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

This Recent Economic Developments report on the 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 the Republic of Belarus or the Executive Board of the IMF.

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INTERNATIONAL MONETARY FUND

REPUBLIC OF BELARUS

**Recent Economic Developments**

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Approved by the European II Department

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Contents	Page
Basic Data .....	6
I. Overview .....	7
II. Real Economy, Prices, and Incomes .....	8
A. Overall Economic Activity .....	8
B. Output by Sectors .....	10
Industry .....	10
C. Agriculture and Forestry .....	12
Services .....	15
D. Energy .....	16
E. Inflation and Effects of Price Policies .....	16
F. Wages, Income, and Employment .....	19
Wages and income .....	19
Employment .....	20
G. Financial Position of Enterprises .....	21
III. Public Finance .....	23
A. Overview of Public Finance in 1997 and the First Quarter of 1998 .....	23
B. State Budget Revenue .....	26
C. State Budget Expenditure and Net Lending .....	28
D. Social Protection Fund .....	29
E. Financing of the General Government Deficit .....	30
F. Tax Harmonization with the Russian Federation .....	30
G. Institutional Developments .....	31
H. Prospects for 1998 .....	31

IV. Monetary Policy and Banking Sector Development .....	32
A. Overview .....	32
B. Monetary Developments in 1997 and Early 1998 .....	32
Directed credits .....	36
Indirect monetary policy instruments .....	37
Interest rates .....	39
The banking system .....	40
V. External Sector .....	43
A. Exchange and Payments System .....	43
B. Trade System .....	48
C. Balance of Payments Developments .....	49
Trade developments .....	49
Other balance of payments developments .....	52
External debt and debt service .....	55
VI. Structural Policy .....	57
A. The Institutional and Legal Environment .....	57
B. Privatization .....	58
C. Enterprise and Labor Market Policy .....	61
D. Price Regulation and Demonopolization .....	61

**Text tables**

1. Gross Domestic Product by Sector, 1993-97 .....	63
2. Gross Domestic Product by Expenditure, 1993-97 .....	64
3. Growth of Gross Domestic Product by Expenditure, 1993-97 .....	65
4. Growth of Gross Domestic Product by Sector, 1993-97 .....	66
5. Capital Investment by Sectors in Comparable Prices, 1993-98 .....	67
6. Industrial Production, 1993-98 .....	68
7. Inventories of Ready-Made Products in the Warehouses of Industrial Enterprises, by Branches of the Economy, 1995-98 .....	69
8. Selected Indicators of Industrial Production, 1993-97 .....	70
9. Share of Total Exports in Production of Selected Industrial Products, 1993-97 .....	71
10. Agricultural Production, 1993-97 .....	72
11. Share of Private Sector in Agriculture, 1993-97 .....	73
12. Distribution of Agricultural Land, 1993-97 .....	74
13. Share of Agricultural Production Sold Through State Procurement Organizations, 1993-97 .....	75
14. Production and Consumption of Energy, 1993-97 .....	76
15. Price Developments, 1992-98 .....	77
16. Changes in Administered Prices of Household Services, 1997-98 .....	78
17. Tariffs and Cost Coverage for Households, 1996-98 .....	79

18.	Average Monthly Wages, 1993–97	80
19.	Price and Wage Developments, 1993–98	81
20.	Money Income and Expenditures of Population, 1995–98	82
21.	Labor Market Indicators, 1993–98	83
22.	Average Monthly Employment by Branches, 1993–98	84
23.	Enterprise Profits and Losses, 1993–98	85
24.	Profit-Making Enterprises by Branch, 1995–97	86
25.	Interenterprise Arrears, 1995–98	87
26.	Sectoral Distribution of Energy Debts of Enterprises, 1996–98	88
27.	Summary of General Government Operations (Old Presentation), 1993–97	89
28.	Summary of General Government Operations (New Presentation), 1996–98	90
29.	Summary of General Government Operations (Old Presentation), 1993–97	91
30.	Summary of General Government Operations (New Presentation), 1996–98	92
31.	State Budget, 1993–97	93
32.	State Budget, 1993–97	94
33.	Tax Arrears, 1993–98	95
34.	Social Funds, 1993–97	96
35.	Extrabudgetary Funds, 1993–97	97
36.	General Government Debt, 1993–98	98
37.	Monetary Survey, 1996–98	99
38.	Accounts of the National Bank of Belarus, 1996–98	100
39.	Deposit Money Banks' Account, 1996–98	101
40.	National Bank of Belarus's Directed Credits, 1995–98	102
41.	Composition of Bank Lending by Type of Credit and Sector, 1993–98	103
42.	Auctions of National Bank of Belarus's Credits, 1997–April 1998	104
43.	Auctions of Securities, 1997–98	105
44.	Minimum Reserve Requirements, 1993–97	106
45.	Interest Rates of the National Bank of Belarus, 1997–98	107
46.	Interest Rates on Commercial Banks' Time Deposits with the National Bank of Belarus, 1997–98	108
47.	Interest Rates on Banks Deposits, 1997–98	109
48.	Interest Rates on Bank Credit, 1997–98	110
49.	Interest Rates on New Foreign Exchange Deposits and Credits, 1997–98	111
50.	Structural Characteristics of the Banking Sector, 1995–97	112
51.	Commercial Banks, Selected Indicators, 1995–97	113
52.	Six Largest Commercial Banks, Selected Indicators, 1995–98	114
53.	Commercial Banks and Branches of Foreign Banks	115
54.	Liquidity Ratios of Functioning Banks, 1995–97	116
55.	Official Exchange Rates, 1993–98	117
56.	Direction of Trade: Exports and Imports, 1993–98	118
57.	Selected Exports, 1993–98	119
58.	Selected Imports, 1993–98	120
59.	External Trade in Goods by Economic Branches, 1995–97	121
60.	External Trade in Goods with CIS Countries by Economic Branches, 1995–97	122

61.	External Trade in Goods with Non-CIS Countries by Economic Branches, 1995–97 .....	123
62.	Balance of Payments, 1993–98 .....	124
63.	Medium- and Long-Term Public and Publicly Guaranteed External Debt, 1993–98 .....	125
64.	Transformation of State Property, 1993–98 .....	126
65.	Transformation of State Property, 1993–98 .....	127
66.	Number of Transformed Enterprises by Activity, 1993–98 .....	128
67.	Number of Transformed Enterprises by Method of Transformation, 1993–98 .....	129
68.	Number of Employees in Transformed Enterprises, 1993–98 .....	130
69.	Number of Employees in Transformed Enterprises, 1993–98 .....	131
70.	Housing Privatization, 1993–98 .....	132

### Figures

1.	Composition of GDP, 1993 and 1997 .....	9
2.	Industrial Production by Sector, 1997 .....	11
3.	Inflation and Wages in Selected Countries, 1994–98 .....	18
4.	Fiscal Indicators, 1992–98 .....	24
5.	General Government Revenue, 1993 and 1997 .....	25
6.	Monetary Aggregates, 1995–98 .....	33
7.	Inflation-Adjusted Refinance Rate, 1994–98 .....	34
8.	Real Exchange Rates, 1994–98 .....	46
9.	Share of CIS Countries and Russia in Total Trade, 1992–98 .....	50
10.	BRO: Average Foreign Direct Investment, 1997 .....	54
11.	Gross Official Convertible Reserves of the NBB, 1995–98 .....	56

### Appendices

I.	The Sources of Growth .....	133
II.	Status of the Tax System: May 1, 1998 .....	149
III.	Status of the Social Safety Net: May 1, 1998 .....	172

### Appendix boxes

1.	The Role of Implicit Taxation in Export Barter Growth .....	140
2.	Definition of Restructuring .....	142
3.	System of Monitoring Performance of Enterprises by the Ministry of Industry .....	143

### Appendix tables

71.	Belarus, Russia, and Ukraine: Composition of Net Material Product and Industrial Output, 1991 .....	146
72.	Illustration of the Keynesian Multiplier, 1997 .....	147

73.	Terms of Trade and Trade Volumes, 1996-97 .....	148
74.	Excise Taxes on Domestically Produced Goods, 1993-98 .....	167
75.	Excise Taxes on Imported Goods until January 1, 1998 .....	168
76.	Excise Rates on Excisable Goods .....	169
77.	Fee Rates .....	171
78.	Types of Pensions and Pension Recipients as of February 1, 1998 .....	178
79.	Social Indicators and Insurance Contribution Rates in Selected Countries .....	179
80.	Age Structure of Population, 1994-97 .....	180
81.	Number of Employed and Pensioners, 1993-97 .....	181

Belarus: Basic Data, 1992-98

	1992	1993	1994	1995	1996	1997	1998 Q1
<b>Social and demographic indicators</b>							
Population (in thousands)	10,346	10,367	10,346	10,246	10,235	10,203	...
Urban	7,026	7,026	7,074	7,061	7,071	7,214	...
Rural	3,320	3,320	3,293	3,236	3,793	3,869	...
Population density (inhabitants per sq. km.)	50	50	50	50	49	49	...
Life expectancy at birth (in years)	70	69.2	68.9	68.6	...	...	...
Infant mortality rate (per thousand)	12	12.5	13.2	13.3	12.6	12.1	...
Annual population growth rate (in percent)	0.0	0.2	-0.2	-0.3	-0.3	-0.3	...
Gross domestic product (in millions of U.S. dollars)	2,210	3,668	4,881	10,389	13,529	13,241	3,199
(Percentage changes in constant prices) 3/							
<b>Output</b>							
GDP	-9.6	-7.6	-12.6	-10.4	2.8	10.4	12.0
of which:							
Industry	-5.7	-9.9	-19.2	-10.2	4.1	17.1	...
Agriculture	-14.5	1.5	-15.3	-2.5	1.4	-6.4	...
Industrial production	-9.4	-10.0	-17.1	-11.7	3.5	17.6	14.6
Retail trade	-26.0	-21.1	-22.0	-26.0	-23.0	...	...
(Percent changes within period)							
<b>Prices and Wages</b>							
Industrial producer prices (end of period) 1/	3,275	2,316	1,867	122	31	90	16
Consumer prices (end of period) 1/	1,559	1,996	1,960	244	39	63	19
Average wage, excluding kolkhozes	1,064	1,234	1,489	307	61	88	...
Minimum wage (period average)	733	900	900	200	67	...	...
(In U.S. dollars)							
Average monthly wage (end of period)	24	23	27	66	91	101	111
Minimum wage (end-of period)	4	3	2	5	6	5	...
(In percent of GDP)							
<b>General government finance</b>							
Revenue	46.1	54.3	47.5	42.7	40.9	46.1	53.0
Expenditure 2/	46.1	56.2	50.0	44.6	42.6	46.8	53.1
Balance 2/	0.0	-1.9	-2.5	-1.9	-1.6	-0.7	-0.1
(Percent changes from previous period)							
<b>Money and credit 1/</b>							
Rubel broad money	510	573	1,423	292	67	103	26
Credit to enterprises and households 3/	1,582	610	1,905	134	56	...	...
Refinance rate (percent per annum, end-of-period)	30	210	300	66	35	42	40
(In millions of U.S. dollars)							
<b>Merchandise trade 4/</b>							
Exports of goods	3,580	2,812	2,641	4,621	5,790	7,383	1,777
Imports of goods	-3,203	-3,863	-3,351	-5,149	-6,939	-8,718	-2,258
Trade balance	377	-1,051	-710	-528	-1,149	-1,335	-481
Current account balance (in percent of GDP)	1	-30	-13	-2	-4	-6	-11
Exchange rate (Rubel/US\$, end-of-period) 1/	51	698	10,600	11,500	15,500	31,230	35,760

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

1/ 1998 figures refer to May.

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

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

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



## I. OVERVIEW

1. Since 1996, the Belarussian authorities have sought to revive economic activity and raise living standards through the rapid expansion of credit and policies aimed at accelerating export growth, particularly to Russia. This strategy, however, has been combined with a tightening of state controls in many areas and the reversal of much of the liberalization of economic activity which had been achieved in 1994–95.
2. These policies have led to the acceleration of officially measured economic growth, from close to 3 percent in 1996 to 10½ percent in 1997 and 12 percent during the first quarter of 1998 (year-on-year). Economic growth has also been accompanied by a decline in registered unemployment from about 4 percent in 1996 to around 2½ percent at end-April 1998. But these policies have also led to an increase in measured consumer price inflation—despite a general tightening of price controls—and a significant further weakening in the external payments and foreign exchange positions of Belarus.
3. The acceleration of the growth of domestic credit—rubel net domestic credit of the National Bank of Belarus (NBB) increased by 128 percent in 1996, 135 percent in 1997 and at an annualized rate of 173 percent during the first five months of 1998—has been driven by an expanding program of directed subsidized credits of the NBB, at the instruction of the President and the government. These credits have involved a quasi-fiscal deficit which increased from an estimated 2½ percent of GDP in 1996, to 3 percent of GDP in 1997 and 4 percent of GDP during the first quarter of 1998. The growing quasi-fiscal deficit has broadly offset declining deficits on general government operations, so that the *overall* deficit has remained at around 3½ percent to 4 percent of GDP. Although the deficit on general government has been declining, the size of the budget—and its associated resource allocation role—has been growing, and general government expenditure exceeded 50 percent of GDP during the first quarter of 1998.
4. Despite the general tightening of formal and informal price controls over the past two years, measured consumer price inflation has been high, accelerating from close to 40 percent in 1996 to over 60 percent in 1997, and running at an annual rate of around 50 percent during the first five months of 1998. The underlying rate of inflation, however, has been almost certainly much higher, but until recently, when shortages of various basic products began to appear, the repressed inflation has largely been reflected in a squeeze on the profits of producers, especially in agriculture.
5. The authorities' strategy of demand stimulation has been accompanied by various policies which have led to a more than doubling of export volumes to the Russian market in the course of 1996–97. These policies have included implementation of the customs union arrangement agreed with the Russian Federation in 1995; a real depreciation of the rubel vis-à-vis the Russian ruble during 1996–97; aggressive marketing of Belarussian products in Russia; and the reimposition in early 1996 of a mandatory surrender requirement on foreign exchange proceeds from exports, which has provided an incentive for an increase in barter

transactions. This export growth to Russia has probably been the main contributor to economic growth in Belarus over the past two years.

6. Despite the surge of exports to Russia, the combination of excessive stimulation of domestic demand and the weakness of export growth to other markets has caused the overall payments situation of Belarus to weaken significantly. The overall current account deficit increased from 3½ percent of GDP in 1996 to 6 percent in 1997, and in the first quarter of 1998 exceeded 11 percent of GDP. At the same time, Belarus was unable in 1997 to eliminate accumulated payments arrears to Gazprom for imports of natural gas, and these arrears increased significantly during the early months of 1998.

7. The worsening external situation was also reflected in the growing differential between the NBB's official exchange rate and the parallel exchange rate in Moscow, particularly in late 1997 and early 1998. The NBB's intervention in the exchange market to halt the depreciation of the parallel rate was unsuccessful, and in March 1998 various further exchange restrictions and price controls were imposed by the authorities. As a result of the NBB's intervention, its gross foreign exchange reserves fell by one-third from their level at end-1997, and by end-May 1998 amounted to only 10 days of 1997 imports.

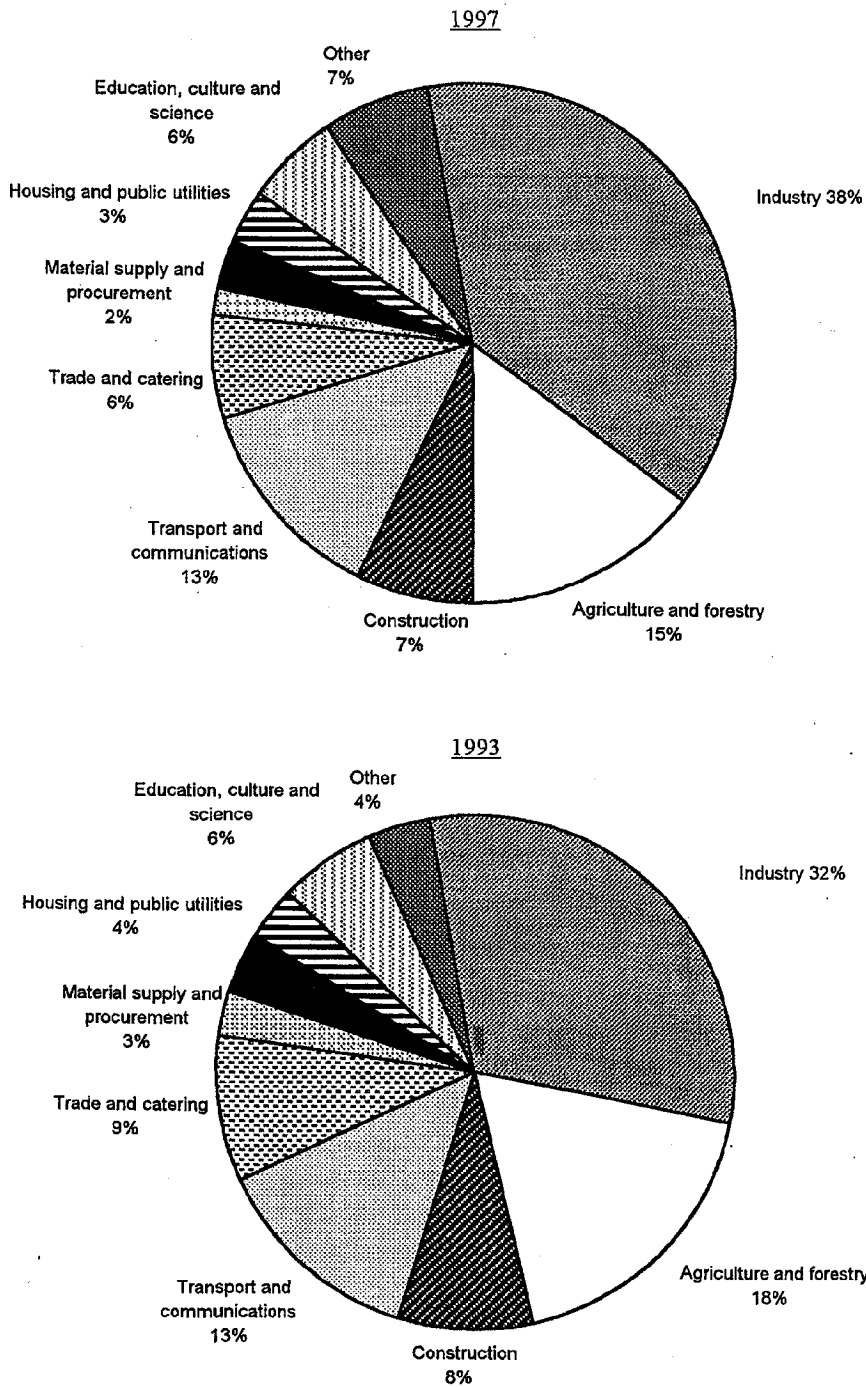
8. Throughout this period, structural reform has virtually ceased and in many areas (including in price liberalization) there has been major backsliding. As for privatization, by end-March 1998 less than 15 percent of republican-level enterprises and only 40 percent of communal entities had been effectively privatized. Combined with the growing financial imbalances and increased fragility of the banking system, by mid-1998 the lack of structural reform had raised serious questions about the sustainability of the authorities' growth strategy of the past two years.

## II. REAL ECONOMY, PRICES, AND INCOMES

### A. Overall Economic Activity

9. Real GDP grew for the second year in a row, by a reported 10.4 percent in 1997, after an increase of 2.8 percent in 1996, following a cumulative decline of 41 percent between 1990 and 1995 (Table 1). The acceleration of growth reflected a rise in value-added in industry of 17.1 percent and an increase in value-added of 12.2 percent in the construction sector, despite a 6.4 percent decline in agricultural value-added. The real growth was fueled by the rapid expansion of credit, in particular of subsidized directed credits for housing construction and agriculture, and by the very high export surge to Russia. Domestic demand, which had begun to pick up in the latter half of 1996, was also buoyant throughout most of 1997 (Tables 2-4). On the supply side, the expansion was possible as a result of the increased utilization of existing production capacity and new investment (Figure 1). In 1997, investment in the economy as a whole increased by 13 percent, driven mainly by an increase in capital investment in the industrial sector by 7 percent and in housing construction by 39 percent (Table 5).

Figure 1. Belarus: Composition of GDP, 1993 and 1997  
(In percent)



Source: Belarussian authorities.

10. Measured consumer price inflation accelerated to 64 percent (year-on-year) from 53 percent in 1996. The underlying rate of inflation was much higher, as formal price controls, covering about one third of consumption, as well as informal controls, kept prices down. The underlying rate of inflation for 1997 is probably captured more accurately by the 90 percent increase in the producer price index. The rapid increase in credit, coupled with the suppressed inflation, led to a continued increase in real monthly wages during most of 1997 and household consumption grew by 11.8 percent in 1997, having increased by 5 percent in 1996.

