.1	52.9	4.9

Source: National Bank of Belarus.

Table 37. Belarus: Commercial Banks, Selected Indicators, 1996-2000 (March)  
(In millions of rubels, unless otherwise indicated; end-of-period)

	1996	1997	1998	1999	2000 March
Capital fund	3,335.4	5,402.2	20,526.0	133,434.1	148,910.5
Authorized funds	3,202.2	5,608.1	4,841.7	...	...
Unrealized exchange rate gains	219.6	800.2	11,941.2	...	...
Retained profits	371.2	370.2	765.4	...	...
Reevaluation fund	788.8	1,521.4	2,796.6	...	...
Idle resources	16.7	...	0.0	...	...
Main funds amortization	600.0	1,038.5	...	...	...
Long-term capital investments	24.6	47.3	...	...	...
Nonmaterial assets	33.0	73.1	138.5	...	...
Reserves of nonconvertible currencies	...	...	...	...	...
Shortfall in provisions against unrealized losses	542.3	1,731.4	2,137.0	...	...
Shares purchased by banks	29.7	7.4	14.5	...	...
Assets					
Balance sheet assets	77,833.6	169,055.0	580,532.0	800,992.1	1,072,990.7
Risk weighted assets	20,919.0	44,767.5	181,208.1	423,876.2	674,314.7
(In percent of balance sheet assets)	26.9	26.5	31.2	52.9	62.8
Capital adequacy ratio	15.9	12.1	11.3	31.5	22.1
Gross credit	26,263.1	61,407.4	241,607.5	524,344.4	680,377.3
(In percent of assets)	33.7	36.3	41.5	65.5	63.4
Arrears to banks	2,933.2	6,496.9	29,514.8	53,193.5	71,026.3
(In percent of gross credit)	11.2	10.6	12.2	10.1	10.4
(In percent of capital fund)	87.9	120.3	143.8	39.9	47.7
Principal arrears	2,626.9	6,047.2	27,563.6	49,437.4	65,348.2
(In percent of gross credit)	10.0	9.9	11.4	9.4	9.6
Interest arrears	306.3	449.7	1,951.2	3,756.1	5,678.1
(In percent of gross credit)	1.2	0.7	0.8	0.7	0.8
Required provisions against bad loans	2,058.8	4,228.6	23,961.9	42,563.3	...
(In percent of total loans)	8.0	6.9	9.9	8.1	...
(In percent of capital fund)	61.7	78.3	116.7	31.9	...
Actual provisions against bad loans	1,548.4	2,484.0	12,106.2	30,617.5	...
(In percent of total loans)	6.0	4.1	5.0	5.8	0.0
(In percent of capital fund)	46.4	46.0	59.0	22.9	...
Profits	676.9	743.3	2,102.6	9,223.6	4,903.7
(In percent of gross credit)	2.6	1.2	0.9	1.8	0.7
<i>Memorandum items:</i>					
Liquidity ratio					
Requirement	1.0	1.0	1.0	1.0	1.0
Unweighted average	3.0	2.4	3.3	1.5	1.2

Source: National Bank of Belarus.

1/ Including waivers on compliance with bad loan provisioning.

2/ Excluding waivers on compliance with bad loan provisioning.



Table 38. Belarus: Six Largest Commercial Banks, Selected Indicators, 1996-2000 (March) 1/  
(In millions of rubels, unless otherwise indicated; end-of-period)

