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Statement by the Hon. **ANDREI V. KOPYAKOV**,
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,
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I would like to greet all of you at this major international economic forum and express sincere appreciation to the authorities of the city of Singapore for their hospitality, and to the management and staff of the International Monetary Fund and the World Bank for the superb manner in which they have organized this event.

We have assembled again today to determine on our behalf, on behalf of our governments and our countries, what the year since the last meetings has brought our countries and the international community as a whole. It's no secret that the past year has severely tested the strength and stability of the current system of international relations, and the challenges of global economic and social development and environmental conservation have become more acute. These issues, after all, are interdependent and mutually reinforcing components of stable development, and are the basis of our efforts to provide a better quality of life for all.

Unfortunately, the rather controversial processes of globalization and integration have made the economic development of nations more uneven. The global problems stemming from the worldwide economic recession, from energy price increases, the stagnation of a number of highly developed countries, the GDP decline in many countries and the economic shocks are, on the whole, having a negative impact on global economic relations and hampering the development and consolidation of trade and socio-economic relations between nations. In addition, a number of seemingly noneconomic factors, such as the consequences of natural disasters, international terrorism and intranational social conflicts, are having an adverse effect on the economic performance of various countries, and on international economic relations.

These trends have also left a substantial imprint on the development of the Republic of Belarus, whose performance has depended in large part on keeping a precise balance between global political and economic processes and national interests and capacity.

What kind of year has it been for our country? Despite a number of objective difficulties, Belarus continues to strengthen its economic, social and political positions in the international community, while remaining a dynamically developing nation with a steadily growing GDP and industrial and agricultural output, a relatively stable banking system, insignificant foreign indebtedness and a well-developed export capacity. Thanks to a strong and effective government which is working to benefit people and does not allow anarchy or interethnic or political conflicts, efforts continue to be focused in the Republic on a strong social policy, oriented above all toward improving living standards, which is fully consistent with the mandate of the Bank and the Fund.

In recent years the problems of stagnation and economic recession in a number of industrialized countries have become more and more pressing. GDP indicators are steadily dropping due to a preponderance of capital exports over trade in goods and

services. However, Belarus has consistently ranked among the leading countries in Europe and the CIS in terms of economic growth rate. Gross domestic product (GDP) rose 10.1 percent in the first six months of 2006 compared with the same period last year, whereas the 2006 forecast was 7-8.5 percent.

The dynamic and steady development of the Republic's industry is continuing. Industrial production in Belarus increased by 12.6 percent in the first six months of 2006 compared with the same period last year. The energy-intensiveness of GDP continues to drop. At the same time, the profitability of production has grown, and the proportion of enterprises operating at a loss has declined.

The monetary sector is operating reliably, something that is evident from the stability of the Belarussian ruble and the continued decline of the inflation rate. This sets the Republic of Belarus notably apart at a time of problems related to the instability of the global monetary system and significant fluctuations in exchange rates.

The advantageous geographic location of Belarus, which is a European communications corridor, its well-developed transportation and industrial infrastructure, scientific and technological framework and growing export capacity also have a favorable effect on the strengthening of our country's trade and economic relations. In the first six months of 2006 Belarus had trade relations with 160 countries.

Foreign trade in goods and services continues to grow. In actual prices it was 31.9 percent higher than in the first six months of 2005, with increases of 23.5 in exports and 41.2 percent in imports.

Both the International Monetary Fund and the World Bank often express serious concerns over the payments discipline, the increase in debts, the enterprises in the republic operating at a loss and their impact on the economic growth prospects, employment and real income and, consequently, the deterioration in conditions for human development.

I would agree that these problems exist, and would like to stress that one of the most important tasks for the Republic's Government is the financial revitalization of the real sector of the economy. To this end, sector and regional programs and timetables for alleviating the loss positions of enterprises have been drawn up and are being implemented, and systemic conditions are being created for achieving a fundamental financial revitalization.

The number of businesses operating at a loss dropped substantially in the first six months of this year. The process of property reform is on-going. In the process of privatization of state property, the majority of facilities have been converted to open joint-stock companies.

The main objective of the Program of Socio-Economic Development for the Republic of Belarus for 2006-2010 is to further improve the living standards and quality of life of the population based on the development and effective utilization of human potential, technological modernization, improving the structure of the economy and increasing its competitiveness.

All of the foregoing confirms that the Republic of Belarus has chosen the correct development path, which allows us to take firm positions both in the economy and the social and cultural sphere. Obviously, there are certain problems and difficulties in the country's socio-economic sector. Unfortunately, some economic and political reforms are

not proceeding with the proper intensity. Considering, however, that the country's economy is in transition, the Government is making every effort to speed up the Republic's integration into the international community and strengthen world economic relations. These processes would move more intensively if the country had a program with the Fund and a broader strategy with the Bank.