11. During the first half of 1997, much of the investment occurred in light industry, communal and other services, housing construction, as well as in activities where investment had been growing rapidly during 1996 (such as trade and catering and material supplies). Most of the capital investment in housing construction and agriculture occurred as a result of subsidized directed credits to these sectors. In the second half of 1997, the growth of capital investment was mostly due to the recovery of gross investment in industry, which comprises almost 30 percent of total gross fixed investment. Gross investment, including inventories, grew by 12.8 percent for the year as a whole; the stock of inventories increased by about 1 percent of GDP.

12. In the first quarter of 1998, real GDP increased by 12 percent year-on-year. Industrial production increased by 14½ percent compared to the same period of 1997, and investment increased at an even higher rate. Measured consumer price inflation continued to accelerate at an average 3½ percent per month, despite measures to limit the monthly price increases at 2 percent. During the first quarter of 1998, real incomes were up by 13 percent, while real wages increased by more than 40 percent (year-on-year), boosting consumer spending.

## **B. Output by Sectors**

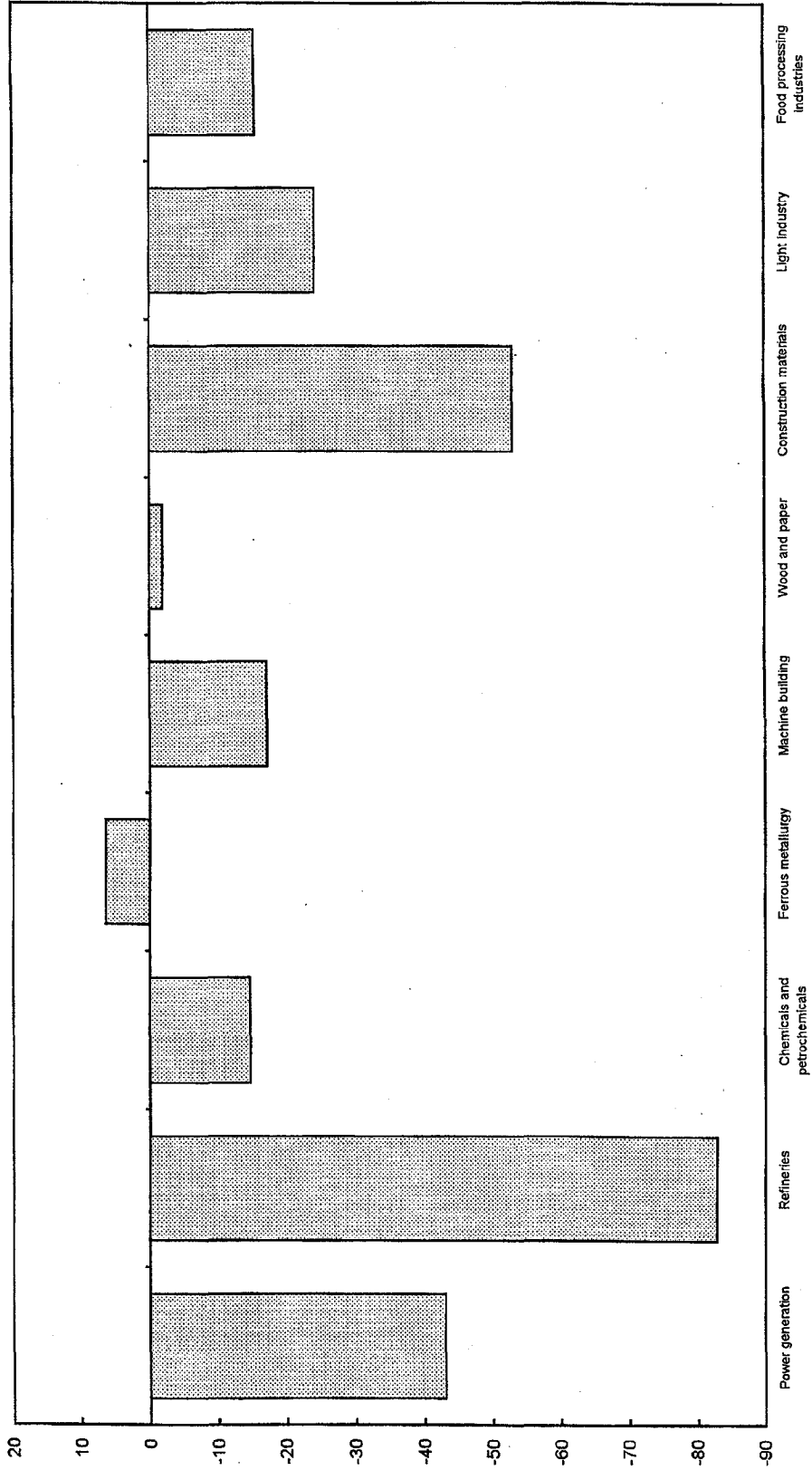
### **Industry**

13. After falling to less than 62 percent of its 1991 level by 1995, value-added in industry has been rising since March 1996 and during 1997 grew by 17 percent. As industry accounted for 35 percent of GDP in 1996 (Table 1), the growth rate of industry explained about 60 percent of the officially measured real growth in 1997. Capital investment in industry grew by 7 percent for the year as a whole, and continued to grow by almost 40 percent (year-on-year) in the first quarter of 1998.<sup>1</sup> Within the industrial sector, the fastest-growing branches in terms of output were metallurgy, wood and paper, and construction materials, but growth was relatively broader-based than in 1996 (Figure 2 and Tables 6–8). Output growth was

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<sup>1</sup>Owing to a change in the accounting system, the 1998 figure reflects previously ordered, but uninstalled equipment. The authorities estimate that if the proper adjustments are made to the 1997 figure (which accounted only for installed equipment), the growth rate would be much lower.

Figure 2. Belarus: Industrial Production by Sector, 1997  
(Percent change from 1991)



Source: Belarussian authorities.

particularly pronounced for tractors, tires, machine tools, trucks, and television sets, a large percentage of which were exported (Table 9).

14. In order to stimulate industrial production, the government has granted soft loans, debt reschedulings, and tax and tariff exemptions since 1996.<sup>2</sup> At first, much of this increased production went to inventory, but government directives to sell led to a reduction in stocks from 75 percent of the current month's industrial output at end-1995 to 38 percent at end-1997 and further to 26 percent at end-February 1998 (Table 7). In addition, the liberal emission of directed credits to the housing construction sector has had a second-round effect on the demand for industrial products, most of all for wood and construction materials. In the latter part of 1997, external demand for durable goods was particularly strong. Three export-oriented branches of industry—ferrous metallurgy, machinery and equipment, and the timber and paper industry—witnessed export growth of around 50 percent in dollar terms in 1997 and saw their profitability rates increase to 14.3 percent, 17.2 percent, and 15½ percent, respectively. As a result, by year-end, enterprises in these sectors were able to increase capital investment substantially. Other efforts by the government to bolster the industrial sector included the following. First, several partly foreign-owned joint-stock companies received generous tax concessions, in some cases with a five-year tax holiday. Second, three free economic zones<sup>3</sup> were set up and the authorities envisage that a fourth one (in Grodno) will begin operations in 1998. Entities residing in the free zones enjoy a number of customs and tax concessions.

15. The President and the government escalated their efforts to arrange trade agreements with regional governments in Russia and other countries. These efforts contributed to a surge of exports to Russia by 50 percent in U.S. dollar terms in 1997, although exports to non-CIS countries stagnated throughout the year (see paragraph 114). The quick supply response of Belarussian enterprises to domestic and foreign orders in 1997 was possible as a result of the idle and largely unstructured capacity of the industrial sector.<sup>4</sup>

### C. Agriculture and Forestry

16. Despite the importance conferred on it by policy makers and the substantial amounts of directed credits provided to the sector, agriculture has been one of the most poorly performing sectors of the economy. Value-added in agriculture dropped by 6.4 percent in real terms in 1997, after increasing by 1.4 percent in 1996, leading to a cumulative decline of more

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<sup>2</sup>The authorities provided exporters with tax breaks for 1998, provided that they invest an amount equivalent to the tax break in fixed assets.

<sup>3</sup>These are in Brest, officially set up in December 1996, and in Minsk and in Gomel-Raton, set up in March 1998.

<sup>4</sup>See Appendix I.

than 30 percent since 1991. At the same time, the share of agriculture in GDP declined from 24 percent in 1992 to 14½ percent in 1997. Nonetheless, part of the government's long-term economic strategy is to reach and maintain self-sufficiency in food production.<sup>5</sup> In early 1998, the President announced that every effort would be made to reach by the year 2001 the levels of food production attained before the break up of the Soviet Union. Indeed, achieving high yields in wheat production per head in 1997, and increasing harvested wheat by 11 percent were lauded as major social and economic accomplishments.

17. Against this backdrop, the decline in overall agricultural value-added in 1997 occurred amidst unfavorable weather conditions, including floods, which particularly affected the potato, flax, and vegetable harvests (Table 10). The harvest of potatoes, a staple crop of Belarus grown mostly in private plots, yielded only 64 percent of the quantity produced in 1996 (Table 11). Production of flax fiber, traditionally an important raw material for the textile industry and produced mostly by collective and state farms, fell by 47 percent in 1997, following a decline of 18 percent in the previous year. This output drop was exacerbated by an already unproductive flax-processing sector which has been working with obsolete equipment. Following the trend of the rest of the agricultural sector in 1997, animal breeding has been on a declining trend as well. Production of cattle (concentrated in the state sector) fell by 1.1 percent while the number of sheep (accounted almost 90 percent by the private sector), on the decline since 1991, fell by 18 percent in 1997. Production of dairy products such as milk, eggs, and meat, however, increased by up to 4 percent.<sup>6</sup>

18. The agricultural sector in Belarus is one of the most heavily subsidized, with strong government intervention present at all stages of the production process. In 1997, the government further increased its level of involvement. First, in preparation for the spring field work, the Ministry of Agriculture provided Rbl 5 trillion in advance payments to farmers and food processors for state orders of major crops such as grains, flax, and sugar beets, at an interest rate of one half of one percent. A March 1998 resolution stipulated that Rbl 6.7 trillion (2 percent of GDP) would be provided in 1998 for these purposes. Second, the *Agricultural Support Fund*, established in 1995, provides funds to partly compensate farmers

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<sup>5</sup>Set forth in detail in the document: *"The Major Trends of Social and Economic Development of the Republic of Belarus for 1996-2000,"* approved by the Council of Ministers in early 1997.

<sup>6</sup>About two-thirds of dairy products are produced in state and collective farms. Milk production increased for the first time since 1990, a development aided by the government's prohibition of milk imports in May 1997. Nonetheless, only 54 percent of the total milk-producing capacity and 42 percent of the meat-processing capacity of Belarus were utilized during 1997. State meat and dairy producers continued to press government bodies to resolve their low profitability problems resulting from mark-up limits and other price controls. At the same time, small private producers tried to sell their dairy and other home-grown produce in local markets or abroad at higher prices.

for the cost of inputs such as fertilizers,<sup>7</sup> equipment maintenance, and for the purchase of farm machinery to be leased to farmers at generous terms. In 1997, this Fund spent Rbl 4.1 trillion, about the same amount as in 1996 as a share of GDP (1.4 percent). Third, Rbl 2.6 trillion in directed subsidized credits were issued by the National Bank of Belarus (NBB) to be onlent by banks at an interest rate equal to half the refinance rate (see paragraph 77). During the first quarter of 1998 alone, the corresponding figure has been Rbl 2.5 trillion. In 1996, less than 10 percent of the total amount lent to agriculture by the banking system were subsidized credits, whereas in 1997, subsidized credits increased to 40 percent of total agricultural credits. Repayments of agricultural credits fell short of expectations and in March, 1998, Rbl 1.2 trillion of agricultural debts were rescheduled at no penalty for at least two years.

19. Despite the generous subsidized directed credits to agriculture, capital investment in the sector decreased further by 6 percent in 1997 (Table 5). The continued financial support of certain crops, such as flax and sugar beet, where outmoded forms of production are perpetuated, may have exacerbated the overall inefficiency in agricultural production. It has also led to a vicious circle of inflationary financing: because numerous foodstuffs are subject to mark-up limits and pervasive price controls at the retail level, the resulting squeeze on agricultural profits inevitably leads to a precarious financial situation for agricultural enterprises, which the government later resolves by granting exemptions and providing yet more subsidized directed credit.

20. While state and collective farms, as noted earlier, benefitted the most from the government subsidies, privately owned and run agricultural entities are much more productive. Even though state and collective farms cultivate about 83 percent of the agricultural land, privately run farms and private plots produce more than 40 percent of gross output. The private sector produces about 49 percent of all crops, 85 percent of the potatoes, 81 percent of the vegetables, and 90 percent of all fruit; in addition, private farmers produce more than 40 percent of dairy products and breed almost 90 percent of all sheep and more than a third of all livestock. Moreover, home-grown produce is an important secondary activity for the population: according to the household survey conducted by the Ministry of Statistics and Analysis in 1996, almost 25 percent of households derived revenues from the sale of home-grown agricultural produce, and almost 95 percent of these households supplemented purchased food consumption with home-grown produce (mostly fruit, vegetables, and poultry).

21. The distribution of agricultural land utilization has remained virtually unchanged since 1993 (Table 12). Collective farms account for almost 61 percent of the agricultural land, and state farms, 22 percent. Land leased by private citizens (up to 1 ha each, but typically only 0.5 ha), with the restriction that no additional labor be hired to work on the land, accounts for 10.5 percent of the land, a ratio that has remained virtually unchanged since 1993. In addition, the 3,000 private farmers in Belarus who, until 1997, could lease up to 50 ha of land each,

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<sup>7</sup>In 1997, the budget covered 40 percent of the price of fertilizers.



account for only 0.6 percent of the total agricultural land. In March 1998, the President issued a decree aimed at increasing private land ownership by allowing private farmers to lease up to 100 ha of land. The decree also stipulated that if collective and state farms were faced with substantial difficulties in meeting production targets, their members could lease up to 10 ha of land per farmer for cultivation.

22. The new Land Law, which Belarus recently began to implement, is centered around the concept of supremacy of the state property in agriculture. The authorities are now in the process of developing a new Land Code and a set of legislation based on the law. Currently, leased land cannot be transferred (although it can be inherited) and cannot be used as collateral. Neither residents nor foreigners can buy agricultural land, although both can acquire urban plots of property. In principle, land can be used as collateral for a bank loan, but if the bank forecloses on the property, it is subject to the same resale conditions. In any event, using land as collateral is virtually unknown. The President has announced that he will authorize the sale of land to foreigners if he approves of the proposed investment project but, to date, this has not occurred.

23. Procurement of certain goods produced in state and collective farms at the wholesale level is still carried out for the most part by state trade organizations and consumer cooperatives and sold to the agro-industrial complex for processing. In 1997, the share of agricultural production sold through the state procurement organizations decreased by 7 percent for grain and 6 percent for eggs, but increased or remained constant for all other major categories (Table 13). Despite the 1997 increases, the importance of state procurement organizations has been declining since 1990 (except for grain), with private traders purchasing the remaining amount.

24. Belarus has significant timber resources, with forests covering about 40 percent of its area. Over the past several years, the government has tried to develop the timber industry, and in the third quarter of 1997 it adopted a program through the year 2000 for increasing the exports of wood, wood processing, and pulp products. As noted earlier, this promotion has had some success: wood and paper products (in particular, wood fiber-boards and chip boards) were some of the fastest-growing exports during 1996 and 1997. The wood and paper industry is heavily supported by the Ministry of Forestry and *Bellesbumprom*, the state-owned consortium, which has aggressively implemented an export-promotion program.

### Services

25. The share of value-added from services (including construction) in GDP increased from 35½ percent in 1992 to 49 percent in 1997. Trade and catering grew by more than 20 percent in 1996 and almost 20 percent in 1997, while value-added in transport and communications increased for the first time since 1992 (Table 4). Services associated with trade and transport have benefited from Belarus' strategic location for East-West traffic (especially for goods involving Russia) given the relatively well-maintained transport and communications networks. The revival of economic activity has also played a role; the

tonnage of total shipments increased by 6.5 percent in 1997 and 12.3 percent (year-on-year) in the first two months of 1998. Road, rail, and air transportation systems and most transport companies are still state-owned, although private transport companies are beginning to emerge. Other services, such as health and education, also slightly increased their value-added. Value-added in the financial sector, the fastest growing sector in the past seven years, has increased by almost 80 percent since 1991.

#### **D. Energy**

26. Belarus continues to be highly dependent on energy imports. Virtually all of its natural gas supplies, 16.1 billion cubic meters in 1997, came from Russia's *RAO Gazprom*. In the course of the year, *Gazprom* asserted an even greater presence in Belarus, not only through its financing and joint supervision of the trans-European Yamal gas pipeline through Belarus, but also through its indirect involvement with Belarussian enterprises in helping to broker barter deals, as well as its investment in the banking sector and securitization of restructured debt arrears (see paragraph 123).

27. In 1997, Belarus extracted 1.8 million tons of oil and imported—mostly from Russia—10.5 million tons (about 85 percent of the crude oil needed for domestic consumption and the operations of its refineries—Table 14). After processing, a significant fraction of the refined oil is reexported back as gasoline, diesel oil, and heavy fuel oil. The Russian-Belarussian oil company *Slavneft* owns two refineries in Belarus. In 1997, fuel output from the refineries, which are running at less than 30 percent of capacity, was down 14 percent relative to 1996. In addition to the revenue from the processing of crude oil and the reexport of refined products, Belarus earns foreign exchange from the transit of some 60 percent of Russia's export of oil to Western Europe and neighboring countries (through the *Druzhba* and *Gomel* pipelines).

28. Unlike the price of gas, the price of oil and other petrochemicals paid by Belarus in recent years was quite close to world market levels. As a result, households and enterprises made some progress in adjusting their energy consumption. Belarus is developing alternative energy projects and establishing a plan for restructuring its refineries, under the auspices of the Belarus Energy Concern, which is responsible for overseeing production and distribution. In 1997, energy policy and regulatory functions were transferred from the Ministry of Fuel and Energy to the Ministry of the Economy, which is the entity in charge of all price regulation in Belarus. Finally, the Ministry of Fuel and Energy, together with *Slavneft*, has continued its efforts in restructuring the oil refineries under its control.

#### **E. Inflation and Effects of Price Policies**

29. Monthly price fluctuations in Belarus have been dominated by the effects of price controls interacting with increases in broad money. Nonetheless, price movements during the year have a clear seasonality in Belarus: the price level increase in the third quarter of the year is fairly moderate as a result of lower food prices following the harvest, since food comprises

67 percent of consumer expenditure. In contrast, prices of food and energy-intensive services tend to rise faster in the first and fourth quarters of the year as a result of inclement temperatures (total services comprise roughly 26 percent of consumer spending).