	1996	1997	1998		1999		March 2000	
			Unadjusted 2/	Adjusted 3/	Unadjusted 2/	Adjusted 3/	Unadjusted 2/	Adjusted 3/
Capital fund	2,196.2	3,208.2	8,114.6	1,151.1	108,416.2		114,522.7	
(In percent of all banks' capital fund)	65.8	59.4	39.5	10.7	81.3		76.9	
<b>Assets</b>								
Balance sheet assets	67,571.4	151,136.7	494,923.3	494,923.3	667,351.2		892,203.1	
(In percent of all banks' assets)	86.8	89.0	85.3	85.3	83.3		83.2	
Risk-weighted assets	18,039.1	39,524.4	142,528.2	142,528.2	344,802.7		561,434.5	
(In percent of all banks' assets)	85.8	88.3	78.7	78.7	81.3		83.3	
(In percent of balance sheet assets)	26.7	26.2	28.8	28.8	51.7		62.9	
Capital adequacy ratio	12.2	8.1	7.7	0.8	0.3		0.2	
Gross credit	22,755.5	54,454.4	201,147.6	201,147.6	469,124.9		606,553.4	
(In percent of total banks' gross credit)	86.6	88.2	83.3	83.3	89.5		0.9	
(In percent of assets)	33.7	36.0	40.6	40.6	70.3		0.7	
Arrears to banks	2,528.6	6,107.4	26,003.3	26,003.3	47,498.2		63,332.2	
(In percent of total arrears)	86.2	92.0	88.1	88.1	89.3		88.8	
(In percent of gross credit)	11.1	11.2	12.9	12.9	10.1		10.4	
(In percent of capital fund)	115.1	190.4	320.5	2,259.0	43.8		55.3	
Principal arrears	2,261.5	5,696.0	24,184.1	24,184.1	43,914.2		57,957.0	
(In percent of gross credit)	9.9	10.5	12.0	12.0	9.4		9.6	
Interest arrears	267.1	411.4	1,819.2	1,819.2	3,584.0		5,375.2	
(In percent of gross credit)	1.2	0.8	0.9	0.9	0.8		0.9	
Required provisions against bad loans	1,845.0	3,978.6	21,636.3	21,636.3	37,174.8		49,777.5	
(In percent of total loans)	7.2	7.4	10.8	10.8	7.9		8.2	
(In percent of capital fund)	84.0	124.0	266.6	1,879.6	34.3		43.5	
Actual provisions against bad loans	1,326.0	2,298.1	11,140.5	11,140.5	28,139.5		41,594.6	
(In percent of total loans)	5.1	4.3	5.5	5.5	6.0		6.8	
(In percent of capital fund)	60.4	71.6	137.3	112.1	26.0		36.3	
Profits	559.1	569.6	1,248.0	1,248.0	6,879.2		3,871.9	
(In percent of total profits)	82.6	76.6	59.4	59.4	74.6		79.0	
(In percent of gross credit)	2.5	1.1	0.6	0.6	1.5		0.6	
<i>Memorandum item:</i>								
Liquidity ratio	1.4	1.2	1.6		1.5		1.3	

Source: National Bank of Belarus.

1/ Includes Belarusbank, Promstroibank, Agroprombank, Businessbank, Priorbank, and Vnesheconombank.

2/ Including waivers on compliance with bad loan provisioning.

3/ Excluding waivers on compliance with bad loan provisioning.

Table 39. Belarus: Commercial Banks and Branches of Foreign Banks  
(As of May 1, 2000)

		Date of establishment	Number of branches	Total assets (in millions of rubels)
1	Belagrobank	Sep 3, 1991	132	160,763
2	Belpromstroibank	Dec 28, 1991	60	112,101
3	Belarusbank	Oct 27, 1995	175	421,228
4	Belbusinessbank	Sep 1, 1992	45	58,868
5	Belbank Razvitiye	Nov 5, 1993	7	17,743
6	Priorbank	Jul 12, 1991	29	84,988
7	Belkombank	May 7, 1991	12	6,429
8	Belvnesheconombank	Dec 12, 1991	23	96,318
9	Poisk	May 15, 1991	17	9,640
10	Belnarodni	Apr 16, 1992	...	3,665
11	Belarus Industrial Bank	Oct 30, 1991	5	3,425
12	Belgazprombank	Aug 19, 1991	5	13,505
13	Absolutbank	Dec 29, 1993	1	1,562
14	Belkoopbank	Feb 20, 1992	12	1,294
15	Gem-Bank	Aug 26, 1991	...	8,879
16	Belbirzhevoibank	Oct 7, 1992	7	18,475
17	Minsk Kompleksbank	Feb 21, 1994	...	34,323
18	Bank Reconverzi i Razvitiya	Feb 22, 1994	...	3,120
19	Minsk Tranzitibank	Mar 14, 1994	5	4,579
20	Novokom	Apr 1, 1994	...	1,556
21	Belbaltiya	Jun 30, 1994	1	13,403
22	Tekhnobank	Aug 5, 1994	4	9,646
23	Zolotoi Taler	Oct 5, 1994	...	4,780
24	Infobank	Nov 11, 1994	3	11,028
25	Mosbusinessbank, Minsk branch	Dec 28, 1994	...	6,772
26	Slavneftebank	Oct 7, 1996	1	17,492
27	Mezhtorgbank	Jan. 28, 1999	...	5,032
28	Moscow-Minsk	Apr. 7, 2000	...	2,048

