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INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
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Statement by the Hon. **GENNADY V. NOVITSKY**,
Governor of the Bank for the **REPUBLIC OF BELARUS**,
at the Joint Annual Discussion

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Governor of the Bank for the Republic of Belarus,
at the Joint Annual Discussion**

Dear Mr. Chairman,
Dear Ladies and Gentlemen,

On the threshold of the 21st century, the development of the global society is determined by two major forces, i.e. globalisation, meaning an integration of the world countries, and localisation as seeking self-determination.

Globalisation has demonstrated that any economic solutions, wherever reached, should take account of international factors.

While globalisation brings the world countries together, localisation changes their internal balance of forces.

Today, none of the countries in the world can neglect the multi-faceted political and economic interaction between nations.

The guiding principles, as outlined in the Joint Statement of 5 September 2000 by Honourable Mr. H. Koehler and Mr. J. Wolfenson, heads of the IMF and the World Bank, stipulating the need for a comprehensive approach, respect and preservation of cultural heritage and diversity, tailoring of a country's development strategy to its circumstances, fully coincide with the stance of the Government of the Republic of Belarus.

A strategic development target of the Republic of Belarus is to raise the standard of living and to build a free democratic society.

The selected model of development, i.e. a socially oriented market economy also corresponds to it. It combines free private initiative and competition with an active involvement of the state, and economic efficiency with a high level of social protection for the citizens.

This explains why the Government takes cautious and gradual action in the matters regarding reform implementation.

The volume of foreign trade in goods and services in Belarus surpasses its GDP by 30 percent. Such openness of the country's economy makes it very sensitive to exogenous factors.

After obtaining its sovereignty, the republic, like most other post-socialist states, faced severe hardships in the economic sphere.

The period of transformation appeared to be a very difficult test for its economy.

The situation is aggravated by the fact that a considerable amount of resources (up to a quarter) has to be distracted for eliminating the consequences of the Chernobyl disaster.

Despite all hardships, however, the republic is following its strategy of gradual reforms focused on preservation of social priorities in development and has been retaining positive dynamics of the main macroeconomic parameter, GDP, for five years already.

Thompson Bankwatch, an international rating agency, raised by a point the country market rating for Belarus and qualifies it as stable (*Interfax, 29 August 2000*), thus proving our right choice of a model for economic policy and economic progress in Belarus for the past 4 years.

At the same time, we haven't received any credit resources from international financial institutions for the said period. Ultimately it affects the country's macroeconomic stability and pace of economic growth.

Following the IMF recommendations and complying with its basic requirement, i.e. to transfer to a unified exchange rate for the Belarusian rouble, the republic has been conducting a tighter monetary and credit policy since late 1999.

Within this approach, domestic rouble credit is allocated exclusively to finance the country's budget deficit; the growth of rouble money supply is decreasing.

The multiple exchange rate of the Belarusian rouble is close to its total removal.

The convertibility of the national currency at the domestic foreign exchange market has improved. Foreign exchange trading at the Belarusian Currency and Stock Exchange has increased. The demand of households for foreign currency is being satisfied.

We are aware, that a macroeconomic policy with a focus on hampering inflationary pressures is of key significance to support the Belarusian rouble . This can be, first of all, achieved by cutting public expenditures, the country's budget deficit and volumes of its emissional lending, as reflected in our programmes for the year 2001 related to the country's monetary and credit policy, social and economic development and budget.

The above measures demonstrate that the authorities of the Republic of Belarus are ready to more effectively develop its co-operation with the International Monetary Fund and the World Bank and to maintain the atmosphere of mutual trust.

We hope that the normalised situation at the country's currency market will serve as a basis for the World Bank to change main provisions of the Country Assistance

Strategy for the Republic of Belarus. A transfer from non-lending services to loan agreements will, in turn, support the process of market reforms.

We would like the World Bank to devote its closest attention to the official approval of a loan for the Social Sector Energy Efficiency project. Otherwise, we can lose those important positive results achieved in implementation of the Bank's one-million-dollar advance for the project preparation.

We hope to find a solution that would be acceptable for both sides and are ready to discuss a possible list of further actions to be deemed necessary for the loan approval.

In particular, we believe it could be a good idea that the World Bank would assess and apply in Belarus such new lending facilities as adaptable lending.

We once again confirm our interest in further co-operation in such spheres as private entrepreneurship development, fighting HIV and tuberculosis, social protection for low-income households and within the Development through Internet project.

The Government regards these spheres as priority in its co-operation with the Bank and is ready to maintain dialogue both within the framework of relations between the World Bank and the Government and on a multilateral basis.

On behalf of the Government of the Republic of Belarus I would like to reiterate our commitment to reforms and interest in expanding co-operation with the World Bank.

I thank you for your kind attention.