30. Beginning with presidential decree number 590 of December 1996, inflation has been targeted to be no higher than two percent a month, and this policy has since been pursued, although generally not successfully, by using mostly non-market mechanisms, notably price controls at the retail level. About 30 "socially important" basic goods and services are controlled at the local level, as are natural monopolies, such as housing and public utilities. Certain products for the military and vodka, are also controlled at the republican level. It is estimated that these formal controls affect about one third of total consumption expenditures. In addition, informal controls, especially on monopolies, as well as limits on wholesale and retail trade margins, affect an additional set of expenditure goods. In August 1997, the President issued a decree imposing penalties (including fines), and even dismissals, if prices were raised beyond the monthly 2 percent rate. Until recently, rather than creating widespread shortages, these controls have tended to squeeze profits of enterprises and retailers, as reflected in the 25 percentage point difference between the rise in producer prices relative to consumer prices in 1997.<sup>8,9</sup>

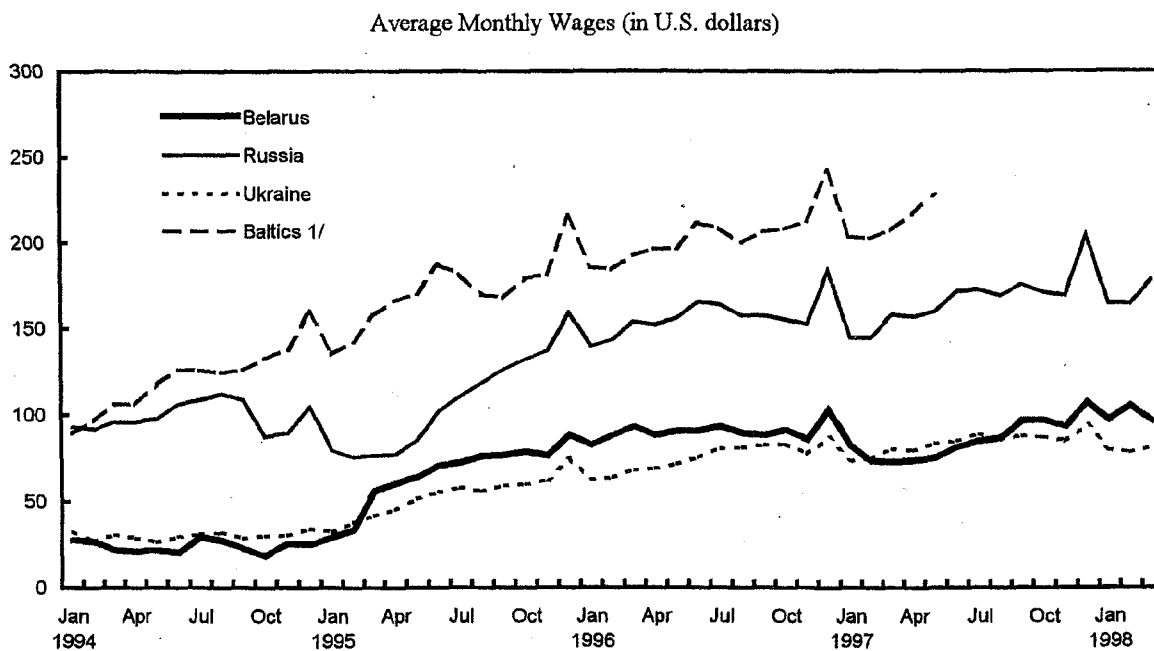
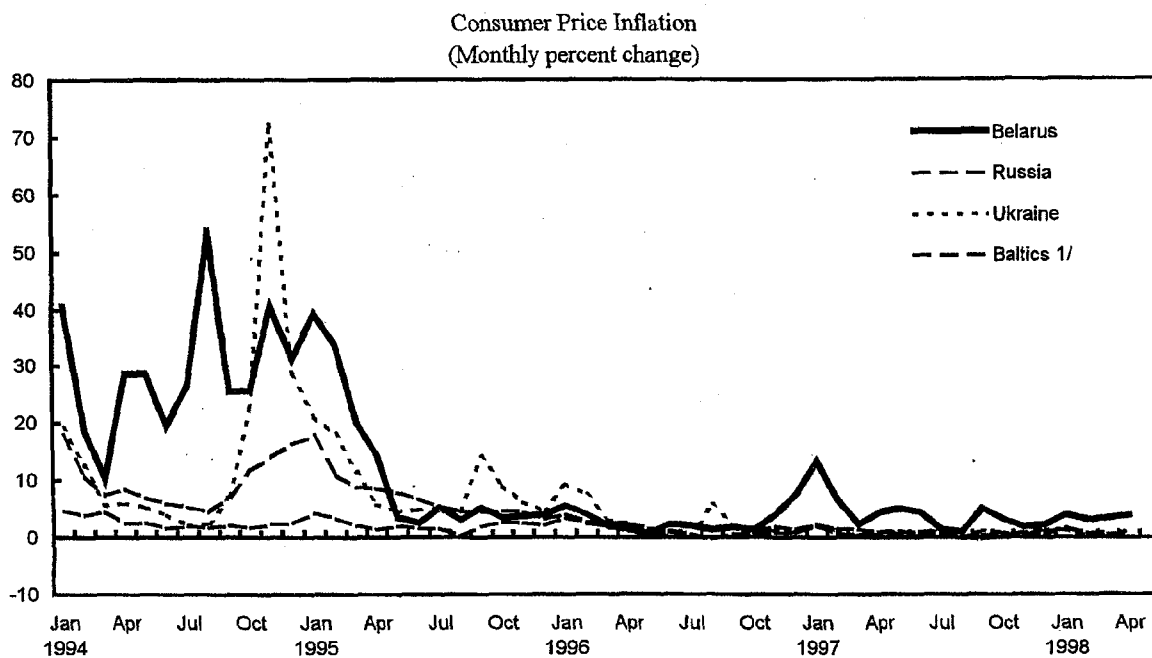
31. Consumer price inflation accelerated during 1997, to 64 percent (year-on-year) relative to 53 percent in 1996 (Figure 3 and Table 15). In the first quarter of 1997, inflation increased to a monthly average rate of 7.4 percent, from 3.8 percent in 1996. Part of the increase in inflation was due to the one-time hike in the price level as a result of the devaluation of the rubel and some temporary price liberalization at the beginning of 1997. During the summer months of 1997, measured inflation declined as a result of the tightening of price controls in the second half of 1997, which helped to artificially quell inflation, despite a short-lived spurt in September owing to an increase in the tariffs of communal services (Table 16). During the first five months of 1998, underlying inflationary pressures likely increased, as a result of a further loosening of financial policies since December 1997, as well as cost and demand pressures resulting from the average monthly increase in nominal wages by 19 percent in December over November, and by 106 percent in the first quarter of 1998 (year-on-year). During this period, measured monthly CPI inflation averaged 3.5 percent. On March 17, 1998, in the context of a foreign-exchange crisis, the government issued a decree

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<sup>8</sup>In 1997, producer prices were for the most part not controlled. Furthermore, they have a large import component. Producer prices increased by 89 percent (year-on-year) in 1997, compared to 34 percent in 1996.

<sup>9</sup>The Ministry of Statistics and Analysis compiles the CPI using the structure of consumption from the previous year, as revealed in the annually conducted household survey. The survey also provides information on the points of sale to be used in the sampling of consumer prices. For the compilation of the PPI, the Ministry is obliged by law to ensure coverage of 70 percent of all production activity.

Figure 3. Inflation and Wages in Selected Countries, 1994-98



Sources: National authorities; and Fund staff estimates.

1/ Average for Estonia, Latvia, and Lithuania.

ordering retailers to roll back prices to the levels of March 1. Despite the order, inflation in April and May, at 3.8 percent and 3.4 percent, respectively, was not contained; and despite increased pressure from the State Control Committee on merchants and traders not to withdraw goods from the shelves of shops and not to divert them towards cross-border sales, shortages in certain products such as dairy products and sugar, were, indeed, observed.

32. At end-March 1998, cost coverage of communal services and utilities was around 43 percent, having fallen slightly from 44 percent in September 1997 and from 59 percent at end-1995 (Table 17). The cost coverage of energy utilities<sup>10</sup> has similarly dropped to 44 percent at end-March 1998 from 58 percent at end-1996. Although the authorities implemented some moderate efforts to increase cost recovery through a series of tariff increases in January, April, and September 1997, these increases were eroded by inflation. The cost recovery for gas, however, has increased from 54 percent in January 1996 to 72 percent a year later, and to 86 percent on April 1, 1998.<sup>11</sup>

## F. Wages, Income, and Employment

### Wages and income

33. An important element of the government's policies aimed at raising the standard of living over the past two years has been the objective of restoring the level of real wages achieved during the Soviet era. A series of increases in the minimum wage and the first grade wage in January, April, and September 1997, and in December 1997/January 1998<sup>12</sup>—which raised wages in the budgetary sphere—also acted as indicative parameters in the decision by enterprises to raise wages (Table 18). Partly as a result of this policy, real wages increased by 14 percent in 1997 and a further 6 percent during the first quarter of 1998. Using the official inflation rates to compile a real wage index (1991=100), real wages increased from 54 in 1995 to 65 in 1997, and further to 76 at the end of the first quarter of 1998 (Table 19).

34. Partly as a result of the increase in real wages, the share of wage income in total money incomes grew from 50 percent in 1996 to 55 percent in 1997, after having steadily declined from 73 percent in 1990. The share of pensions and social transfers remained roughly the same, whereas the share of other incomes, notably income from sales of goods and other

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<sup>10</sup>Including heating, hot water, electricity, and gas.

<sup>11</sup>In connection with the possible liberalization of prices, the government has been considering the development of a targeted social protection, with technical assistance from the World Bank.

<sup>12</sup>Furthermore, presidential decree No. 7 of March 1997, which allowed wage bonuses to be paid for good performance, may have contributed to the sharp increase in wages in December 1997.

entrepreneurial activities, declined as a percent of total money incomes. Government policies which discouraged independent business activities have been an important factor; the re-registration campaign for businesses which took place between February 1996 and April 1997 reduced the number of licenses to engage in business activities. In contrast, the more attractive wages offered by the growing industrial sectors increased the incentive for workers to switch towards earning wage income. In addition, private farmers' incomes were negatively affected by the 36 percent decline in the potato harvest in 1997.<sup>13</sup>

35. The household saving rate in Belarus declined markedly from 21 percent of money income in 1996 to 11 percent in 1997 (Table 20). This in part reflects the demand-driven economic growth of 1997. Household saving, at roughly 2 percent of GDP in 1997, is still very low to support investment. However, the NBB estimates that the population holds at least \$2 billion, a potentially important source of financing for investment should confidence in the banking system increase.

### **Employment**

36. The share of the working-age population<sup>14</sup> to total population in Belarus has remained fairly constant in the 1990's (Table 21), reaching 56.2 percent (5.73 million) in 1997, while the share of pensioners has stabilized at around 21 percent. At the same time, the reported economically active population<sup>15</sup> shrank from 5.16 million in 1992 to 4.70 million in 1997 and the number of employed dropped dramatically from 4.89 million in 1992 to 4.37 million in 1997. In 1997 alone, employment remained virtually unchanged from 1996 levels, increasing by only 0.1 percent; nevertheless, the registered unemployment rate in Belarus declined steadily throughout 1997, from 3.9 percent in December 1996 to 2.8 percent at end-1997, to 2.6 percent at end-March 1998 (or 118,200 people), as a result of higher output and government pressure to recruit.

37. Since 1990, the share of employment in industry, agriculture, and construction has been declining, while, as in most transition economies, the share of employment in services has increased (Table 22). In 1992, industry accounted for 32 percent of employment and agriculture for 22 percent, while in 1997 the shares were 29 percent and 19 percent,

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<sup>13</sup>In April 1998, a presidential decree established stringent penalties for the failure to declare income and wealth from all sources (excluding foreign exchange). Paradoxically, this policy could have a negative effect on reported entrepreneurial and "other" incomes in 1998, as there is an incentive to keep income abroad.

<sup>14</sup>Those between the ages 16–54 years (for women) and 16–59 years (for men), who are deemed fit to work.

<sup>15</sup>A subset of the working-age population: excludes students, members of the armed forces, and housewives.

respectively. Although by 1996, output in industry had fallen to 73 percent of its level in 1991, the sector had kept about 78 percent of its labor force formally employed. In 1997, employment in state construction increased slightly compared to 1996, reflecting the higher share of resources devoted to housing construction. Between 1992 and 1997, the share of employment in services rose from 33 percent to 40 percent. In 1997, with the growth of output, the number of involuntary part-time workers and workers on forced leave without pay in industry declined by 38 percent.

### G. Financial Position of Enterprises

38. In 1997, the proportion of loss-making enterprises declined to 13.7 percent, from 18.4 percent in 1996, after five years of continuous increase; moreover, the number of loss-making enterprises declined in all sectors of the economy with the exception of housing, transport, and communal services (Tables 23 and 24). The number of loss-making enterprises in industry declined from 17.6 percent in 1996 to 12.5 percent in 1997. The average profit rate<sup>16</sup> for profitable enterprises rose from 9.7 percent in 1996 to 10.6 percent in 1997, after falling by more than 12 percentage points between 1992 and 1996 (Table 23). While the profitability of industrial, agricultural, and construction sector entities increased, the profitability in the transport, communications, and procurement sectors actually declined. In 1997, profitability was lower at the beginning of the year (7.3 percent for the first quarter) and considerably higher during the other months. While this seasonal pattern may be at work in 1998 as well, the average profitability rate in the first quarter of 1998 (at 6.2 percent) was lower than in the comparable period of 1997.

39. Within industry, the profitability of enterprises in 1997 was 13.2 percent, up from 10.6 percent in 1996, and it was also higher in the first quarter of 1998 than in the corresponding period of 1997 (Table 24). Profitability in the food industry continues to decline—probably owing to the tightening of retail price controls—and in the first quarter of 1998 was only at one-half the level of the corresponding period of 1997. The number of loss-making enterprises, however, declined in all branches of industry in 1997. Higher profits enabled enterprises in industry, particularly in metallurgy and machine building, to finance their working capital needs primarily from internally generated cash flow; during the first quarter of 1998, 68 percent of all investment made by enterprises was financed internally.

40. The average profitability of all agricultural entities increased from 10.7 percent in 1996 to 15.2 percent in 1997, while the number of loss-making enterprises almost halved. This in part reflects the low effective costs for collective farms as a result of heavy subsidies. However, despite generous disbursements of subsidized credits, and a law that stipulates that at least 60 percent of wages have to be paid within a month after they are due, the stock of agricultural wage arrears, as a percent of the annual payroll, amounted to 80 percent at end-

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<sup>16</sup>The profit rate is defined as profits from sales as a percent of the cost of sold products, as reported to the Ministry of Statistics and Analysis by enterprises.

October 1997. The corresponding figure for the economy as a whole was 10.9 percent. Total wage arrears in Belarus are relatively small, at 0.1 percent of GDP. In addition, many agricultural loans were not paid when due in early 1998, as the number of loss-making agricultural entities increased and the profitability of profitable ones declined (over the first quarter of 1997). The government responded by writing off debts and granting deferments for repayment, without penalties, for at least a year, as well as promising continued support during 1998. Agricultural firms, which still cannot pay their debts, may be referred for "sanitization"<sup>17</sup> and could be possibly restructured.<sup>18</sup>

41. During the last two years, profitability has clearly exhibited a seasonal pattern. It has usually been much lower at the beginning of the year and has increased by year-end, due to several important factors. One reason for this is that according to presidential decree No. 235 of 1994, enterprises must revalue their fixed assets at the beginning of the year using either a "coefficient method" or a "comparable value method,"<sup>19</sup> which causes depreciation expenses to jump in the early months relative to revenues, before being reduced by inflation as the year progresses.

42. According to the authorities, a considerable proportion of the revenues of industrial enterprises in 1997 were in the form of barter; the rest were cash receipts. One third represents roughly the minimum proportion of cash needed for the payment of wages, taxes, energy bills, and arrears (none of which can be offset by barter). Therefore, measures of profitability must make assumptions about the valuation of the barter component of profits, a calculation which typically tends to overstate the value of the barter goods and, therefore, might overstate profitability. Another complication arises from the fact that industrial enterprises do not subtract marketing costs when computing profits, nor do they account for depreciation according to standard international practices. These factors suggest that the figures on enterprise profitability should be interpreted with caution.

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<sup>17</sup>Sanitization refers to improvements in the financial situation of an enterprise through administrative means.

<sup>18</sup>Financial relief for agricultural entities was granted by several decisions. Among them, under government resolution No. N1539 of November 1997, up to Rbl 1.5 trillion in debts of livestock and poultry farms were written off. Deferments on debt service were granted in October 1997 (for debts incurred in 1995), in December 1997 (Resolution No. N1624, on deferment of energy debts to agriculture until 1999) and March 1998 (presidential decree No. 96 stipulated that agricultural enterprises with debt arrears as of end-1997 would have their debt rescheduled, without penalties, until the year 2000.

<sup>19</sup>The Ministry of the Economy proposes coefficients for the revaluation of separate classes of fixed assets or, alternatively, allows enterprises to revalue their assets based on observed prices for similar assets.



43. The Ministry of Statistics has compiled two additional measures of enterprise soundness, a "coefficient of current liquidity" and a "coefficient of working capital adequacy." While the use of these coefficients is not standard in Western accounting practices, it is important that 50 percent of 230 industrial enterprises surveyed by the Ministry of Statistics and Analysis do not meet the established threshold levels and have been referred for "sanitization" to the Sanitization Committee. However, none of these enterprises are threatened with bankruptcy, as the bankruptcy law has not yet been adopted.

44. By end-1997, the stock of interenterprise arrears had declined to 12 percent of GDP from 17 percent at end-1996 (Table 25),<sup>20</sup> with the decrease relatively uniformly distributed across all sectors of the economy. Interenterprise arrears account for about 45 percent of all arrears in the economy; tax arrears are approximately 4 percent, while the rest includes wage arrears. The stock of energy arrears as a percent of GDP (Table 26) declined by almost 50 percent between end-1996 and the end of the first quarter of 1998, when they amounted to around 5 percent of annualized GDP. At end-March 1998, about 60 percent of total domestic energy debts were owed by industry. Domestic gas arrears, which are fully indexed to the official exchange rate, dropped to 4 percent of GDP at end-1997 from 8 percent a year earlier, and then further to 3 percent of GDP at the end of the first quarter of 1998. After increasing to 4 percent of GDP at end-1996, electricity arrears returned to 2 percent at the end of the first quarter of 1998.

### III. PUBLIC FINANCE

#### A. Overview of Public Finance in 1997 and the First Quarter of 1998

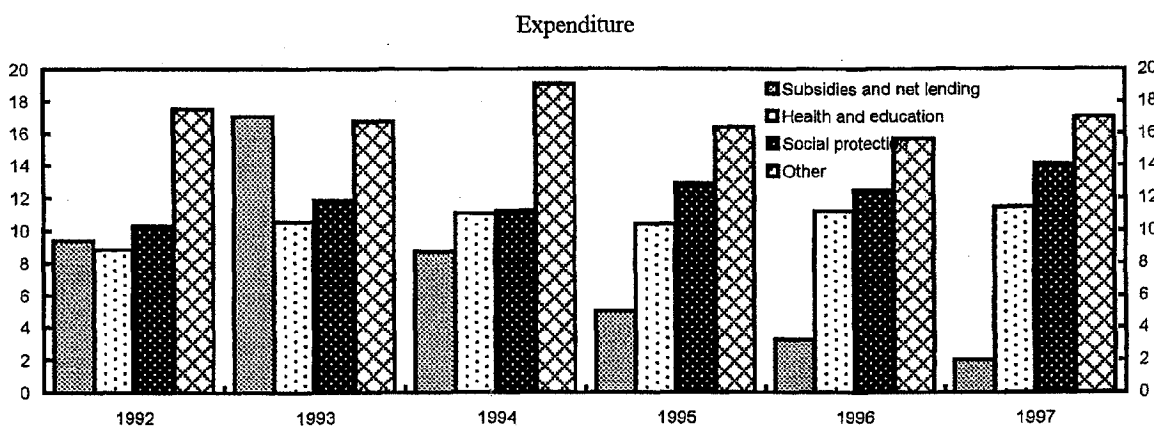
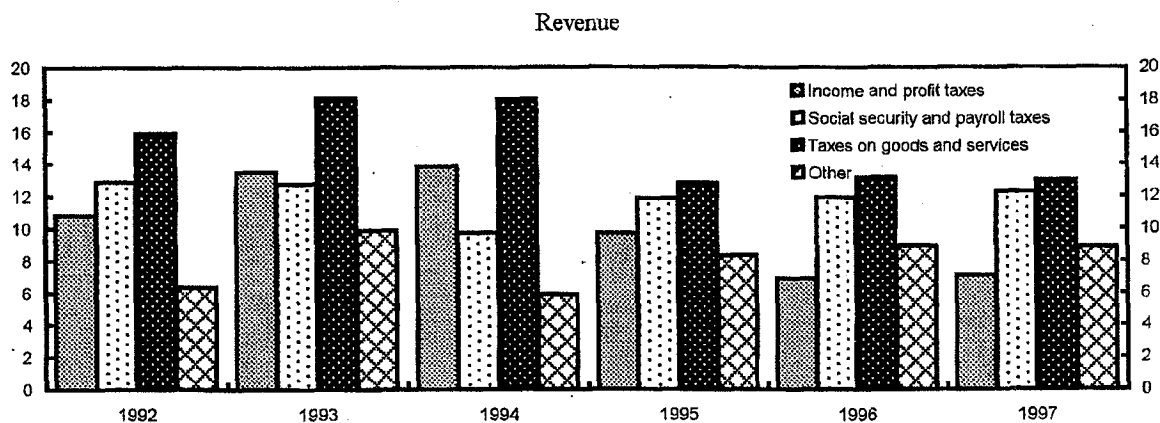
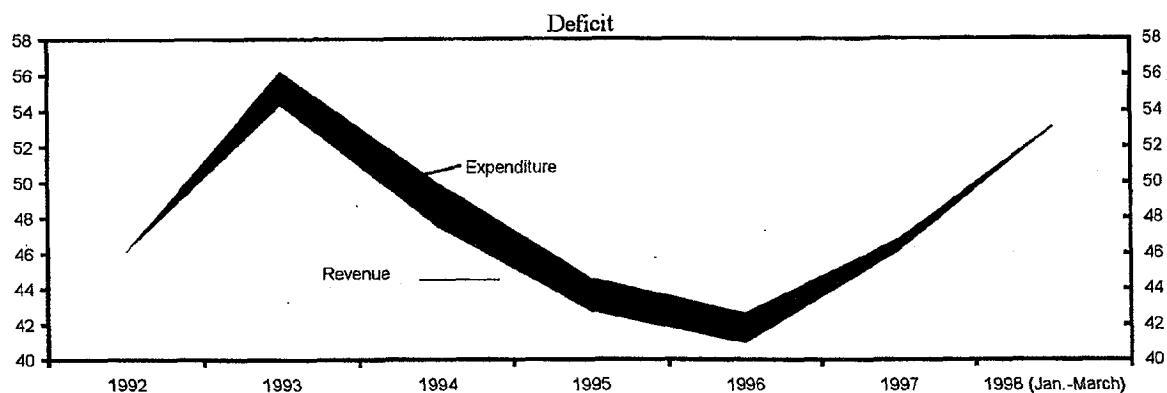
45. The overall general government deficit decreased from 1.6 percent of GDP in 1996 to 0.7 percent of GDP in 1997 (Figures 4 and 5 and Tables 27-31). This outcome reflected improvement of the balances at all levels of the general government. However, if the deficit arising from the quasi-fiscal operations of the NBB is taken into account, the assessment of the fiscal performance is less sanguine. The general government deficit, including the quasi-fiscal deficit, decreased only slightly, from 4.0 percent of GDP in 1996 to 3.7 percent of GDP in 1997.