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

Table 40. Belarus: Official Exchange Rates, 1996-2000 (Q1)

	1996	1997	1998	1999	1999				2000	
					Q1	Q2	Q3	Q4	Q1	
Nominal exchange rate										
Rubel per U.S. dollar 1/										
Average	13	26	46	236	172	248	274	250	382	
End-of-period	16	31	107	319	236	259	290	320	435	
Rubel per Russian ruble										
Average	3	5	5	10	7	10	11	12	14	
End-of-period	3	5	5	12	10	11	12	12	15	
Real exchange rate index (Dec. 1990=100) 2/										
Rubel per U.S. dollar										
Average	58	54	66	88	79	88	88	96	105	
End-of-period	56	54	57	103	85	87	89	103	102	
Rubel per Russian ruble										
Average	49	46	62	89	82	90	88	95	102	
End-of-period	48	47	59	100	88	89	89	100	98	

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

1/ Data have been revised backward to reflect the redenomination of the rubel on January 1, 2000 which removed three zeros from the currency.

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

Table 41. Belarus: Direction of Trade: Exports and Imports, 1995-99  
(In millions of U.S. dollars, unless otherwise indicated)

	1995	1996	1997	1998	1999
Total exports	4,803	5,652	7,301	7,070	5,909
CIS exports	3,027	3,764	5,379	5,160	3,622
<i>Of which:</i>					
Russia	2,185	3,024	4,730	4,608	3,222
Ukraine	607	478	425	387	281
Kazakhstan	76	85	53	48	28
Other countries	153	177	121	117	91
Non-CIS exports	1,776	1,888	1,922	1,910	2,287
Germany	268	198	217	200	215
Poland	271	338	245	185	208
Other countries	1,180	1,268	1,367	1,422	1,864
Total imports	5,564	6,939	8,689	8,549	6,674
CIS imports	3,677	4,570	5,817	5,554	4,289
<i>Of which:</i>					
Russia	1,965	3,522	4,673	4,670	3,767
Ukraine	509	889	968	740	416
Kazakhstan	56	59	39	36	13
Other countries	87	100	137	108	93
Non-CIS imports	1,887	2,369	2,872	2,995	2,385
Germany	424	601	691	758	693
Poland	197	195	250	283	213
Other countries	1,168	1,422	1,793	1,829	1,479
<i>Memorandum items:</i>					
Share of CIS exports to total exports	62	67	74	73	61
Russia	45	54	65	65	55
Share of CIS imports to total imports	66	66	67	65	64
Russia	35	51	54	55	56

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

Table 42. Belarus: External Trade in Goods by Economic Branches, 1996-99  
(In billions of rubels)