Over the past year there have been significant advances in the development of relations with the IMF and the World Bank, which are having a favorable effect on the country's attractiveness for investment and the reliability and predictability of its socio-economic environment.

A number of important documents that establish the framework of cooperation between Belarus and the World Bank Group have been signed in recent years: Memoranda of Understanding (1994 and 1997), Country Assistance Strategies (1999 and 2002) and loan agreements for specific projects.

The Republic of Belarus attaches considerable importance to cooperation with the World Bank and greatly appreciates the assistance that the Bank has provided in recent years in solving pressing problems of socio-economic development, energy conservation and minimizing the aftereffects of the Chernobyl disaster.

Obvious progress has taken place in relations with the Bank in the past few years. The main result of cooperation has been the completion of preparation of a loan project related to Chernobyl issues. On April 19, 2006, a loan agreement was signed between the Republic of Belarus and the International Bank for Reconstruction and Development that provides for the allocation of US\$50 million to the Republic for a project to rehabilitate areas that were affected by the disaster at the Chernobyl nuclear plant. Implementation of this project should mark the beginning of a new phase in relations between the Republic of Belarus and the Bank.

In addition, work is under way to incorporate specific projects into the World Bank's new medium-term Strategy with the Republic of Belarus, which will make it possible to increase Belarus's interaction and fruitful cooperation with the Bank. The Republic of Belarus has an interest in the further increase of the Bank's technical and advisory assistance, and for our part we are ready for a dialogue on directions, priorities and timetables.

I would note in particular that the experience of cooperation between the Republic of Belarus and the IMF over the past few years attests to the progress in our country's dialogue with this authoritative international institution and the significant positive trends in our interaction.

The technical assistance that the World Bank and the International Monetary Fund are providing is enabling the Republic to accomplish a number of pressing tasks. The work with the IMF in this direction has produced concrete results in upgrading the system of collecting, tabulating and disseminating statistical information and devising measures designed to counteract terrorism financing and money laundering. Moreover, the Belarussian Government makes use of recommendations from IMF experts in its economic policymaking. Based on these recommendations, in recent years monetary policy has been tightened substantially, the exchange rate of the national currency has been unified, restrictions on foreign trade have been eased, some progress has been achieved in privatization, and new programs of cooperation have been prepared for implementation.

Last May a mission of experts from the Fund worked in the Republic of Belarus under Article IV of the IMF Articles of Agreement. We would like to express satisfaction that the Fund's official report on the results of that mission portrays the positive changes in the nation's socio-economic development quite objectively compared with reports of previous years, contains more balanced conclusions by Fund personnel and welcomes the Government's implementation of a number of structural reforms. At the same time, a number of negative points made in the report are debatable. But we hope that continuation of the dialogue to eliminate remaining disagreements about the pace and directions of the republic's economic development will make it possible to take the relations between the Republic of Belarus and the Fund to a qualitatively new level and will help make the Republic of Belarus more attractive to foreign investors.

We would like to express our appreciation to the Fund's management for continuing to provide technical assistance and to point out the significant benefit to the Republic of the IMF technical missions. Recommendations by the Fund's technical missions are taken into consideration when the Government implements structural reforms and determines the prospects for the country's future socio-economic development.

In the short term, cooperation with the Fund will continue over a wide spectrum of areas of technical assistance. In this context we would like to stress the need to beef up the cadre of IMF personnel who work on Belarus and to develop a full-fledged mission to work in the Republic of Belarus on a full-time basis in order to do a more thorough and objective study of the trends in Belarus's changing economic situation. This is precisely the time when it is essential to expand the Fund's work and technical assistance, given the Republic's strong need for the Fund's advice and recommendations during the transitional period when structural reforms are being implemented and made more effective.

We would like to count on a fuller acknowledgment by the Fund of the positive results achieved by the Republic of Belarus in conducting economic policy and developing on that basis a favorable informational database that is essential for attracting foreign investors. We also hope that the International Monetary Fund will take account of the specific characteristics of the socio-economic development of the Republic of Belarus and its desire to continue close cooperation. As the positive trends in the economy take hold and the degree of cooperation with the Fund increases, we would like to believe that conditions will be created for implementing an official program of cooperation between the Republic of Belarus and the IMF.

I'd like to conclude by giving high praise once again to the authorities of the city of Singapore and the leadership and staff of the International Monetary Fund and the World Bank, as well as the security department, for the superb way in which the annual meetings have been organized.