46. The size of the budget increased significantly in 1997 as compared with 1996. The revenue of general government increased from about 41 percent of GDP in 1996 to about 46 percent of GDP in 1997, while the expenditure of general government increased from 42½ percent of GDP in 1996 to about 46¾ percent of GDP in 1997. The increase in revenue and expenditure was accompanied by a notable decrease in tax and expenditure arrears.

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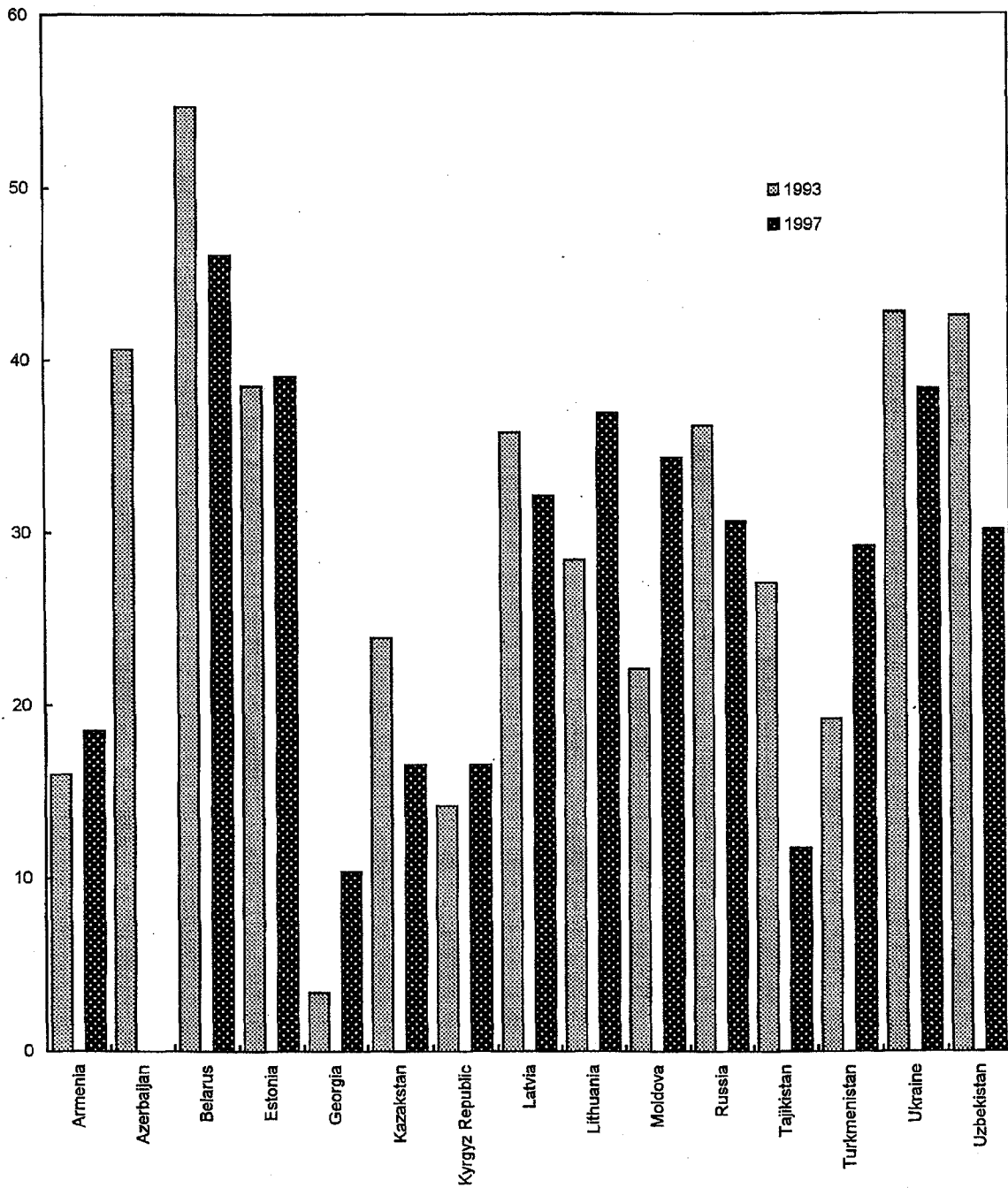
<sup>20</sup>This figure refers to overdue accounts receivable (overdue debtor indebtedness), as opposed to overdue accounts payable (overdue creditor indebtedness).

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



Sources: Belarussian authorities; and Fund staff estimates.

Figure 5. BRO: General Government Revenue, 1993 and 1997  
(In percent of GDP)



Sources: National authorities; and Fund staff estimates.

47. The 1998 general government budget, including the state budget and the budget of the *Social Protection Fund (SPF)*, was approved by Parliament in December 1997. It targets revenue at 44.8 percent of GDP, and expenditure of 48.3 percent of GDP. The deficit of 3.5 percent of GDP is expected to be financed by domestic resources, including direct credits of the NBB (1.3 percent of GDP) and the issuance of treasury securities (2½ percent of GDP), as foreign financing is expected to be negative in 1998 (0.3 percent of GDP). Few changes in tax legislation were incorporated in the 1998 budget. The Chernobyl payroll tax was reduced from 8 percent of the wage bill to 4 percent, with an estimated loss in revenue of about 0.8 percent of GDP. The system of excise taxes was unified with that of the Russian Federation (see Appendix II); the new system is expected to have neutral effects on the collection of excise taxes relative to GDP.

48. In the first quarter of 1998, the general government deficit amounted to 0.1 percent of GDP against a surplus of 1.6 percent of GDP in the first quarter of 1997. However, the deficit was Rbl 4 trillion lower than budgeted (about 4 percent of GDP), owing to higher-than-budgeted revenue and expenditure cuts in the first quarter of 1998. The overall general government deficit, including the quasi-fiscal deficit, increased from 0.2 percent of GDP in the first quarter of 1997 to 4 percent of GDP in the first quarter of 1998. In May 1998, the government decided to restrain the budget deficit for 1998 as a whole to no more than 2½ percent of GDP. This reduction would be realized through the collection of higher-than-budgeted nominal revenue resulting from higher-than-projected inflation, and nominal expenditure cuts.

49. On January 1, 1998 the general government operations were reorganized. All special funds, excluding the SPF and branch ministry funds, were incorporated into the state budget. In addition, the compilation of state budget revenues, based on an economic classification, and expenditure, based on a functional classification, were made consistent with the methodology of the *Manual on Government Finance Statistics*.

## B. State Budget Revenue<sup>21</sup>

50. The revenue of the state budget of Belarus, including all extra-budgetary funds but the SPF and branch ministries' funds, improved from 31 percent of GDP in 1996 to almost 36 percent in 1997 (Tables 31 and 32). Most major revenue items of the state budget increased relative to GDP in 1997, as compared with 1996. Higher-than-projected inflation, the acceleration of real growth, better enforcement of tax collection procedures, and the harmonization of import duties with Russia contributed to the better-than-expected revenue performance in 1997. *Taxes on personal incomes* increased relative to GDP because of the rapid increase in real wages of the population employed in the formal sector of the economy. The collection of *profit taxes* increased relative to GDP, due to the improvement in the

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<sup>21</sup>For the sake of comparability with 1998, the state budget outturn for 1997 is discussed inclusive of all previously special funds, except the SPF and branch ministries' funds.

average enterprise profitability and the decrease in the number of loss-making enterprises. The better performance of the *Chernobyl tax*, despite the decrease in the taxation rate from 10 percent of the wage bill to 8 percent, is ascribed to the significant increase in real wage incomes. Domestic indirect taxes also increased markedly in terms of GDP. The *value-added tax* (VAT) collection improved on account of the rationalization of ad hoc exemptions, improvement in the collection procedures, and the application of the VAT to imports from Ukraine since February 1997. The collection of excise taxes increased owing to the strict enforcement of collection procedures by customs and the elimination of most discretionary exemptions. *Taxes on international trade* constituted a significantly higher share of GDP in 1997 than in previous years, on account of the rationalization of ad hoc exemptions, the increase in the share of imports in GDP, and the completion of the harmonization of import duties with Russia, the latter having higher rates. The revenues of the *Employment Fund* (consisting of payroll taxes) and the *Agricultural Support Fund* (consisting of turnover taxes) were virtually unchanged in terms of GDP in 1997. The revenue of the *Road Fund* (mainly consisting of fuel taxes and road fees) increased by 0.3 percentage points of GDP on account of the general revival of economic activity.

51. The level of ad hoc tax exemptions and deferrals relative to GDP remained virtually unchanged in 1997 as compared with 1996 as the authorities made an effort to rationalize ad hoc tax benefits. In the absence of such an effort, the level of ad hoc tax benefits could have reached a much higher level relative to GDP in 1997. In 1996, about 200 public enterprises were granted ad hoc tax exemptions, notably from VAT and customs duties, representing a loss for the budget of about Rbl 1.4 trillion (0.8 percent of GDP). Tax deferrals amounted to Rbl 1.4 trillion (0.8 percent of GDP) in 1996. Even though the total amount of exemptions—Rbl 3 trillion (1.9 percent of GDP) and deferrals—Rbl 2.9 trillion (0.8 percent of GDP) slightly increased in 1997 in real terms as compared with 1996, the number of enterprises benefitting from ad hoc exemptions declined to thirty. The main beneficiaries of tax breaks in 1997 were large exporting industrial enterprises and state and collective farms. Tax arrears decreased from 1.2 percent of GDP at end-1996 to 0.5 percent of GDP at end-1997, owing to the strengthening of the financial position of enterprises (Table 33).

52. In the first quarter of 1998, the revenue of the state budget represented 40 percent of GDP, which was about 5 percentage points of GDP higher than the comparable figure a year earlier. In nominal terms, the actual revenue was Rbl 2 trillion higher than budgeted (about 2 percent of GDP). Most revenue items showed a significant improvement in the first quarter of 1998 over the first quarter of 1997. *Taxes on profits* in terms of GDP increased, despite the fact that the profitability of enterprises decreased in the first quarter of 1998 as compared with the first quarter of 1997. It was likely that the sectoral distribution of overall profits had changed in a way that the major contributors of profit taxes (non-exempt enterprises) had not experienced a decrease in profitability. *Taxes on personal incomes* improved relative to GDP, mainly because more individuals found themselves in higher taxation brackets. This occurred because the increase in the minimum monthly wage (MMW), on the basis of which the taxation brackets were defined, had lagged behind increases in the lowest grade wage and average wage. The ratio of the lowest grade wage to the MMW increased from 1.1 in 1997 to

about 2 in the first quarter of 1998. The collection of the *Chernobyl tax* decreased by ½ percentage point of GDP in the first quarter of 1998 as compared with the first quarter of 1997, owing to the decrease in the taxation rate. *VAT* collection improved, probably on account of a higher share of consumption in GDP. *Capital revenue* increased relative to GDP, in part due to a significant increase in profit transfers from the NBB. The latter increased on account of large accounting profits made by the NBB in foreign exchange interventions in Moscow during the first quarter. Tax arrears increased by Rbl 1.4 trillion (1 percent of the first quarter GDP) during the first quarter.

### C. State Budget Expenditure and Net Lending

53. The expenditure of the state budget increased from about 32 percent of GDP in 1996 to more than 36½ percent of GDP in 1997. Such an increase occurred in accordance with the supplementary budget signed by the President in the summer of 1997. The need for higher expenditure was justified by the necessity to clear budgetary arrears taking advantage of higher-than-expected nominal revenue.

54. Some expenditure items decreased or remained unchanged relative to GDP in 1997 as compared with 1996. Interest payments of the state budget decreased relative to GDP, as the government shifted to treasury bills with longer maturities, which carried over interest payments to 1998. Current expenditure on Chernobyl-related projects decreased relative to GDP by ½ percentage point. Expenditure on defense remained virtually unchanged relative to GDP in 1997 at 1½ percent of GDP. The expenditure of the funds incorporated into the state budget remained roughly unchanged relative to GDP, as compared with 1996.

55. Most expenditure items, however, increased relative to GDP in 1997 as compared with 1996. Subsidies increased by 0.8 percentage points of GDP, as the cost recovery ratios in communal services dropped and price controls tightened. Expenditure on health and education increased significantly relative to GDP, given the importance attached to those sectors by the government. Expenditure on capital construction and explicit net lending increased by 2.2 percentage points of GDP, reflecting higher budgetary allocations for the financing of social and infrastructure projects.

56. Although state budget expenditure for the first quarter of 1998 was about Rbl 2 trillion below the budgetary allocations (about 2 percent of GDP), it was about 7 percentage points of GDP higher than the comparable figure for the first quarter of 1997. The composition of expenditure in the first quarter of 1998 deviated considerably from projections in the budget. Expenditure on education, health care, housing, communal services, and agriculture was significantly higher than budgeted due to the higher-than-projected inflation, requiring the indexation of wages, and higher allocations for materials and supplies. At the same time, significant cuts in nominal expenditure were made for scientific research, projects in the industrial and energy sectors, transportation, state reserves, and capital construction. Expenditure arrears increased by Rbl 1 trillion during the first quarter of 1998 (1 percent of the first quarter GDP). There were no budgetary wage arrears at end-March 1998.

#### **D. Social Protection Fund**

57. The financial position of the SPF strengthened in 1997 (Table 34 and 35). After having been roughly in balance in 1995-96, the SPF was in surplus in 1997. The major part of this surplus, representing 0.6 percent of GDP, was invested in the banking system in time deposits. In contrast to many CIS countries, all monthly allowances and benefits, including pensions, were paid by the SPF on time in 1997.

58. In 1997, the revenue of the SPF amounted to 10.8 percent of GDP, which was slightly higher than the 1996 ratio. However, the composition of revenue changed. In 1997, payments of payroll taxes by employers and contributions by employees increased by about ½ percentage point of GDP, while other revenue items, including transfers from the state budget, declined by about the same amount (see the description of contributions paid to the SPF in Appendix II). Payroll tax arrears to the SPF, excluding accrued penalties, amounted to Rbl 2 trillion (0.6 percent of GDP) at end-1997; this compares to 1 percent of GDP at end-1996.

59. In 1997, expenditure of the SPF decreased to 10.2 percent of GDP, which was about ½ percentage point of GDP lower than 1996 expenditure. This decrease was attributable to the peculiarities of the indexation of allowances and benefits. Most benefits are either dependent on the MMW or the average wage (see the description of benefits and allowances, and indexation procedures in Appendix III). Taking into account that the MMW was increasing more slowly than the average wage, and the indexation of pensions occurred only when the cumulative increase of the average wage had reached 15 percent, thus the increase in the expenditure of the SPF lagged behind the increase in GDP.

60. In the first quarter of 1998, the financial situation of the SPF remained strong as its surplus amounted to about ½ percent of GDP. The size of the SPF increased significantly as its revenue reached 13.6 percent of GDP and expenditure attained 13.1 percent of GDP. Such a dramatic improvement in revenue was caused by the significant increase in wages in the first quarter of 1998 (about 40 percent in real terms year-on-year), on which payroll taxes were levied. Nevertheless, about Rbl 1.2 trillion in payroll tax arrears accumulated in 1997 were deferred. The increase in expenditure resulted from the revision of allowances and benefits in accordance with the indexation procedures. Since the MMW was raised and the average wage increased dramatically, paid benefits and allowances represented a higher share of GDP in the first quarter of 1998 than in the first quarter of 1997.

61. Despite the strengthening of its financial situation, the SPF faces a formidable problem of long-term financial viability. The unfavorable demographic situation, a low level of pensions and benefits, and overly high social security taxes by international standards, warrant fundamental restructuring of the system of social protection of Belarus (see Appendix III).

### **E. Financing of the General Government Deficit**

62. In 1997, the burden of the financing of the budget deficit on the domestic financial system decreased significantly as the deficit shrank relative to GDP, as compared with 1996. Despite the relatively low level of the deficit in 1997, the republican government nevertheless made recourse to substantial borrowing from the NBB, as well the issuance of treasury securities and foreign financing. Such a substantial borrowing was necessary because the republican budget (being a part of the state budget) could not manage efficiently its cash flow due to the lack of a fully operational treasury system, and also because the deposits accumulated by the local authorities and special funds, including the SPF, could not be used by the republican budget.

63. In 1997, the state budget, including all special funds but the SPF, had a deficit of about 1.2 percent of GDP, as the deficit of the republican budget more than offset the surpluses generated by the local authorities and special funds (again, excluding the SPF). Domestic financing amounted to about 0.8 percent of GDP. To cover its deficit, the republican government borrowed about Rbl 2.5 trillion (0.7 percent of GDP) from the NBB in direct credits and issued about Rbl 4.6 trillion (1.3 percent of GDP) worth of treasury securities.<sup>22</sup> Privatization receipts were about 0.1 percent of GDP. Total domestic borrowing of the republican government and privatization receipts, representing about 2.1 percent of GDP, were partially offset by the accumulation of deposits of the republican government itself and especially by the local authorities and special funds, representing about 1.3 percent of GDP. The low level of net domestic financing of the deficit and high inflation, eroding the value of past domestic debts, led to the decrease of net domestic debt from 1.7 percent of GDP in 1996 to 0.5 percent of GDP in 1997 (Table 36). Foreign financing of the state budget deficit amounted to about Rbl 1.2 trillion (0.4 percent of GDP). Technical credits from the Russian government—about Rbl 1 trillion (0.3 percent of GDP)—represented the major part of foreign financing. As noted earlier, SPF's surplus was invested in time deposits.

64. In the first quarter of 1998, the deficit of the general government was estimated at 0.1 percent of GDP. The drawing down of the Russian technical credit, equivalent to about ½ percent of GDP, was partially offset by a significant accumulation of deposits at all levels of the government and a repayment by the republican government of scheduled principal to the Fund, through the NBB.

### **F. Tax Harmonization with the Russian Federation**

65. The process of tax harmonization with Russia is advancing on two fronts: the harmonization of the existing legislation and the coordination of the preparation of new tax legislation.

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<sup>22</sup>Valued at the primary market purchase price.



66. The harmonization of the existing legislation has been virtually completed. Belarus completed the unification of import tariffs with Russia by December 1997. The principles governing excise taxes were harmonized on January 1, 1998. Moreover, excise tax rates in Belarus in early 1998 were very close to the Russian rates. In an attempt to avoid double taxation on excises, the governments of Belarus and Russia decided to reduce the excise tax liability incurred in one country by the payments of excise taxes already made in the other country, effective January 1, 1998. However, the technical details of the implementation of this measure have not been agreed yet. The main difficulty in the application of this intergovernmental decision is related to the absence of a customs border between the two countries.

67. Concerning the preparation of the draft Tax Code of Belarus, understanding has been reached on the harmonization of the major provisions of the tax codes of Belarus and Russia. According to the Belarussian authorities, the harmonization of the new tax codes between the two countries involves the harmonization of principles of taxation, but not the full unification of all provisions. The completion of the harmonization of the tax codes of the two countries has been delayed because of discussions of the Russian Tax Code in the Duma. This means that chances that the new Tax Code of Belarus would be adopted before end-1998 are very low. Nevertheless, the Ministry of Finance will have to prepare two drafts of the 1999 budget: one consistent with the existing legislation and another consistent with the draft Tax Code of Belarus.

### **G. Institutional Developments**

68. On January 1, 1998 most special funds were incorporated into the State budget, and since then their financial operations have been performed through the treasury system (Table 35). The SPF and special funds managed by branch ministries remain outside the State budget and the treasury system. The establishment of the treasury of the central government and treasuries of local governments will be fully completed this year. In the first quarter of 1998, the Council of Ministers adopted a resolution "On the establishment of the local branches of the central government treasury and treasuries of the local governments." According to this resolution, the local branches of the treasury of the central government will be established by July 1, 1998. Treasuries of the local governments will be established by end-1998.