	1996			1997			1998			1999		
	Imports	Exports	Trade balance	Imports	Exports	Trade balance	Imports	Exports	Trade balance	Imports	Exports	Trade balance
Total	92,851	75,142	-17,708	230,294	193,084	-37,210	428,703	364,260	-64,443	1,776,653	1,574,700	-201,953
CIS	61,430	49,777	-11,653	153,830	142,583	-11,247	274,422	255,664	-18,758	1,144,481	968,077	-176,405
Non-CIS	31,421	15,368	-16,053	76,463	50,501	-25,962	154,281	108,596	-45,685	632,172	606,623	-25,549
Industry	88,229	73,633	-14,597	221,827	189,810	-32,017	410,697	356,406	-54,291	1,680,321	1,535,208	-145,113
CIS	58,036	45,368	-12,668	148,830	140,215	-8,616	261,910	249,864	-12,046	1,078,346	931,395	-146,951
Non-CIS	30,199	24,565	-5,634	72,997	49,596	-23,401	148,787	106,542	-42,245	601,975	603,813	1,838
Power generation	2,415	4	-2,411	4,515	70	-4,445	11,365	6	-11,358	35,970	30	-35,940
CIS	1,556	4	-1,552	3,192	1	-3,191	5,719	6	-5,713	30,472	29	-30,443
Non-CIS	857	0	-857	1,322	69	-1,254	5,646	0	-5,645	5,498	1	-5,497
Refineries products	25,545	8,843	-16,702	55,299	15,813	-39,486	85,872	18,231	-67,641	32,660	132,129	99,470
CIS	25,262	5,545	-19,717	54,622	11,504	-43,118	84,757	15,146	-69,611	24,459	41,146	16,686
Non-CIS	311	3,397	3,086	676	4,308	3,632	1,115	3,086	1,970	8,200	90,984	82,783
Metallurgy	10,789	5,354	-5,436	27,792	15,475	-12,317	55,796	31,449	-24,347	218,961	106,017	-112,944
CIS	8,667	3,105	-5,562	21,896	10,109	-11,788	44,511	20,167	-24,344	161,726	45,844	-115,882
Non-CIS	1,922	2,049	126	5,896	5,366	-530	11,285	11,282	-3	57,235	60,174	2,938
Chemicals and petrochemicals	15,294	16,952	1,659	38,802	40,440	1,638	70,955	79,765	8,811	606,205	353,885	-252,320
CIS	8,062	8,086	24	20,378	22,054	1,677	37,876	45,012	7,136	478,757	159,117	-319,640
Non-CIS	7,232	8,877	1,645	18,425	18,385	-39	33,079	34,753	1,674	127,448	194,768	67,320
Machine building and metal processing	17,554	23,660	6,106	49,934	64,957	15,023	107,686	112,490	4,804	413,427	534,713	121,287
CIS	7,366	18,054	10,688	26,231	54,230	27,999	50,880	89,535	38,654	196,181	401,128	204,947
Non-CIS	10,188	5,597	-4,591	23,703	10,727	-12,976	56,806	22,956	-33,850	217,246	133,586	-83,660
Wood and paper	2,379	4,255	1,877	6,436	13,732	7,296	13,323	25,711	12,389	54,232	103,565	49,333
CIS	1,206	3,193	1,987	3,616	11,332	7,716	7,295	19,769	12,474	33,204	66,853	33,649
Non-CIS	1,173	1,062	-110	2,820	2,399	-420	6,027	5,942	-86	21,028	36,712	15,683
Construction materials	853	1,755	902	3,772	4,809	1,037	5,207	7,837	2,631	34,891	40,800	5,909
CIS	535	1,458	923	2,888	4,143	1,254	2,723	6,369	3,646	25,762	30,182	4,421
Non-CIS	318	296	-22	883	666	-217	2,483	1,468	-1,015	9,130	10,618	1,488
Light industry	3,935	6,107	2,172	10,584	18,289	7,705	18,477	35,042	16,564	96,391	147,838	51,447
CIS	916	3,127	2,211	4,855	12,120	7,264	7,441	21,037	13,596	33,080	86,689	53,609
Non-CIS	2,719	2,680	-39	5,729	6,170	441	11,036	14,005	2,969	63,311	61,149	-2,162
Food-processing industries	8,180	5,648	-2,532	22,093	14,599	-7,494	33,717	31,672	-2,045	175,541	110,214	-65,327
CIS	3,131	5,438	2,307	9,533	13,955	4,423	14,211	30,264	16,053	84,692	96,400	11,709
Non-CIS	5,046	210	-4,835	12,561	644	-11,917	19,506	1,409	-18,097	90,849	13,814	-77,035
Other industry	1,286	1,054	-231	2,602	1,628	-974	8,300	14,202	5,902	12,044	6,016	-6,028
CIS	859	658	-201	1,619	767	-852	6,496	2,560	-3,936	10,014	4,006	-6,008
Non-CIS	427	397	-30	983	861	-122	1,804	11,642	9,838	2,030	2,011	-20
Agriculture	4,566	1,467	-3,098	8,465	3,273	-5,193	12,299	4,645	-7,654	73,371	27,107	-46,264
CIS	3,363	676	-2,687	5,000	2,368	-2,632	7,253	2,593	-4,660	44,934	24,360	-20,574
Non-CIS	1,209	797	-412	3,466	905	-2,561	5,046	2,052	-2,994	28,437	2,747	-25,690
Other activities	56	43	-13	1	1	0	5,707	3,209	-2,498	22,961	12,385	-10,576
CIS	37	30	-7	1	1	0	5,259	3,207	-2,052	21,202	12,323	-8,879
Non-CIS	19	13	-6	0	0	0	448	2	-446	1,760	63	-1,697

Source: Ministry of Statistics and Analysis.

Table 43. Belarus: Balance of Payments, 1996-2000 (Q1)  
(In millions of U.S. dollars, unless otherwise indicated)

	1996	1997	1998	1999	2000 Q1
Current account balance	-515.9	-787.6	-865.5	-256.7	-138.0
Merchandise trade balance	-1,148.5	-1,335.4	-1,350.1	-598.5	-296.3
Exports	5,790.1	7,382.6	7,138.1	5,949.3	1,678.8
Imports	-6,938.6	-8,718.0	-8,488.2	-6,547.8	-1,975.1
Services (net)	572.1	554.0	481.9	298.0	132.6
Receipts	908.0	918.8	925.1	733.8	223.2
Payments	-335.9	-364.8	-443.2	-435.8	-90.6
Income (net)	-30.8	-84.6	-92.9	-64.6	-1.1
Receipts	74.1	31.2	26.8	29.0	6.1
Payments	-104.9	-115.8	-119.7	-93.6	-7.2
Transfers (net)	91.3	78.4	95.6	108.4	26.8
Capital and financial accounts	447.9	719.7	470.9	309.7	-101.0
Capital account	101.1	133.2	170.1	60.4	15.0
Financial account	346.8	586.5	300.8	249.3	-116.0
Direct investment (net)	72.6	197.9	146.9	224.2	8.5
Portfolio investment (net)	-14.5	-19.8	14.6	-32.2	4.8
Trade Credits (net)	93.2	418.6	128.2	46.7	-55.8
Loans (net)	76.9	72.4	12.5	26.7	37.1
Assets	0.0	-4.2	7.1	-7.0	-1.3
Liabilities	76.9	76.6	5.4	33.7	38.4
General government	33.4	62.4	24.7	-41.5	12.2
Disbursements	108.3	138.2	90.7	59.4	32.2
Amortization	-74.9	-75.8	-66.0	-100.9	-20.0
Other Sectors	43.5	14.2	-19.3	75.2	26.2
Other (net)	118.6	-82.6	-1.4	-16.1	-110.6
Assets	-37.6	-5.5	4.4	-4.5	-78.1
Liabilities	156.2	-77.1	-5.8	-11.6	-32.5
Errors and omissions	-146.2	132.9	75.3	34.3	183.3
Overall balance	-214.2	65.0	-319.3	87.3	-55.7
Financing	214.2	-65.0	319.3	-87.3	55.7
Gross official reserves 1/	-78.6	75.4	54.6	34.5	2.9
Use of Fund resources	0.0	0.0	-24.4	-58.0	-24.3
Exceptional financing 2/	292.8	-140.4	289.1	-63.8	77.1
<i>Memorandum items: 3/</i>					
Current account (as percent of GDP)	-3.7	-5.8	-6.1	-2.2	-4.2
Trade balance (as percent of GDP)	-8.3	-9.8	-9.5	-5.2	-9.1
Overall balance (as percent of GDP)	-1.5	0.5	-2.2	0.8	-1.7
Gross convertible official reserves 4/	369.2	393.7	345.0	309.0	294.0
In months of imports of goods	0.6	0.5	0.5	0.6	...
Medium and long-term debt 5/	950.0	976.0	1011.0	886.0	859.0
(as percent of GDP)	6.8	7.2	7.1	7.7	...
Short-term debt 6/	997.7	1173.3	1472.0	1508.3	...
(as percent of GDP)	7.2	8.6	10.3	13.1	...
Debt service ratio 7/	2.3	2.0	1.8	3.1	2.6
(excluding bartered exports)	2.7	3.0	2.7	4.9	...
Export Value Index (annual percentage change)	20.6	27.5	-3.3	-16.7	26.7
Import Value Index (annual percentage change)	26.9	25.6	-2.6	-22.9	43.1