### **H. Prospects for 1998**

69. After the mid-March currency crisis, the government decided to reduce the 1998 budget deficit from Rbl 16.6 trillion (about 3.5 percent of officially projected GDP) to Rbl 11.2 trillion (about 2.5 percent of GDP). The deficit reduction is expected to be achieved through higher-than-budgeted revenue, projected at Rbl 3 to 4 trillion, and contemplated expenditure cuts, projected at Rbl 1 to 2 trillion. Expenditure is planned to be cut on scientific research, low priority investment, and selected subsidies.

## IV. MONETARY POLICY AND BANKING SECTOR DEVELOPMENT

### A. Overview

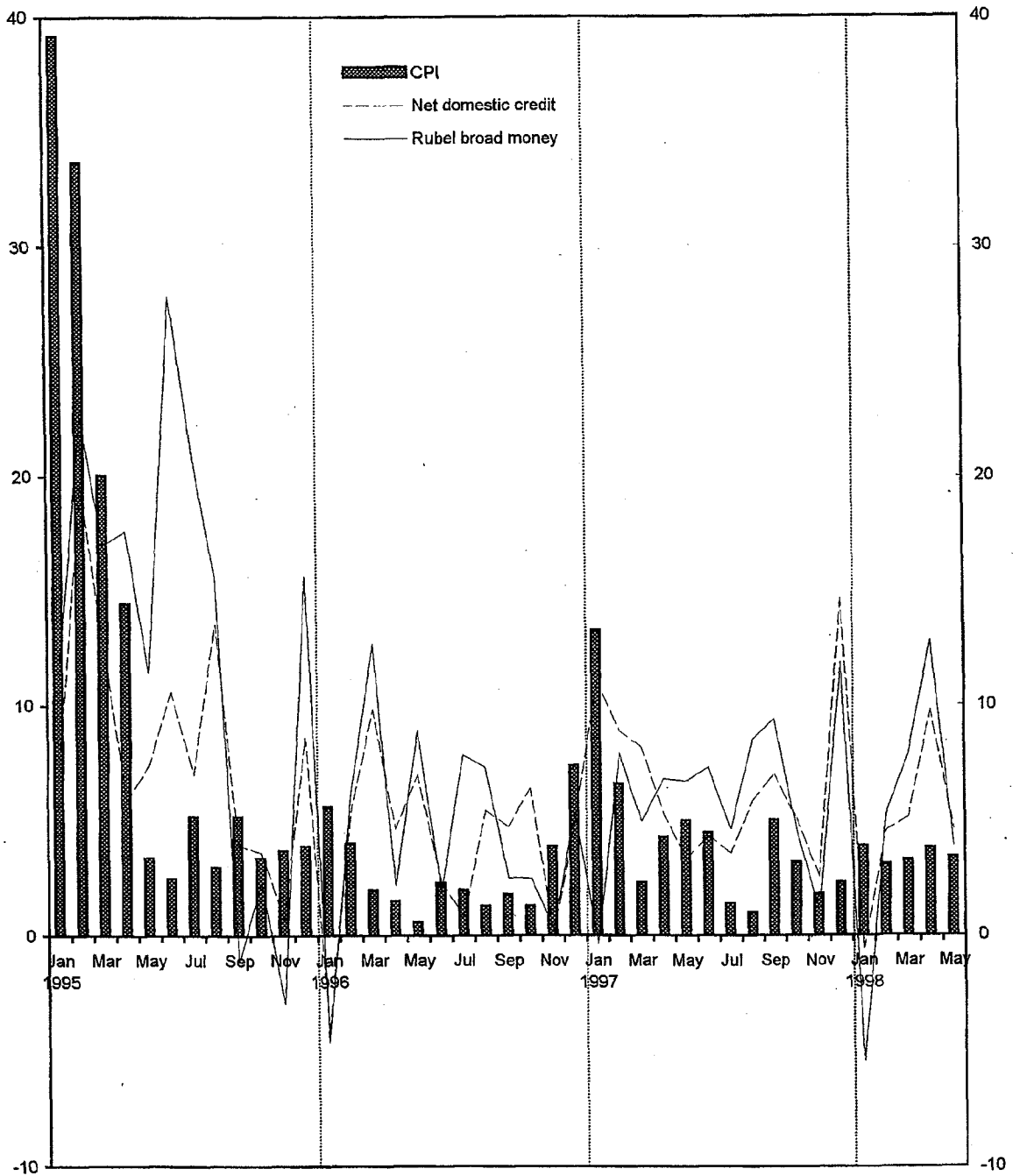
70. Credit policy in 1997 and the first five months of 1998 continued to be highly expansionary. Net domestic credit (NDC) of the NBB grew by 107 percent in 1997, resulting in measured CPI inflation of 63 percent—much higher than the authorities' initial target—despite widespread price controls (Figure 6 and Tables 37–39). In the first five months of 1998, NDC of the NBB continued to grow at a monthly average rate of 6¾ percent. This monetary expansion has been largely a result of numerous presidential decrees and resolutions of the Council of Ministers, which instructed the NBB to extend directed credits to designated sectors, underlining the NBB's lack of independence in formulating and implementing monetary and credit policies. Indeed, in 1997, the increase in outstanding directed credits amounted to more than 80 percent of the total increase in the NBB's claims on banks, and this proportion further increased in early 1998 (Tables 40 and 41).

71. A number of indirect monetary policy instruments, including repo-operations and foreign exchange swaps, have been actively used by the NBB for short-term liquidity management purposes (Tables 42–44), but they were not effective in containing the inflationary pressures generated by the rapid expansion of directed credits. The NBB's refinance rate has been negative in real terms in many of the past eighteen months (Figure 7), and the injection of a large amount of subsidized directed credits also exerted significant downward pressure on average commercial bank interest rates (Tables 45–49). While several prudential indicators for the banking system have improved over the past year and a half, 18 banks—out of 27 banks that were operational as of May 1, 1998—were still not in compliance with the minimum capital requirement, and two major banks—Belarusbank and Agroprombank—continue to experience difficulties in meeting most prudential requirements (Tables 50–54). The weak financial condition of commercial banks, combined with high inflation expectations, continues to result in a lack of confidence in the banking system and a low level of financial intermediation.

### B. Monetary Developments in 1997 and Early 1998

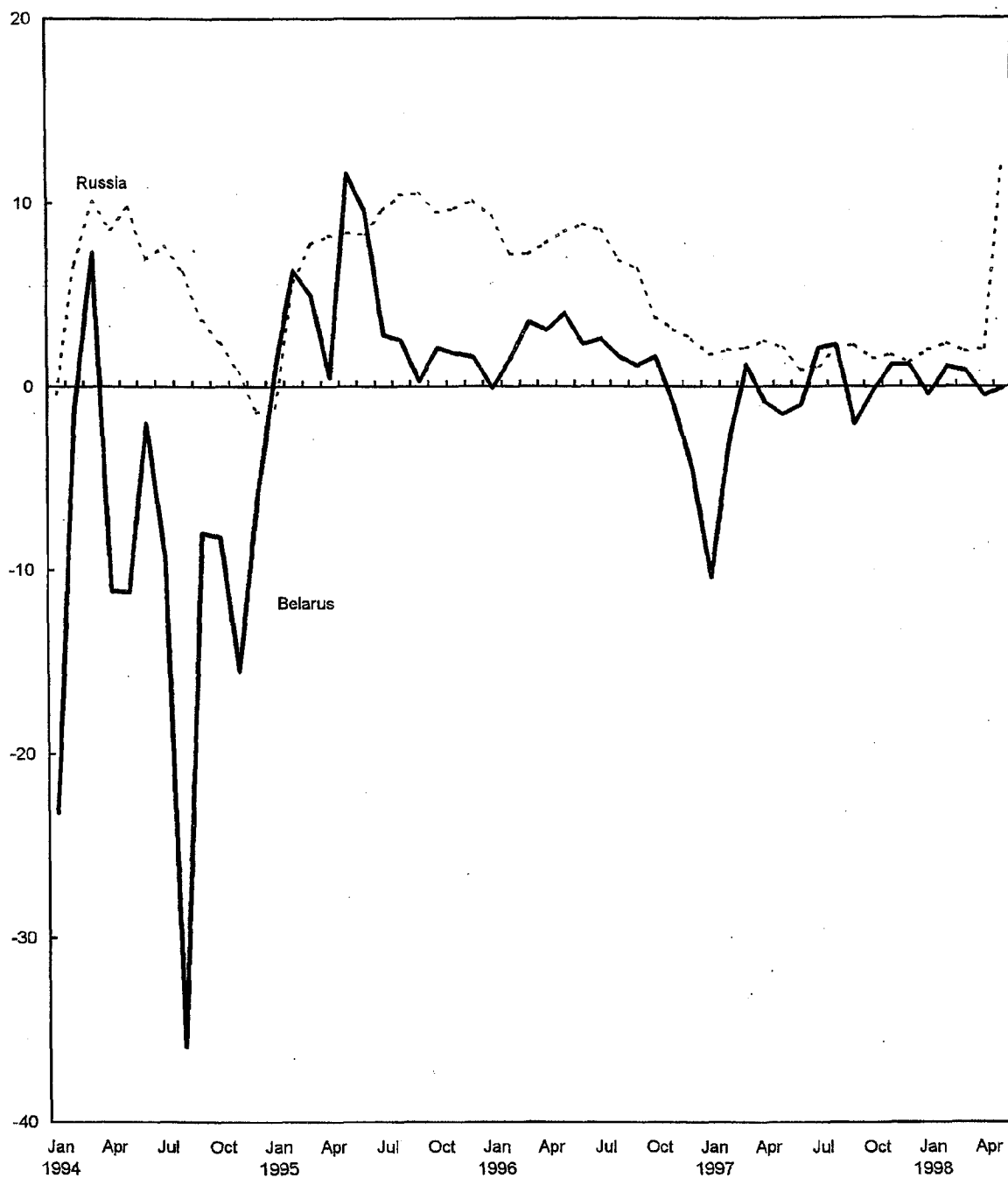
72. The NBB's credit policy in the first quarter of 1997 was relatively restrained (Tables 37 and 38). Excluding revaluation effects, the NBB's credit to government remained basically unchanged, and NBB claims on banks grew by 10 percent (Rbl 0.6 trillion) during this period. The modest growth of the NBB's domestic credit led to a growth of reserve money by around 3 percent in the first quarter, but rubel broad money grew by 13 percent. The CPI increased by 23 percent during the first quarter of 1997, reflecting, in addition to the growth of the broad money, the inflationary pressure accumulated from credit expansion at the end of 1996, as well as the extensive—though temporary—price decontrol in early 1997 and the pass-through effect of a sharp devaluation of the exchange rate (see paragraph 101).

Figure 6. Belarus: Monetary Aggregates, 1995-98  
(Percent change from previous month)



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

Figure 7. Belarus: Inflation-Adjusted Refinance Rate, 1994-98  
(Monthly rate in percent)



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

73. Monetary expansion accelerated in the second and third quarters of 1997, as the average monthly growth rate of rubel broad money rose to 7 percent from 4 percent in the first quarter. The main source of liquidity was the NBB's credit to banks, which grew by about Rbl 6.5 trillion, or 80 percent, during this period. Indeed, almost all of the credit expansion originally envisaged by the authorities for the whole year had been extended by the end of May. In addition, the NBB's net foreign assets (NFA) grew from \$18 million at end-March to \$77 million at end-September,<sup>23</sup> contributing to the growth of reserve money. Despite the NBB's effort to mop up excess liquidity by attracting commercial banks' excess reserves, credit and money growth and the inflation performance deviated significantly from the authorities' target.

74. The growth of rubel broad money slowed in October and November of 1997, but surged to 12 percent in December. The main reason for the year-end jump in liquidity was the sharp increase in net credit to government of Rbl 3 trillion from the NBB and of Rbl 2.5 trillion from commercial banks, as the government had to repay large amounts of budgetary arrears and loans (see paragraph 63). Out of the Rbl 5.5 trillion increase in net credit to government from the banking system, Rbl 2.5 trillion stemmed from the drawdown of government deposits. To partially offset the large liquidity injection into the banking system, the NBB substantially raised interest rates (Table 46) on commercial banks' time deposits with the NBB and thus attracted Rbl 2.5 trillion of excess reserves in December alone.

75. At the beginning of 1998, the NBB and the government agreed on the 1998 Monetary and Credit Guidelines, which were approved by the President.<sup>24</sup> While the approved guidelines contain no quantitative ceiling on the increase of NDC of the NBB, the NBB's supervisory board approved an increase of Rbl 5.5 trillion for 1998, which was the planned net increase in directed credits of the NBB. In the meantime, however, the 1998 budget approved by the Parliament required that the banking system provide deficit financing of Rbl 18 trillion (or 3.5 percent of GDP), of which Rbl 12 trillion was to involve the purchase by banks of government securities, and Rbl 6.1 trillion was to be direct credit from the NBB. This NBB financing was clearly inconsistent with the NDC growth ceiling of the NBB.

76. After a short-period of slowing in credit emission in January 1998, the NBB's NDC once again expanded rapidly, with a monthly average growth rate of 6  $\frac{3}{4}$  percent during the first five months of 1998. By the end of May, the growth in NDC of the NBB exceeded the target for the whole year approved by the NBB (Rbl 5.5 trillion), and almost equaled the annual increase implied by the guidelines together with the budget (i.e., Rbl 5.5 trillion plus

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<sup>23</sup>The main sources of the increase in the NBB's NFA included its purchase of foreign exchange from the surrender requirement, tax proceeds in foreign exchange, as well as some repayments of foreign currency denominated loans previously extended by the NBB.

<sup>24</sup>The guidelines target 7 to 8 percent real growth of GDP and an annual inflation rate of 27 percent (or an average monthly inflation of 2 percent) for 1998.

Rbl 6.1 trillion). Despite the significant increase in remunerated excess reserves, rubel broad money still grew by 33 percent between end-January and end-May 1998. To try to contain inflationary pressures, the government decided in March to intensify price and exchange rate controls.

### **Directed credits**

77. The sharp increase in the NBB's directed credits to banks in 1997 and early 1998 was the result of continued pressures from the government on the NBB for financial assistance to favored sectors. A series of presidential decrees and resolutions of the Council of Ministers were issued from late 1996 through March 1998 instructing the NBB and commercial banks to extend directed credits to the agro-industry sector and for housing construction.<sup>25</sup> Accordingly, in 1997, the NBB's total disbursements of subsidized directed credits amounted to Rbl 13.5 trillions—with repayments of Rbl 4.4 trillion<sup>26</sup>—51 percent went to the agricultural sector and agriculture-related industries, 48 percent to the housing sector, and 1 percent to other sectors. At the end of 1997, outstanding directed credits accounted for 83 percent of the NBB's total claims on banks. The agricultural credits were mainly disbursed in the spring and fall to support the sowing and harvest respectively, while housing credits were extended to qualified individuals and cooperatives.

78. According to the NBB's credit plan for 1998, the NBB was to extend, during the year, Rbl 10 trillion of new directed credits to the agricultural and housing sectors, including Rbl 2.5 trillion for agriculture and Rbl 7.5 trillion for housing, while receiving Rbl 4.5 trillion of repayments from agriculture. The actual disbursements of directed credits, however, significantly exceeded the plan in the first four months of 1998. During this period, total disbursements of directed credits amounted to Rbl 9.1 trillion, including Rbl 1.9 trillion to state and collective farms, Rbl 3.1 trillion to housing, and Rbl 4.1 trillion to agricultural procurement companies and food processing enterprises.

79. Directed credits to agriculture are extended at half of the refinance rate with a maturity of about nine months. In part due to heavy storms in 1997, some farms suffered serious losses and were unable to repay the credits on time. At the end of 1997, about 10 percent of the total agriculture credits were rolled over, and their repayment periods were extended for two years. Directed credits to the housing sector have been extended at 5 percent a year, with a

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<sup>25</sup>The main Presidential Decrees related to directed credits issued during this period include: (1) No. 346, September 2, 1996; (2) No. 358, September 10, 1996; (3) No. 483, November 21, 1996; (4) No. 555, December 17, 1996; (5) No. 148, November 2, 1997; (6) No. 52, February 4, 1998; (7) No. 95, March 3, 1998; (8) No. 96, March 3, 1998; (9) No. 98, March 3, 1998; (10) No. 169, March 31, 1998; and (11) No. 191, March 31, 1998.

<sup>26</sup>In 1996, the NBB's total disbursements of subsidized directed credits were Rbl 5.3 trillion, and repayments were Rbl 1.1 trillion.

repayment period of 40 years. In an economy of high inflation, the very low interest rate and extended repayment period represents a significant subsidy to a small segment of the population. Despite very strict criteria that the government designed to select recipients,<sup>27</sup> the demand for such credits has significantly exceeded the supply and a qualified applicant had been waiting for one or two years before receiving the credit.

80. In addition to the NBB's directed credits, two commercial banks were also instructed by the government in 1997 to provide subsidized credits using their own resources. Belarusbank was instructed to extend Rbl 3 trillion at half of the refinance rate to Agroprombank for on-lending to the agriculture sector. The Agroprombank was also instructed to extend a smaller amount of directed credit to agriculture using its own resources. In order to cover the banks' losses arising from these operations, the NBB made direct compensation payments to them.<sup>28</sup>

### **Indirect monetary policy instruments**

81. Although directed credits have constituted the bulk of the NBB's credit expansion, the NBB has operated, for liquidity management purposes, with a number of indirect monetary instruments, including repo-operations, foreign exchange swaps, auctions of NBB securities and issuance of promissory notes, commercial bank time deposits with the NBB, credit auctions, and adjustments of the refinance rate and reserve requirements.

82. *Repo-operations.* In 1997 and early 1998, the NBB actively used repo-operations with sales or purchases of government securities. The main purpose of using repos and foreign exchange swaps (see below) is to address short-term liquidity problems in the banking system arising from seasonality. If the NBB needs to withdraw liquidity from the banking system, it sells government securities under repo-contracts to commercial banks. If the NBB needs to inject liquidity to the banking system, it purchases government securities under reversed repo-contracts. During 1997 and the first four months of 1998, the NBB conducted 706 repo-transactions, with an average monthly volume of transactions of Rbl 1.2 trillion and an average maturity of 20 days.

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<sup>27</sup>Subsidized credits for housing construction are distributed according to a set of complicated rules. Qualified borrowers must meet the following criteria: (i) be in one of the following groups: young family (borrowers below the age of 31 as of September 1996), retired military personnel, war veterans, families of war victims, and rural residents; (ii) either have no accommodation, or live in conditions below minimum standards (in terms of square meters and sanitation conditions); and (iii) per capita family income lower than twice the minimum consumption budget as determined by the Ministry of Labor and the Ministry of Finance (in May 1998, the minimum consumption budget was Rbl 2.86 million per person).

<sup>28</sup>The NBB paid Rbl 350 billion to Belarusbank and Rbl 98 billion to Agroprombank for the above-mentioned operations.

83. *Foreign exchange swaps.* Foreign exchange swaps have been used by the NBB as another short-term liquidity management tool. Not all commercial banks hold treasury securities that are required for conducting repo-transactions. For those commercial banks that hold foreign exchange, the NBB can purchase foreign exchange from them under swap agreements, in which the NBB promises to resell the foreign exchange at pre-determined rates and on agreed future dates. The NBB did not conduct reversed swaps (sell foreign exchange and then purchase them back), however, for lack of foreign exchange reserves. From January 1997 to April 1998, the average volume of monthly transactions was about Rbl 540 billion. The maturity of swap contracts ranged from one to 134 days, with an average of 42 days.

84. *Auctions of NBB securities and issuance of promissory notes.* In 1997, there were seven auctions of short-term NBB securities with a total volume of Rbl 1 trillion and maturities ranging from 10 days to 104 days (Table 43). In September 1997, the NBB stopped issuing short-term securities and began to issue NBB promissory notes with a longer average maturity (except for some issues in late 1997). For example, all promissory notes issued in March and April of 1998 carried a maturity of close to one year. As of May 1, 1998, the outstanding amount of promissory notes reached Rbl 1.5 trillion. These notes are considered by commercial banks as more liquid assets than short-term NBB securities and are traded in the secondary market.

85. *Commercial bank time deposits.* In April 1997, the NBB began to pay interest on time deposits of commercial banks to offset the inflationary impact of the large credit expansion caused by directed credits (Table 46). These interest rates have been adjusted frequently. In April, 1998, the annualized interest rate was 28 percent for deposits of 2-7 days, 32 percent for deposits of 8-14 days, 36 percent for deposits of 15-30 days, 40 percent for deposits of 30-180 days, and 44 percent for deposits of longer than 180 days. While attracting commercial bank time deposits using competitive interest rates did mop up some excess liquidity from the banking system, it entailed a high cost to the NBB, since most rates offered for time deposits were higher than the rates at which the NBB's directed credits were extended. Moreover, these operations exposed the NBB to the risk that a sudden drawdown of excess reserves at the discretion of commercial banks could lead to a rapid expansion of broad money.

86. *Lombard facility and reserve credit.* The NBB introduced the Lombard facility and the reserve credit facility in the fall of 1997, but they were seldom used as the banking system was in general not short of liquidity. Under the Lombard facility, commercial banks can borrow funds with maturities of up to 30 days by placing collateral (currently treasury securities) with the NBB. As of May 11, 1998, the annualized interest rate for Lombard credit of up to 14 days was 45 percent, and the rate for credit of 15 to 30 days was 50 percent. Reserve credit is an emergency facility used by commercial banks when they lack funds for meeting reserve requirements. The maturity of such credits is two to seven days, and the interest rate is 1.5 times the refinance rate. While no collateral is required, the NBB has to



consider the creditworthiness of the banks that request to borrow under this facility in authorizing the credit.

87. *Credit auctions.* In 1995, credit extended by the NBB to banks through auctions amounted to 80 percent of total NBB credit to banks. Beginning in 1996, however, directed credits became the main channel through which the NBB injected liquidity to the banking system. In 1997, there were only two auctions with a total volume of Rbl 258 billion, in October and November, and no auctions have been held since then (Table 42).

88. *Reserve requirements.* In May 1997, the NBB raised the reserve requirements for demand deposits from 15 percent to 17 percent and, in September, to 21 percent. The reserve requirements for other types of deposits were also raised accordingly (Table 44). As a result, the average required reserve ratio rose from 13.5 percent at end-April 1997 to 17.5 percent at end-January 1998. These adjustments reflected the NBB's attempt to partially offset the impact of the overly expansionary credit policy dictated by the government. As of May 1998, the reserve requirement was 21 percent for time deposits with maturities of less than one month, 17 percent for deposits with maturities from one to three months, 5 percent for deposits with maturities from three months to one year, and zero percent for deposits with maturities longer than one year. These requirements are applied uniformly to both domestic and foreign currency deposits and the required reserves for foreign currency deposits can be kept in either rubels or foreign currencies.

### **Interest rates**

89. In January 1997, as monthly CPI inflation surged to 13 percent, the 35 percent annual refinance rate became highly negative in real terms. In March 1997, the NBB increased its refinance rate from 35 percent to 42 percent. This rate was effective until September, when it was reduced to 38 percent—after a period of lower inflation in the summer—and to 36 percent in October. In February 1998, following an increase in the refinance rate of the Central Bank of Russia, the NBB also raised its refinance rate to 50 percent. Since the change of NBB management in late March 1998, however, the refinance rate has been reduced twice—from 50 percent to 44 percent on April 1 and to 40 percent on May 7—despite the mounting underlying inflationary pressures and the weakening confidence in the rubel. Between January 1997 and April 1998, the refinance rate was negative in real terms in eight out of 16 months (Figure 7).<sup>29</sup> Compared with the refinance rate, the annual yields of NBB securities and promissory notes were more responsive to changing market conditions and inflation expectations, and fluctuated between 32 to 50 percent from January 1997 to April 1998 (except for one issue of a very short maturity). Similarly, government securities carried an auction yield in the range of 33 to 55 percent per year during the same period (Table 43).

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<sup>29</sup>The real interest rate is calculated using a three-month moving average of CPI inflation rates around the current month.

90. Commercial bank lending rates on directed credits have been subject to limits on interest margins set by the NBB. For directed credits to the agricultural sector, the margin has been limited to one percent over the NBB's lending rate (half of the refinance rate); and for directed credits to the housing sector, the margin has been one to three percent over the NBB's lending rate (two percent per annum). Although banks' lending rates on non-directed credits are not subject to explicit controls of the NBB, bank executives tend to express concern about the "inflationary impact" of raising interest rates. In April 1997, the NBB imposed a set of minimum deposit rates on commercial banks in an attempt to attract deposits into the banking system. These minimum rates were abolished in May 1998, as several major commercial banks had excess liquidity as a result of receiving large sums of directed credits from the NBB, and had little interest in attracting deposits.

91. The annual average interest rates offered by commercial banks for new deposits fluctuated between 25 to 35 percent from January to July 1997 (Table 47). During the same period, banks' average lending rates for new loans ranged from 26 to 41 percent. In August 1997, when monthly CPI inflation fell to one percent from the average of 6 percent during the first half of the year, banks reduced their average deposit and lending rates to 23 percent and 24 percent, respectively. These rates were quickly raised again, however, as inflation started to accelerate in subsequent months. In April 1998, the average deposit and lending rates were 33 percent and 40 percent, respectively.

92. For most of 1997 and early 1998, banks' average lending and deposit rates were negative in real terms. One reason for the low average lending rates was that around 40 percent of total commercial bank lending to the economy was directed credits extended at only a fraction of the refinance rate. The average lending rates of Promstroibank, which was less burdened by the directed credit program than Belarusbank and Agroprombank in 1997 and early 1998, were about 10 to 15 percentage points higher than the average lending rate of all commercial banks (Table 48). The low average deposit rates of commercial banks could be explained by at least two factors. First, Belarusbank, which takes about 65 percent of the country's total household deposits and whose rates are used as benchmarks by other banks, has received large amounts of directed credits from the NBB. Given abundant NBB refinancing sources, Belarusbank had no incentive to raise deposit rates. Second, as households do not have the access to the securities market and the conversion of rubels into foreign currencies is highly restricted, bank deposits are the only official instrument for household savings. In other words, households that wish to avoid saving in cash have little option but to save in the form of bank deposits, and therefore may not be highly sensitive to deposit rates.

### **The banking system**

93. Belarus has a two-tier banking system, consisting of the central bank (NBB) and 38 commercial banks. The NBB has very limited independence in formulating and implementing monetary and foreign exchange policies. Although the Central Bank Law passed in 1994 stated that the central bank would operate independently, the President effectively has the

power to remove the Chairperson of the NBB, and to suspend and revoke any decisions of the NBB. Over the past years, numerous presidential decrees and government resolutions have been issued to instruct the NBB to extend directed credits to designated sectors, or to prolong the repayment periods of directed credits. A revised draft of a new banking code that covers both central banking and commercial banking is now under consideration, but in its present form it does not envisage significant changes in the NBB's independence.<sup>30</sup>

94. As of May 1, 1998, 27 out of the 38 commercial banks were operational; licences of two banks had been suspended due to violation of NBB regulations; and nine banks were in the process of liquidation. The banking system is dominated by six commercial banks, four of which were formerly state-owned specialized banks (Agroprombank, Promstroibank, Vneshekonombank, and Belarusbank), and two established as universal banks (Priorbank and Belbusinessbank—Tables 50–52). Currently, the state (including the government and state-owned enterprises) owns 71 percent of the total shares in Agroprombank, 38 percent in Promstroibank, 82 percent in Vneshekonombank, and 99 percent in Belarusbank. As of April 1, 1998, the four former specialized banks accounted for 84 percent of the banking system's outstanding loans, 71 percent of total domestic currency deposits, and 100 percent of the NBB's refinancing credit. While these banks are no-longer restricted in their lending areas, in practice they continue to concentrate their businesses in their traditional specialized fields. The Agroprombank lends mainly to the agricultural sector, Promstroibank lends mainly to industrial enterprises, Vneshekonombank extends foreign exchange loans to trading companies, and Belarusbank takes 65 percent of total deposits from households and extends most loans for housing construction. Among the other 21 smaller banks that are operational, 12 banks are owned by domestic enterprises and individuals; one bank is a branch of a Russian bank; and eight are joint venture banks with foreign equity participation.

95. Along with the NBB, several major commercial banks are also subject to strong and direct influence from the government. For example, the President has issued decrees instructing Belarusbank and Agroprombank to provide low interest credits to agriculture using the banks' own resources and to extend the repayment periods for overdue directed credits. In addition, senior government officials effectively control the decision-making of these banks; 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 Agroprombank. Senior executives of these banks have indicated that profit-making should not necessarily be the major objective of their business operations.

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<sup>30</sup>The draft banking code stipulates that the President has substantial influence on the structure of the NBB, and the President continues to have the power to rescind or suspend any decisions of the NBB.

96. According to the Law on Banks and Banking Activities as amended in 1994, and the NBB's prudential regulations,<sup>31</sup> all commercial banks are required to meet the minimum capital requirement, the capital adequacy ratio, the liquidity ratio, the limit on maximum lending to a single borrower, and the limit on off-balance sheet guarantees. The current minimum capital requirement is ECU 2 million for domestic banks and ECU 5 million for branches of foreign banks or joint venture banks with more than 20 percent foreign equity; the required capital adequacy ratio (ratio of capital to risk-weighted assets) is 10 percent; the minimum ratio of liquid assets to liquid liabilities is 100 percent; the maximum lending to single borrower is 20 percent of a bank's capital; and the maximum value of off-balance sheet guarantee is 100 percent of a bank's capital.

97. The actual performance of commercial banks, as measured by the prudential ratios and other financial indicators, has been mixed. As of May 1, 1998, 18 banks—out of 27 banks that were operational—still failed to meet the requirement, and four local banks were operating with capital funds of less than ECU 1 million. The capital adequacy ratio for the banking system as a whole fell from 15.9 percent on January 1, 1997 to 14.2 percent on May 1, 1998 (Table 51). The main reason for this decline is the poor performance of the two major banks—Belarusbank and Agroprombank—which have been heavily burdened by the directed credit program and have not met the capital adequacy ratio since 1996.<sup>32</sup> These two banks also failed to meet the required liquidity ratio and the maximum exposure to single borrower limit as of January 1, 1998, while most other banks were in compliance with these limits. Overdue loans as a percentage of total loans in the banking system declined from 10 percent on January 1, 1997 to 7.8 percent on May 1, 1998, as result of commercial banks' efforts to improve risk assessment and lending procedures and to strengthen loan collection. But while required provisions against bad loans declined from 8.0 percent of total loans on January 1, 1997 to 6.9 percent on January 1, 1998, the ratio of actual-to-required provisions also declined during this same period from 75 percent to 59 percent.

98. The liquidation of nine small banks was initiated in 1997, as these banks experienced serious solvency problems and had difficulties in meeting their obligations to clients. A large proportion of these banks' assets have been sold during the liquidation—the remaining assets of these banks accounted for only 0.5 percent of the banking system's total assets as of May 1998—but none of these cases have been formally closed. Of the nine banks, five banks have undergone forced liquidation initiated either by the NBB or by the Economic Court. Four other banks have been under self-liquidation as agreed by the banks' shareholders and

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<sup>31</sup>The most recent prudential regulations (No. 28012/361) were issued by the NBB on August 27, 1997, and two amendments on individual articles were issued on June 16, 1997 and December 4, 1997.

<sup>32</sup>In early 1998, the NBB and the government injected new capital into these banks to improve their capital adequacy ratios, but they were still below the requirements as of May 1, 1998.

approved by the NBB. In addition to the proceeds from auctions of the banks' assets, the NBB's Deposit Insurance Fund paid individual depositors of two banks under liquidation.<sup>33</sup>

## V. EXTERNAL SECTOR

99. Belarus's external position deteriorated again in 1997, for the second year. The trade and current account deficits widened, the stock of external arrears remained high, and international official reserves remained low. Pressures grew in the foreign exchange market, as the initial real devaluation of the rubel in the first quarter was halted in subsequent periods and the foreign exchange market remained subject to severe restrictions. These trends were exacerbated in the first five months of 1998, as the trade and current account deficits continued to deteriorate, new sizable external payments arrears were accumulated, official reserves dwindled to an extremely low level, and a currency crisis hit the rubel in mid-March. The authorities reacted to these adverse developments by further tightening the exchange system, thereby continuing to foster the emergence of a rigid and inefficient trading system.

### A. Exchange and Payments System

100. The foreign exchange market has become more complex in Belarus since the middle of 1997 as a result of the increasing overvaluation of the official exchange rate. During 1995-96, there was effectively only one exchange rate, the official rate. However, toward the end of 1996, a parallel off-shore exchange rate started to be quoted in Moscow and the spread with the official rate widened gradually until the mid-March 1998 currency crisis. Belarus now has several administered exchange rates and a host of exchange regulations and restrictions.

101. At the beginning of 1997, in recognition of the very significant real appreciation of the rubel that had occurred since 1994, and with a view to lessening pressures on the exchange market and the current account, the authorities permitted the rubel to depreciate rapidly from Rbl 15,500 per U.S. dollar to Rbl 22,800 per U.S. dollar by end-February (Table 55). However, as inflation picked up during the same period—a phenomenon that the authorities blamed on the faster depreciation rather than the lax credit policy—the authorities considerably slowed down the daily nominal official depreciation of the rubel and, by year-end, the official rate was Rbl 30,740 per U.S. dollar. Reporting of the parallel trading of the rubel among commercial banks on the Moscow Interbank Currency Exchange (MICEX) started at end-November 1996 with a 49 percent spread compared to the official rate. By the end of 1997, however, the spread narrowed to 35 percent.

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<sup>33</sup>All commercial banks are required to contribute to the NBB's Deposit Insurance Fund 0.1 percent of their total household deposits. Household deposits are guaranteed up to the equivalent in rubels of \$2,000 per account holder.

102. At the beginning of 1998, the rubel came under increased pressure in the Moscow parallel market, in part reflecting the very rapid expansion of credit in Belarus at the end of 1997. The NBB intervened in an attempt to offset these pressures and, by end-February 1998, it had lost \$90 million, or around 20 percent of its end-1997 reserves, but to no avail. NBB credit to banks began to surge again in March and with the rundown in reserves, in the space of a week the Moscow parallel rate surged from Rbl 54,000 per U.S. dollar to Rbl 69,000 per U.S. dollar, compared to an official exchange rate at that time of about Rbl 33,200 per U.S. dollar and representing a spread of around 100 percent. After urgent consultations between the Belarussian authorities and the Central Bank of Russia (CBR), the latter suspended quoting the rubel on the MICEX. In the aftermath of this currency crisis, the chairman of the NBB and most of its top management were fired and a rollback of all prices to their March 1 levels was ordered. In addition, the government issued a long list of emergency measures, many of which entailed increased controls. A temporary ban was put on the use of Belarussian rubels in nonresident accounts and restrictions placed on foreign currency transactions, including the de facto restriction of the exchange rate in the cash market. The authorities also decided to reduce the budget deficit during the rest of the year in order to buttress the exchange rate, curb inflation, and limit crowding out. Nevertheless, the authorities blamed the crisis mainly on a foreign conspiracy and speculation by foreign banks.

103. As a result of numerous administrative regulations, both before and after the mid-March crisis, the foreign exchange market consisted of the following segments as of June 1998:

- the *official rate* is determined by the NBB for the “morning” trading session of the Minsk Interbank Currency Exchange,<sup>34</sup> where enterprises are required to surrender 30 percent of their export proceeds to the NBB at the official rate (see paragraph 106). The official rate is determined daily by the NBB on the basis of inflation (using the weekly inflation estimates of the Ministry of Statistics and Analysis, adjusted for the end-of-month official figure) plus “social guidelines.” All transactions between the NBB and the government use the official exchange rate, which on June 25, 1998, was Rbl 37,120 per U.S. dollar. Commercial banks are permitted to trade foreign currency among themselves at the official rate plus or minus 2 percent.
- the *cash rate* at exchange bureaus, is “orally” (i.e., through the telephone) regulated by the NBB. Exchange bureaus must surrender 30 percent of their daily foreign exchange purchases to the NBB at the mid-rate of their regulated buying and selling rates. Individuals can theoretically purchase foreign exchange from the bureaus (the limit is \$200 per day, per person, and per bureau)—however, in practice, such purchases are frequently not possible. On

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<sup>34</sup>This market was effectively nationalized and placed under the direct control of the NBB in April 1996.

June 25, the mid-rate in this market was Rbl 52,500 per U.S. dollar, or 41 percent more depreciated than the official rate<sup>35</sup>; and

- in late January 1998, the NBB introduced an “*afternoon*” trading session, at which it offered to buy foreign exchange in excess of the surrender requirement (but not to sell) at an exchange rate which it adjusted daily, just below the then market-determined MICEX rate. Since the currency crisis, this rate has been determined by the NBB for foreign exchange sold to the NBB and not subject to the surrender requirement. The rate was kept unchanged at the same level (i.e., Rbl 47,000 per U.S. dollar) for several weeks, but the NBB has begun to let it depreciate slowly; on June 25, this rate was Rbl 49,550 per U.S. dollar, or 33 percent higher than the official rate.

104. At the same time, there are two parallel exchange rates, the domestic “black market” rate, (Rbl 53,000 per U.S. dollar on June 25, or 43 percent above the official rate) and the offshore parallel rate (Rbl 70,000 per U.S. dollar on the same date,<sup>36</sup> or 86 percent above the official rate).

105. The competitiveness of Belarussian tradeables should be assessed on the basis of both the official and parallel exchange rates. The official exchange rate depreciated in real effective terms in 1997 by 19 percent on average, as compared with 1996, but its steep depreciation in the first quarter of 1997 has been partially offset by a steady appreciation subsequently (Figure 8). The offshore parallel exchange rate—arguably a better competitiveness indicator, as it is estimated that some 70 percent of foreign trade with the CIS is de facto carried out at that rate—has depreciated in real effective terms by 20 percent since the beginning of quotation at end-November 1996. Thus, by both methods of measurement, Belarussian enterprises did modestly improve their external competitiveness in 1997, notwithstanding the high inflation.

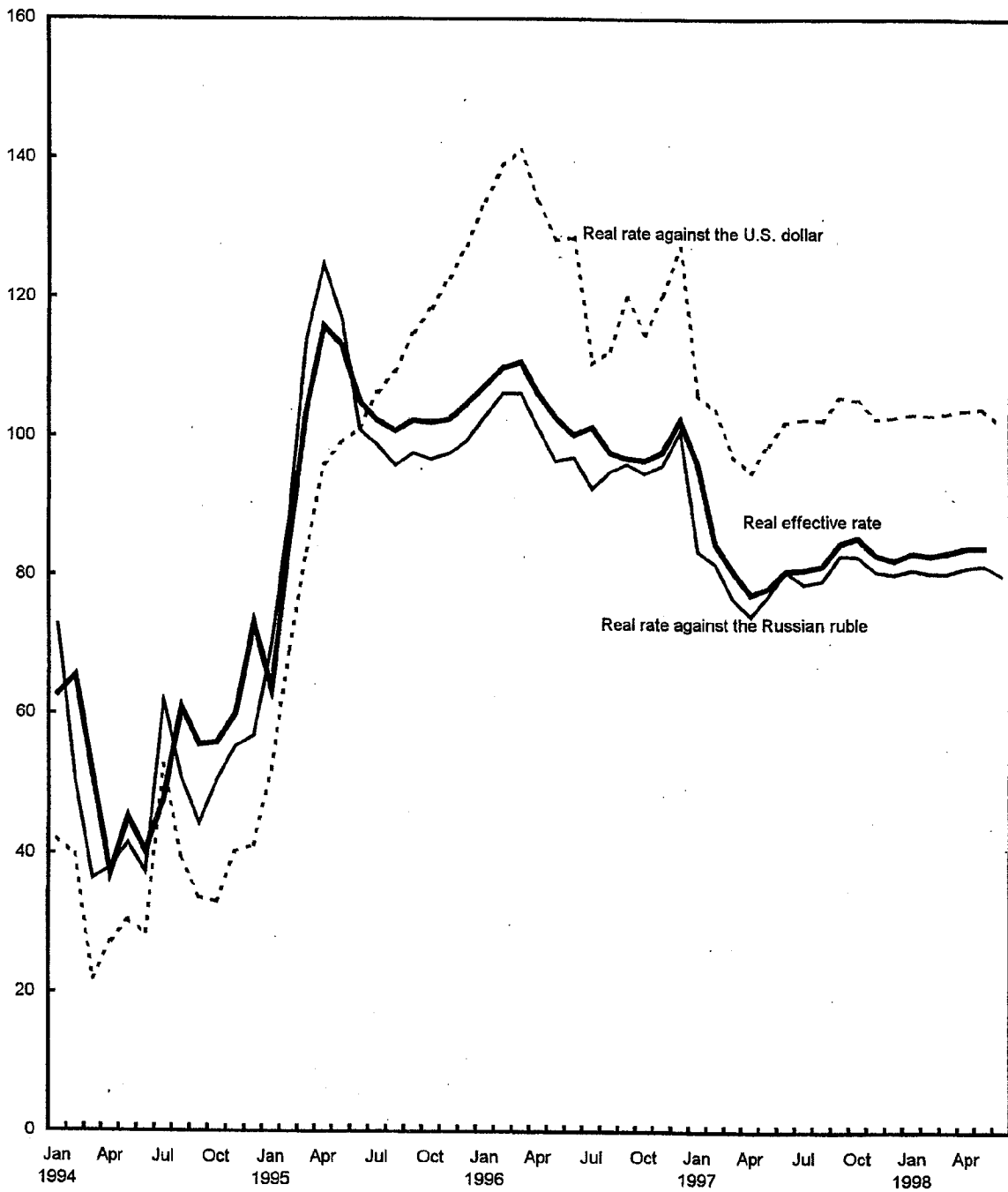
106. Because of a chronic lack of normal foreign currency inflows, the authorities reintroduced a 100 percent surrender requirement on foreign export proceeds in early 1996. Since then, they have gradually reduced the surrender level, the last time on June 4, 1997, when it was lowered from 50 percent to 30 percent. Although, because of numerous exemptions, the effective surrender requirement is estimated at only 15 percent, this requirement still constitutes a major trade distortion. The NBB sells part or all of the foreign exchange collected in the “morning” session for priority imports at the official rate. Because of the large difference between the official and parallel rates, the surrender requirement

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<sup>35</sup>For a short period of time, in December 1997, the NBB permitted the cash rate to approximate the Moscow rate.