Sources: Belarusian authorities; and Fund staff estimates.

1/ Adjusted for valuation changes.

2/ Includes accumulation, repayment, and forgiveness of arrears.

3/ Ratios for 1999 reflect the steep devaluation of the exchange rate.

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

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

6/ Includes arrears and scheduled amortization payments falling due within the following year.

7/ Amortization and interest payments on public and publicly-guaranteed debt over exports of goods and services.

Table 44. Belarus: Selected International Liabilities, 1996-2000 (Q1)  
(In millions of U.S. dollars, unless otherwise indicated; end-of-period)

	1996	1997	1998	1999	2000 Q1
Total medium- and long-term public and publicly-guaranteed external debt	950	976	1,011	886	859
Multilateral (including IMF)	500	532	548	449	416
IMF	277	259	245	178	150
World Bank	125	138	142	130	131
EBRD	61	102	126	111	106
European Union	37	33	35	30	29
Bilateral	450	444	463	437	443
<i>Of which:</i>					
Russia 1/	14	65	90	81	75
United States	86	86	86	85	84
Germany	277	206	194	166	161
Japan	39	30	32	32	32
Total short-term external debt (end-of period)	918	1,070	1,284	1,309	1,331
Trade credits	338	697	637	706	661
Liabilities of the banking system	244	159	139	116	104
Arrears	297	156	447	386	462
<i>Of which:</i>					
Gas	203	94	243	234	304
Oil	39	39	59	19	10
Electricity	31	21	129	96	107
Other	40	58	60	102	104

Sources: Belarusian authorities; and Fund staff estimates.

1/ Fund staff estimate on an annualized basis.

Table 45. Belarus: Disbursements and Payments on Medium- and Long-term Public and Publicly-guaranteed Debt, 1997-2001  
(In millions of U.S. dollars; end of period)

	1997	1998	1999	2000	2001
	Actual			Projection	
Disbursements of medium- and long-term public and publicly-guaranteed debt, excluding IMF	138	90	39	78	35
Multilateral (Official)	63	42	6	8	0
World Bank	13	4	1	3	0
EBRD	50	38	5	5	0
European Union	0	0	0	0	0
Bilateral (Official)	75	48	33	70	35
Russia	52	29	3	0	0
Germany	11	11	11	20	10
Other	12	8	19	50	25
Other creditors	0	0	0	0	0
Payments on existing stock of medium- and long-term public and publicly-guaranteed debt, including IMF	129	137	189	219	187
Principal	66	86	140	170	145
Interest	63	51	49	49	42
IMF	16	37	69	65	36
Principal	0	25	58	58	32
Interest	16	12	11	7	4
World Bank	8	8	21	26	25
Principal	0	0	13	17	17
Interest	8	8	8	9	8
EBRD	14	27	25	27	27
Principal	7	18	15	18	19
Interest	7	9	10	9	8
Bilateral and EU	91	65	74	101	99
Principal	59	43	54	77	77
Interest	32	22	20	24	22

Source: Belarusian authorities.