<sup>36</sup>Although the rubel’s official quotation was suspended on March 24, 1998, some Russian banks report a “recommended” exchange rate, whose effective use remains unclear.

Figure 8. Belarus: Real Exchange Rates, 1994-98 1/  
(Index 1995=100)



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

1/ Based on the official exchange rate.



amounts to taxing cash-earning exports and to subsidizing selected "priority" imports; hence, enterprises have an incentive to trade in rubels or in the form of barter, and not to repatriate their foreign exchange proceeds whenever possible. At the beginning of 1998, the authorities decided informally that 90 percent of the foreign exchange acquired through the surrender requirement would be made available to energy-importing enterprises to pay the energy bill; the remainder, typically Deutsche marks, is generally used for other priority imports, such as medicines. The foreign exchange surrendered by the exchange bureaus is used for various purposes under the guidance of the Committee of State Control, the Cabinet of Ministers, and the Board of the NBB.

107. De facto, virtually no interbank transactions are carried out among banks at the official rate and the volumes of transactions in the cash and afternoon markets have shrunk considerably since the crisis, as a result of the regulated rates. For instance, during the period 1995-96, commercial banks used to sell some \$150 to \$200 million worth of foreign currency per month to the NBB; currently they sell about \$6 to \$8 million a month, but this figure was as low as \$3 million in the wake of the currency crisis. Before the crisis, the exchange bureaus used to have a daily turnover of some \$4 million a day; now they have a turnover of about \$0.5 million a day. It was estimated that the equivalent of about \$5 million a day was exchanged for rubels on the MICEX; since the suspension of the rubel's quotation and the accompanying administrative restrictions, there is no information on the volume of such exchanges.

108. On March 7, 1997, the NBB and the CBR signed an agreement on monetary and exchange rate policy. In this context, the two parties agreed to carry out a coordinated policy in the foreign exchange market beginning on April 1, 1997, within a context of the free convertibility of current transactions, and a free and unified exchange rate to be brought about by year-end. In April 1997, a three-month currency swap amounting to Rub 100 billion (old rubles) was arranged between the two central banks, and promptly reversed at maturity. Most of the agreement's important concrete steps did not materialize, but in the aftermath of the mid-March crisis the two central banks did form a joint working group to develop an approach for the stabilization of the rubel.

109. The NBB has official payments agreements with the central banks of all other BRO countries. Importers can use these payments channels to effect payments for imports. There are no delays in using these channels; even at the height of the currency crisis, the delay did not exceed one day. However, most importers use commercial banks to settle trade transactions because they need to provide the NBB with foreign exchange if they are to use the official payments facilities. De facto, therefore, only importers dealing with items on the priority list use the NBB for international transactions (using the official rate).

110. In the second half of 1992, in the aftermath of the Soviet Union's collapse, a new system of payments was required among the emerging successor countries. Bilateral correspondent accounts were set up between all BRO countries using Soviet rubles. However, no agreements were signed and no clear operating rules were defined. The agreed procedure

later to reconcile bilateral correspondent accounts proved to be very slow. An exhaustive reconciliation of Belarus's correspondent accounts took place only with the Baltic countries. With the other CIS countries, the agreed balance was the simple average of the corresponding figures, as computed by the concerned two countries (in Soviet rubles). The reconciliation processes stopped in 1996 and the correspondent account balances have since been frozen. The NBB considers the bilateral balances as government credits or liabilities and therefore these accounts are not shown in its balance sheet. Final settlements of accounts took place only with Armenia, Moldova, Latvia, and Russia. On average, Belarus considers itself a large CIS creditor, with Ukraine being recorded as Belarus's biggest debtor. The two countries agree on the Ukrainian debt in Soviet rubles, but not on the corresponding U.S. dollar amount. Conversely, Belarus is a net debtor to Lithuania—the only such case according to the Belarussian authorities.

## B. Trade System

111. Since 1995, Belarus's trading regime has been shaped by the four-country customs union to which it belongs.<sup>37</sup> Within the union, Belarus has continued to develop especially close bilateral cooperation with Russia, with which it now conducts around 60 percent of its foreign trade. The customs union calls for complete harmonization of external tariffs on imports, establishment of uniform regulations on trade with third parties, and the elimination of all export taxes. Progress in these areas has been achieved since early 1997; all internal tariffs have been abolished in trade among member countries, so that a free-trade area has been established. Belarus and Russia have virtually completely harmonized their tariff rates with respect to third country trade. With Kazakhstan and the Kyrgyz Republic, some 50 percent of the external duty rates have been harmonized. Members are also working on a draft agreement for the creation of a single economic space. Procedures have been implemented since the beginning of 1998 for acquiring citizenship, ensuring free movement of individuals, and facilitating money transfers.

112. The general trade regime includes the following main features: (i) the average tariff rate is 14 percent; (ii) the maximum tariff rate is 30 percent (except for a 100 percent rate on ethyl alcohol); (iii) the minimum tariff rate is 1 percent, besides a zero percent rate; and (iv) the non-zero tariff rates concern about 10,000 product items. Some types of nontariff restrictions continue to apply. The government resolution imposing selected quantitative export restrictions states the need to reduce the balance of payments deficit and to prevent the export of raw materials in short supply. Besides export controls on weapons, nonmedicinal

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<sup>37</sup>The customs union agreement with Russia was signed on January 6, 1995. Kazakhstan joined on January 20, 1995, and the Kyrgyz Republic, on March 29, 1996. Tajikistan has applied to join and the Interstate Council, formed of the three member countries, passed a resolution on April 29, 1998, inviting Tajikistan to fulfill all of its obligations by year-end to secure rapid membership. The four countries also decided to adopt a uniform stance in membership talks with the World Trade Organization (WTO).

drugs, radioactive or toxic wastes, and various other sensitive goods, Belarus maintains export quotas on some kind of fertilizers, whose prices are regulated in the country with a view to protecting farmers, as well as herbicides, wastes and scrap of ferrous metals, aluminum, copper, and nickel. There is also a 1993 agreement with the European Union on textile export quotas from Belarus. Since April 1, 1997, in order to protect the domestic market and the interests of national producers, imports of alcohol and alcoholic beverages are subject to prior licensing in order to apply an import quota; reexports of the allowed alcoholic imports are not subject to restriction. A temporary export ban was imposed in May 1998 on unprocessed timber to stem exports to Russia, where timber prices are higher. The authorities also reported that they had eliminated, however, the licensing requirement on organic fertilizer exports. Exports of grain remain monitored, though reportedly not limited, while exports of precious metals and stones are subject to licensing but not restrictions.

113. Negotiations for Belarus to join the World Trade Organization are proceeding. The first round of discussions took place on June 5–6, 1997, and the second round, on April 28, 1998. The Belarussian party was able to establish the fact that it was in a position to fully carry out its foreign trade regime, notwithstanding its belonging to a customs union. The discussion of the union's mechanisms and future prospects were at the center of the discussions. Similarly, the lack of customs border between Belarus and Russia was also of a particular interest to the WTO secretariat. It was decided that the third round of discussions would take place before the end of the year.

### **C. Balance of Payments Developments<sup>38</sup>**

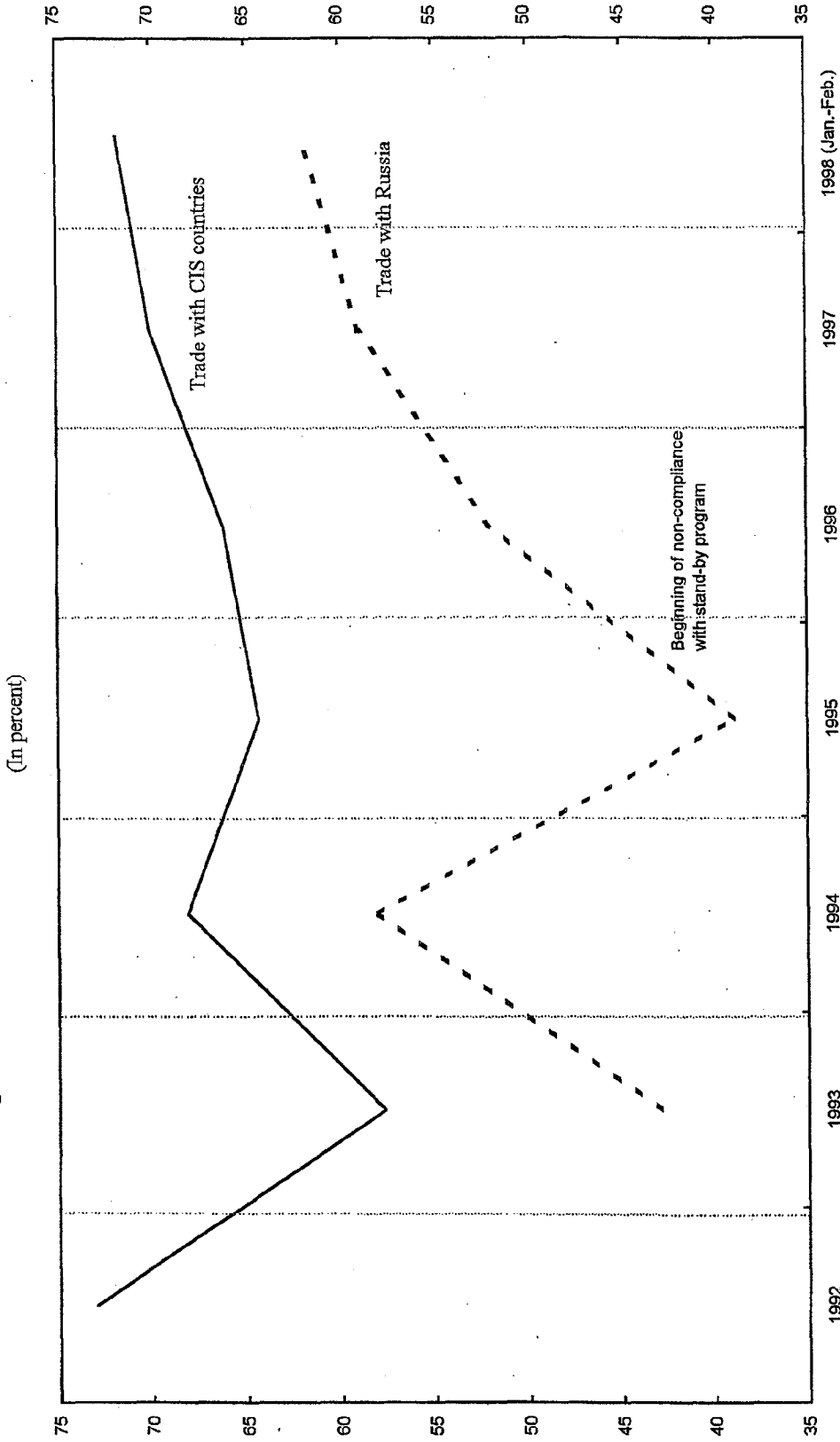
#### **Trade developments**

114. After a strong decline in the years immediately following independence, as trade relations among BRO countries broke down, the share of Belarus's trade accounted for by CIS countries has increased and, by early 1998, it had virtually reached its 1992 level (Figure 9 and Table 56). However, while the share of trade with Russia has almost continuously increased, trade with other CIS countries, except Ukraine, has become negligible. Exports to CIS countries represented 74 percent of Belarus's total exports in 1998, while imports represented 67 percent; indeed, in the first two months of 1998, exports to Russia represented 70 percent of total exports, while imports from Russia represented 57 percent of total imports.

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<sup>38</sup>The authorities have worked hard to improve the balance of payments data since the beginning of 1997. However, the data, especially those on barter trade, remain subject to important caveats and are revised frequently. Trade data are computed by the Ministry of Statistics and Analysis, and then forwarded to the NBB, which compiles the balance of payments. In this process, the data are adjusted; hence trade data in Tables 53–60 cannot be directly compared to figures presented in the balance of payments (Table 62).

Figure 9. Belarus: Share of CIS Countries and Russia in Total Trade, 1992-98



Sources: Belarussian authorities; and Fund staff estimates.

115. The trade balance with Russia, which had tended to be in deficit, turned into a small surplus in 1997, as Belarussian exports to Russia surged. However, preliminary data for the first quarter of 1998 show a trade deficit with Russia. The sharp increase in trade with Russia took place in 1996–97, after the authorities turned away from macroeconomic stabilization and structural reform and, with a growing foreign exchange constraint, led Belarussian enterprises to resort increasingly to barter trade. In 1997, recorded exports to Russia grew by more than 50 percent in U.S. dollar terms. The real appreciation of the rubel vis-à-vis the U.S. dollar in 1996, and its smaller real depreciation against the dollar than the rubel in 1997 combined with emergence of barter trade, have been critical factors behind the rapidly growing trade with Russia. The share of barter in foreign trade has risen sharply, with the overall share of barter in the trade with Russia estimated between 35 and 50 percent in 1997. The increasing share of barter trade reflects not only the payments difficulties of Russian partners and the scarcity of foreign exchange in Belarus, but also an attempt to avoid the surrender requirement, which effectively serves as a tax on exports.<sup>39</sup> Barter trade has also been fostered by the possibility it provides to over-invoice imports and under-invoice exports, thereby lowering profit taxes. With regard to Belarus' second most important trading partner, Ukraine, in spite of the elimination in February 1997 of the VAT regulation that constituted a strong incentive for Ukrainian exporters to Russia to transit their trade through Belarus, the latter's trade deficit with Ukraine has continued to grow since 1996.

116. Unlike in trade with Russia, Belarus's exports to non-CIS countries grew by less than 2 percent in 1997 and in value terms amounted to less than half of exports to Russia; conversely, imports from non-CIS countries soared by 21 percent. Thus Belarus experienced trade deficits in 1997 vis-à-vis both the CIS as a whole and the rest of the world, but the deficit with the latter has been growing much faster as a result of stagnating exports and rapidly rising imports. Among non-CIS countries, Belarus's main trading partners in 1997 continued to be Germany (3 percent of total exports and 8 percent of total imports) and Poland (3 percent of total exports and imports).

117. Products of metallurgical and machine-building branches accounted for some 42 percent of recorded Belarussian exports (in rubel terms) in 1997, while an additional 21 percent of exports were composed of chemical products (Table 57). These proportions were little changed from a year earlier. Belarus made a remarkable comeback into the CIS tractor market, as exports of the *Minsk Tractor Factory* in 1997 increased 4½ fold over 1996 and represented almost \$1 billion, or 13 percent of total exports. This company has become the biggest tractor producer in the CIS. Belarus also bolstered its oil refining function in 1997, as it reexported almost two-thirds of its crude oil imports from Russia under the form of refined oil products, which represented some 9 percent of its total exports, or about the same proportion as those of light or food industry exports. This is one type of barter trade, also known as "give and take" trade. For the second consecutive year, and in contrast with earlier periods, Belarus's imports were topped by metallurgical and machine-building related imports,

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<sup>39</sup>For a fuller discussion, see Appendix I.

which represented 36 percent of total imports versus energy deliveries, which represented 26 percent. Among the latter, natural gas deliveries from Russia were by far the most important energy item consumed in the country, as Belarus's electricity generation and communal heating systems remain heavily geared toward this form of energy, as a legacy of the Soviet period (Table 58). Other major categories of imports were chemical products (16 percent of total imports) and food products (14 percent).

118. Belarus registered an overall trade deficit for most of its branches, with the notable exceptions of machine-building and metal processing industries, light industry, and wood and paper industries (Table 59). Not surprisingly, the biggest trade surplus with CIS countries was registered in 1997 in the machine-building industry, which includes exports of tractors, followed by light industry and wood and paper (Table 60). In contrast, only the refined-oil products sector registered a sizable surplus with the rest of the world in 1997, most other sectors being in deficit with the exception of ferrous metals (Table 61).

#### **Other balance of payments developments**

119. The growing financial imbalances have led to a significant deterioration in the external position since the beginning of 1997 (Table 62). On the one hand, strong export performance has stemmed mainly from a revival of demand for traditional Belarussian products in several Russian regions with which trade links had been reestablished. Nonetheless, export growth to non-CIS countries slowed to around 1½ percent in 1997 and actually declined (year-on-year) during the first quarter of 1998. On the other hand, however, owing to the rapid growth of imports from non-CIS countries, the overall trade deficit deteriorated sharply, from \$1.1 billion in 1996 to \$1.3 billion in 1997. As a result, the trade deficit with non-CIS countries almost doubled to around \$850 million in 1997 and amounted to more than \$350 million during the first quarter of 1998 alone, while trade with CIS countries was close to balance. Increasingly it seems, therefore, that a new trade pattern is emerging for Belarus, in which its exports can basically keep up with imports from the CIS, but increasingly lag behind imports from the rest of the world.

120. The current account deficit widened to \$799 million (6 percent of GDP) in 1997, up from \$503 million (3½ percent of GDP) a year earlier. In addition to the trade deficit, the deterioration resulted from a worsening of all current account components. The net services surplus declined in U.S. dollar terms in 1997 owing to stagnating transit fees and lower tourism receipts, notwithstanding somewhat higher construction services linked to the building of the Yamal pipeline.<sup>40</sup> Similarly to the increased share of CIS countries in exports of goods, exports of services to CIS countries surged by 35 percent in 1997 and now represent over one half of all exports of services. In contrast, two-thirds of imports of services

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<sup>40</sup>Transit fees for shipment of Russian natural gas through Belarus to Western Europe are netted against the price paid for gas imports and are therefore not included in the services account.

originated from non-CIS countries. Income receipts contracted in 1997 because of fewer Belarussian nationals working abroad, while interest payments increased, resulting in a deterioration of the income account. Finally, current net transfers declined mainly on account of a contraction of official transfers, especially humanitarian assistance, as a result of Belarus' relative international isolation. These negative trends continued during the first quarter of 1998, as the current account deficit further widened to \$357 million (11 percent of GDP) from \$260 million (9½ percent of GDP) in the corresponding period the year before. In particular, net public transfers all but disappeared.