Table 46. Belarus: Gas Supply and Arrears, 1997-2000 (March)  
(In millions of U.S. dollars; end-period stocks)

	Cost of gas supplied	Total stock of arrears for gas supplied 1/	<i>Of which:</i>		Supply of natural gas (in millions of m3)	Net price (US\$ per thousand m3)
			Arrears to Gazprom	Arrears to other creditors		
1997 Dec	70.0	217.1	94.4	122.7	1,427	49.06
1998 Jan	85.9	222.2	156.4	65.8	1,719	49.97
Feb	75.6	241.3	181.4	59.9	1,512	50.02
Mar	69.6	259.3	210.9	48.4	1,391	50.03
Apr	59.8	277.6	206.9	70.7	1,195	50.04
May	58.3	291.1	226.4	64.7	1,149	50.74
Jun	45.4	305.8	241.1	64.7	895	50.73
Jul	49.9	313.8	238.5	75.3	982	50.81
Aug	49.5	312.1	205.6	106.5	973	50.87
Sep	54.4	290.9	212.5	78.4	1,069	50.89
Oct	76.7	306.5	241.9	64.6	1,514	50.66
Nov	82.1	333.8	290.2	43.6	1,620	50.68
Dec	89.1	380.1	232.2	147.9	1,784	49.94
1999 Jan	52.2	355.9	216.4	139.5	1,738	30.00
Feb	44.4	336.0	245.2	90.8	1,479	30.00
Mar	41.6	318.1	280.7	37.4	1,385	30.00
Apr	37.8	302.5	273.1	29.4	1,261	30.00
May	34.8	298.6	273.1	25.5	1,161	30.00
Jun	31.3	310.0	286.6	23.4	1,029	30.46
Jul	32.1	307.9	272.5	35.4	1,049	30.51
Aug	33.0	305.7	261.7	44.0	1,082	30.52
Sep	34.5	317.2	259.0	58.2	1,135	30.41
Oct	41.7	320.5	279.9	40.6	1,373	30.42
Nov	49.0	266.1	218.1	48.0	1,634	30.00
Dec	53.6	274.1	198.0	76.1	1,750	30.42
2000 Jan	54.6	308.7	220.8	87.9	1,795	30.44
Feb	50.5	316.7	238.6	78.1	1,653	30.46
Mar	52.8	326.4	236.6	89.8	1,731	30.48

Source: Belarusian authorities.

1/ Arrears include penalties on arrears accumulated.

Table 47. Belarus: Transformation of Property, 1996-2000 (Q1)

	1996	1997	1998	1999	2000 Q1
Number of privatized enterprises	473	493	405	201	0
Cumulative since 1991	2,007	2,500	2,905	3,106	3,106
In percent of total eligible for privatization	11	11	67	50	55
Transformed by activity					
Industry	37	80	62	29	0
Construction	29	39	33	5	0
Agro-processing	125	70	25	19	2
Transport	25	26	7	3	5
Service	41	44	49	31	0
Trade and catering	210	232	151	102	1
Other	44	67	78	12	2
Transformed by method					
Conversion into joint-stock companies	221	178	89	94	0
Buy-outs of leased enterprises	58	76	53	33	0
Sale by competitive bidding	166	182	163	60	0
Sale in auctions	42	41	24	14	0
Sale to individuals	0	0	0	0	0
Sale to juridical persons	0	0	0	0	0

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

Table 48. Belarus: Housing Privatization, 1996-2000 (Q1) 1/

	1996	1997	1998	1999	2000 Q1
	(In thousands)				
Number of apartments privatized during the period	75	77	86	192	25
Cumulative number of apartments privatized since 1989	701	778	864	1,056	1,081
In percent of total government and public owned	6	6	7	18	2
	(In millions of square meters)				
Amount of housing privatized	4	4	4	10	1
Cumulative number of apartments privatized since 1989	37	41	45	55	57
Average size of privatized apartments	51	51	52	53	54

Source: Ministry of Statistics and Analysis.

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.