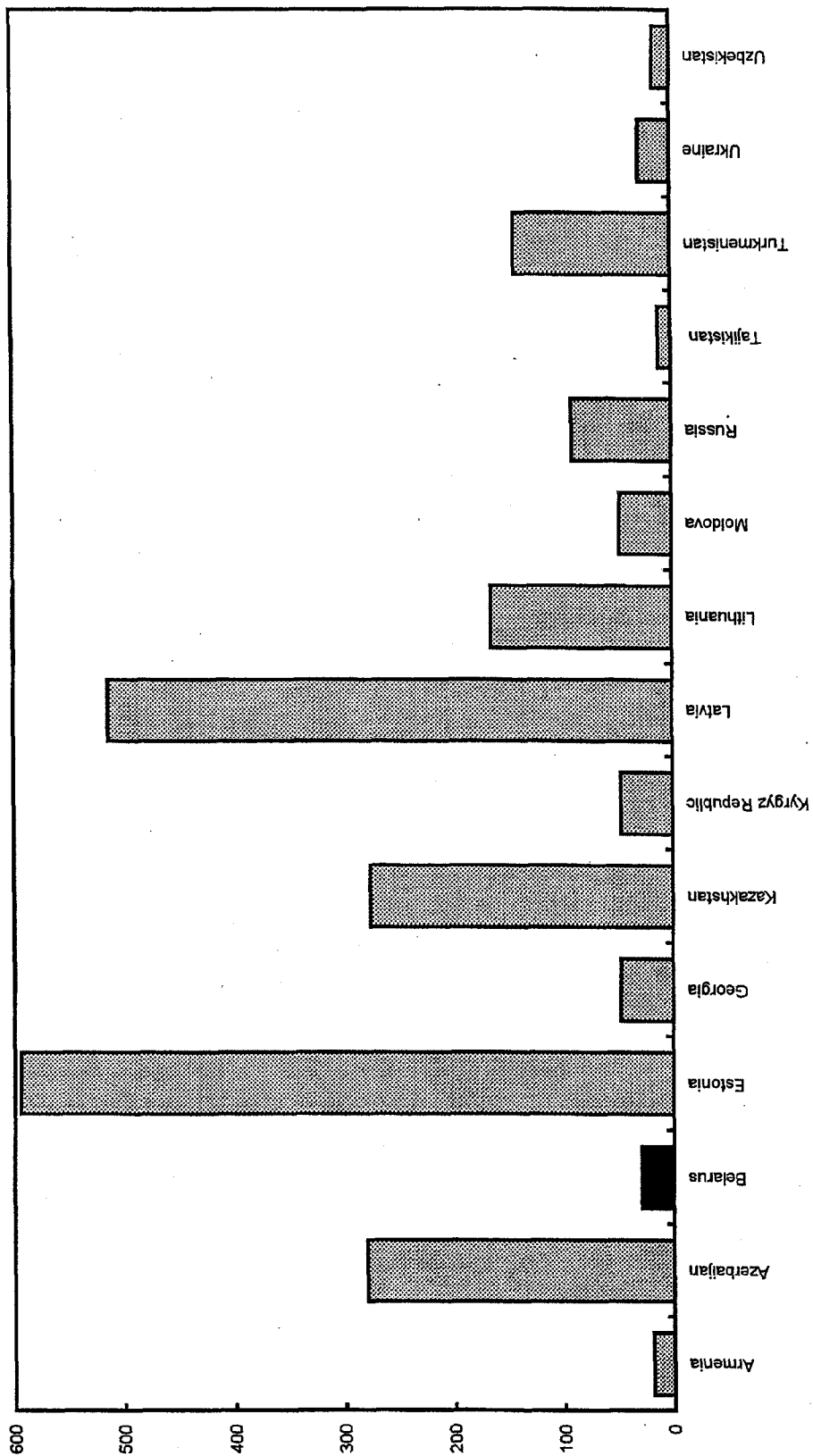
121. The current account deficit was financed mainly by: (i) foreign direct investment from Russia in connection with the construction of the Yamal gas pipeline; (ii) Russian trade credits, of which an unknown portion is believed to be in arrears; and (iii) Russian state credits. The capital account surplus dropped by 42 percent in 1997 as compared to the year before. Net capital transfers of \$133 million represented the surplus of migration transfers linked to the positive balance of emigration into Belarus in 1997. Direct investment into Belarus amounted to \$190 million, of which almost two-thirds were linked to the Yamal pipeline, an amount twice as high as a year earlier. Despite of this particular project, foreign direct investment remains very low by BRO standards (Figure 10); Belarus ranked twelfth out of the 15 countries, as the macroeconomic imbalance and lack of reform discouraged foreign investors. Net portfolio investment was negative as a result of the insufficient development of the securities market in Belarus and the lack of attractiveness of Belarussian companies abroad. Commercial credit (from short to long term) represented the bulk of the financial account in 1997 and played a leading role in financing the current account deficit. Russian state credits represented about half of publicly guaranteed debt disbursements.

122. The recorded overall 1997 balance of payments surplus of \$36 million was much smaller than the sizable surplus of 1996, although the two balances of payments are not directly comparable, as there was a sizable foreign debt settlement with Russia in 1996.<sup>41</sup> The surplus allowed a modest build-up in official reserves, as well as the reduction of external arrears by \$30 million. Notwithstanding this positive outcome, Belarus has been struggling with energy related external arrears for several years. Although Belarus reduced its net payments arrears for gas imports during 1997, it has been unable to prevent an accumulation of new energy arrears since the beginning of 1998. During 1997, the average stock of gas arrears stood at \$177 million, representing about one-fourth of total delivery cost in 1997, versus \$203 million a year earlier. Over 90 percent of gas payments in 1997 were in the form of in-kind provision of goods and services, including construction work on the Yamal pipeline. However, during the first four months of this year, the share of cash payments for gas fell to 6 percent, while new arrears were accumulated in the amount of \$126 million. In addition, external arrears of \$26 million accrued during the same period on electricity purchases from Russia and Lithuania.

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<sup>41</sup>On February 27, 1996, an agreement between Belarus and Russia canceled some \$1.4 billion of debts to Russia, in return for a corresponding offset of claims by Belarus.

Figure 10. BRO: Average Foreign Direct Investment, 1997  
(In U.S. dollars per capita)



Sources: National authorities, and Fund staff estimates.



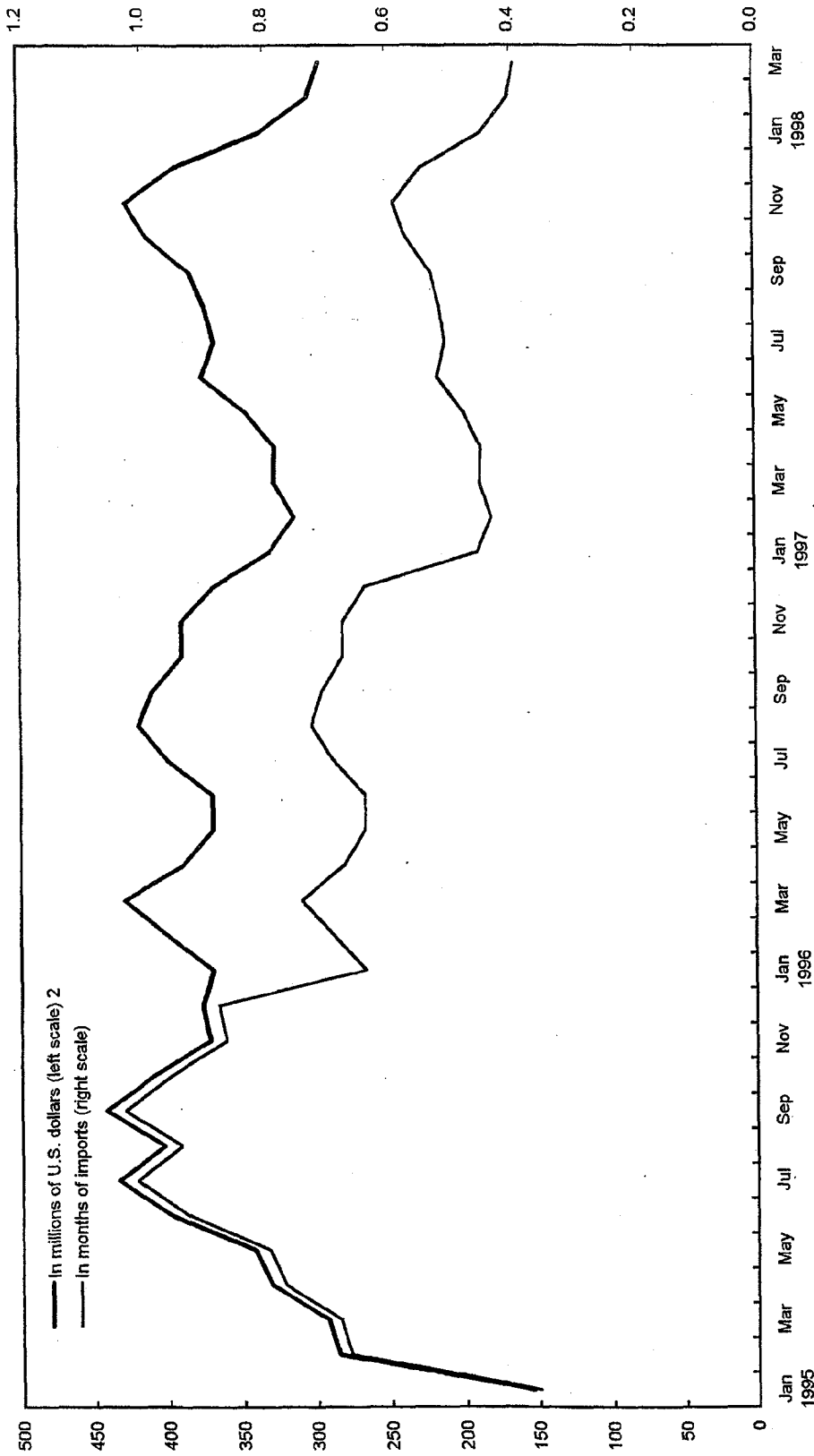
123. Every year Belarus negotiates with *Gazprom* the price it will pay for gas, implicitly taking into account the transit fee *Gazprom* would otherwise pay for transporting its gas to Europe through Belarussian territory. Belarus's unit payment, net of the transit fee, was about \$49 per thousand cubic meters in 1997, which implied an effective subsidy estimated at almost 3 percent of Belarus's GDP using the official exchange rate; the more depreciated market exchange rate would yield a higher subsidy ratio. The 1997 agreement specified that at least 30 percent of the total amount was to be paid in foreign currency (as opposed to barter), but in the event Belarus paid less than 10 percent of its gas in foreign currency. As a result, and also reflecting the pressure placed on *Gazprom* to increase cash payments to the Russian budget, Belarus had its gas supplies briefly cut off in July 1997, with subsequent threats to cut gas supplies in October and December. Supplies were also briefly reduced to 70 percent of the contracted level in early April 1998, after initial demands by *Gazprom* that Belarus pay at least 70 percent of gas supplies in foreign exchange. In April 1998, the Belarussian authorities agreed in principle with *Gazprom* on the medium-term rescheduling of \$200 million in arrears (including penalties), which will take the form of an issuance of government bonds to *Gazprom*.

124. In sharp contrast to 1997, in the first quarter of 1998 the estimated overall deficit of the balance of payments amounted to \$240 million. This outcome was financed by a significant depletion of official reserves, by some \$100 million as well as the accumulation of external arrears as indicated above. Thus, official reserves of the NBB, which represented two weeks of imports of goods at end-1997, slipped to a level of about 10 days worth of imports by end-May 1998 (Figure 11).

#### **External debt and debt service**

125. At end-1997, Belarus's external medium- and long-term public and publicly guaranteed debt stood at \$976 million versus \$879 million at end-1996 (Table 63). By end-April 1998, the debt stock had increased slightly and represented \$991 million. Belarus's main creditors are the Fund (\$245 million) and Germany (\$200 million). At the end of 1997, the debt to GDP ratio was 7.4 percent, while debt service amounted to 2 percent of exports of goods and services. Thus, judging by these two traditional debt burden standards, Belarus does not have a significant external debt burden. Indeed, with the exception of the February 1996 mutual debt cancellation and of arrears to *Gazprom* and some other temporary arrears, Belarus has been current on its debt obligations. Nevertheless, in spite of the relatively low level of indebtedness, Belarus has been experiencing increasing difficulties in servicing its debt as it lacks foreign exchange, partly because a significant part of its export is in barter. In addition, Belarus has limited access to international markets. Therefore a more meaningful indicator is to compare debt service with exports traded in convertible currencies, which yields a ratio about four times higher.

Figure 11. Belarus: Gross Official Convertible Reserves of the NBB, 1995-98 1/



Source: Belarussian authorities.

1/ Adjusted for exceptional financial transactions during the period December 1996-March 1997.

## VI. STRUCTURAL POLICY

126. Since mid-1995, there has been very little progress in structural reforms in Belarus and, in many areas, there has been backsliding.<sup>42</sup> The state continues to play a pervasive and intrusive role in economic activity. Consequently, most of the Belarussian economy remains subject to a significant degree of state control, both de jure and de facto, in the production and distribution of output. The private sector is relatively small and is largely limited to subsistence agriculture and retail trade despite the relatively strong performance by most of the firms that are privately owned.

### A. The Institutional and Legal Environment

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

128. All laws, decrees, and resolutions are required to be published in three official papers, but this often involves a three to four month lag that renders the requirement virtually useless. Enterprises often see the relevant legislation only after contracts have been signed. Supplementary documents, important in the implementation of the law, are rarely published. The constitution prohibits retroactive laws, but not retroactive decrees or regulations. The dispute resolution mechanism does not function well and problems of due process remain.

129. On November 14, 1997, the President signed decree No. 541 ("Special Right of the State in Participating in Control of Joint Stock Companies"), the so-called "golden share" decree. This decree allows the state to retain one special share in any privatized company and accords the state the right to appoint its own members to the board who can exercise veto powers over a wide range of activities, including restructuring, liquidation, changing of authorized capital, and appointing the manager. The decree became effective on January 1, 1998 and has led to a good deal of controversy and uncertainty for potential investors. Several foreign investors have been granted special dispensation from the decree but the legitimacy of this has been questioned and has not yet been tested in the courts.

130. The absence of a law on bankruptcy continues to be a problem. An effective bankruptcy process is necessary to allow for the orderly liquidation of unprofitable firms and

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<sup>42</sup>As a result, this section merely updates last year's report (see SM/97/203, 8/4/97).

to protect and encourage creditors. It is an integral and necessary part of a market economy. At the moment there are several draft laws in Parliament, some of which have had a first reading, but, to date, none have been enacted.

## B. Privatization

131. In the transformation process, there are essentially two paths that can be taken in instituting the private ownership of the means of production and distribution: on the one hand, state-owned enterprises can be privatized and, on the other, an environment can be established that fosters the establishment of new firms. The accomplishments in Belarus in 1997 and early 1998 were, in either case, very modest. Data are available for privatized firms but not for de novo firms.

132. The privatization process begins when the labor collective of the concerned enterprise petitions the relevant authority—the Ministry of Management of State Property and Privatization for enterprises with more than 1,000 employees, and the local privatization committees for enterprises with less—to initiate the process. According to the procedures as revised in 1996, the labor collective notifies the relevant line ministry and the local authorities. If there is no opposition, the proposal is then forwarded to the Ministry of Management of State Property and Privatization, and, subsequently, to the President for a final decision. A number of enterprises—approximately 1,000, primarily defense related—are not eligible for privatization, and another group of about 200 enterprises require approval of the Council of Ministers. (The law requires these lists to be published, but they have not been so far.) In the event of disagreement about the desirability of privatization, a decision is to be taken by the President, based on the Ministry's recommendation.

133. Privatization can also be initiated by the government in collaboration with the relevant line ministry and the local authorities. However, this process can only proceed if the relevant labor collective agrees. In the first stage of privatization, the enterprise is "corporatized" by the issuance of equity shares, which are still fully owned by the state. At this point there is no change in corporate governance; only the legal preconditions for true privatization required by Belarussian law have been satisfied.<sup>43</sup> The employees then have five months to reverse the process, if they so choose. In the next stage, employees and managers can exercise their right to acquire equity by using their own and their relative's vouchers, and the enterprise then becomes a joint-stock company. Any remaining shares can be sold through the Belarusbank to citizens in exchange for vouchers and cash in equal proportions.

134. Under the voucher program that was established in 1994 to aid in the privatization program, each citizen could apply for vouchers and establish a voucher account at the

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<sup>43</sup>Enterprises that have only been corporatized, but not truly privatized, are included in Tables 64 and 66, but not in Tables 65 and 67. The authorities define privatization as having taken place when state ownership has fallen to less than 50 percent.

Belarusbank. The face value of the property vouchers was set equal to what was then estimated to be the value of about one-third of the republican property to be privatized. Each person was eligible for an amount of vouchers determined by age, years worked, and number of children. Interest in the scheme was low and the period citizens could apply for vouchers was extended till May 1, 1996 and the deadline for issuing them was extended until July 1, 1997. As of that date, 4.9 million Belarussians had received vouchers, or 63 percent of those eligible. As of May 1, 1998, only 36 percent of the vouchers had been used. Each voucher has a face value of Rbl 100,000. The law requires that state property and vouchers be indexed against inflation at the same time, but beginning January 1, 1998, state property alone was indexed. In principle, citizens can exchange their vouchers for shares in individual enterprises or in shares of investment funds. In practice, the investment funds have all but ceased to exist. The slow pace of privatization has meant that there are relatively few shares—and those are often at loss-making enterprises—for which the population can exchange, at an administrated price, its vouchers.

135. The authorities agreed in June 1997 to privatize five flagship enterprises in accordance with the *Memorandum of Understanding* signed with the World Bank, but these privatizations have not yet taken place. The government can also sell equity it owns to “strategic” investors, but only if they have a business plan vetted by the Ministry of State Property and Privatization and the other relevant state organizations. An investment fund can acquire blocks of shares at voucher auctions, but only if the Ministry agrees to hold the auction. The employment consequences of the privatization scheme are an important consideration in gaining approval in these cases. Presidential intervention in the privatization process may also occur.

136. Much of the small scale privatization of communal property in Belarus has been undertaken with the help of the International Finance Corporation. Most small enterprises are eligible, except for timber and woodworking, construction, transport, gas stations, and pharmacies. As of January 1, 1998, 1,427 objects, or 55 percent of the initial stock of eligible entities, had been successfully privatized. Approximately \$15.2 million had been raised in the process. The properties were either auctioned off, sold by direct buy-out, or sold by tender. Selling by auction involves setting a minimum price according to a formula, by which the minimum price is not necessarily related to prevailing market prices. Some 40 percent of the offers for properties have not met the minimum price and were subsequently re-offered at a reduction of 20 percent of the initial minimum price or, if that was not successful, at half the initial price. Employees cannot be laid off for two years and, typically, the new enterprise is constrained in its activities to those of its state-owned predecessor. Buy-outs are used where the new owner has previously leased space and equipment from the state and re-invested his earnings in the enterprise. Tenders are a more restrictive form of auction usually done at the request of the labor collective; they typically require proof of additional investment.

137. As regards *enterprise privatization*, 192 enterprises at the republican level were corporatized and 115 republican enterprises were privatized in 1997. With respect to communal property, 380 enterprises were both corporatized and privatized in 1997. As a reference point, the privatization program for 1996 had called for the privatization of 516

republican enterprises and 1,000 communal properties. There was no privatization program for 1997. As of the end of the first quarter of 1998, 14 percent of the 4,423 republican enterprises selected for privatization in early 1994 had, in fact, been privatized, according to the state-ownership criterion, while nearly 40 percent of the (typically much smaller) communal property stock had been privatized.

138. At the end of the first quarter of 1998, 10 percent of the labor force was employed by privatized enterprises when they were defined as those with less than 50 percent state ownership; including those enterprises that have been corporatized but not privatized, boosts the figure to 16 percent (Tables 68 and 69). Privatized republican property was concentrated in industry, construction and transportation, while the bulk of communal privatization had centered on trade and catering. In 1997, joint stock conversion continued to be used frequently to privatize republican property, but direct sales in which the proceeds are not credited to the budget (listed as "other" in Table 67) became more common than in the past. By the first quarter of 1998, all republican property was being privatized in this manner. Conversion into joint-stock companies, buy-outs, and auctions remained the preferred privatization channel for communal property.

139. Presidential decree No. 3 on privatization was signed on March 20, 1998. According to the Ministry of Management of State Property and Privatization, the intent of the decree is to expedite privatization by, inter alia, dispensing with the need for an approved annual privatization program, and allowing the authorities to override the decision of workers' collectives not to corporatize their enterprises.

140. With respect to *housing privatization*, approximately 77,000 units were privatized in 1997, slightly more than in 1996, but less than in any other year since 1992 (Table 70). At the end of 1996, about 39 percent of the eligible housing stock was privately owned. Housing privatization has been slowed by poorly defined property rights, cumbersome procedures, and the lack of effective credit markets that could provide potential homeowners access to funds required for costly repairs.

141. The process for privatizing an apartment in Belarus is as follows. First, the tenant must obtain a certificate from his or her employer, which is then presented to the housing department of the concerned locality. An application is then made to the regional executive committee, which in the absence of protest from family members, will allow the process to continue. At this point a document, drawn up by a state committee, is issued, which describes the property. The last step is acceptance of a document, which describes the financial obligations of the owner for various housing services and establishes a monthly fee schedule. The price is administratively set and is usually well below the secondary market price. Subsequent real estate transactions by the buyer require registration with the state. Only the structure is privatized; land continues to be owned by the state.

142. Until April 22, 1998, all real estate transactions required complete income and wealth statements, which tended to have an inhibiting effect. As of that date, by order of presidential

decree No. 5, no such declarations were required. Presidential decree No. 302, issued on August 21, 1996, set the minimum rents to be charged for state property in leases. The rates are the same for domestic and foreign leases. Separate rates are set for office, production, and mixed usage for Minsk and regional centers. Additional coefficients are applied to adjust for location and comfort.

### **C. Enterprise and Labor Market Policy**

143. While managers of state-owned enterprises have been held more accountable for the performance of their firms, and given more autonomy in day-to-day operations, they still lack the authority to independently lay off workers and dispose of assets as they see fit. This has carried over to many private firms and joint ventures. Government intervention continues to exist in the investment decision and, in most cases, in pricing and, and in some cases, production. It is common for individual line ministers to be assigned personal responsibility for some of the largest enterprises (see Appendix I).

144. The authorities generally resist labor shedding and unemployment with various directives and regulations. A state-owned enterprise (which covers the majority of employees) can only shed labor with the agreement of the local executive committee and the Ministry of Labor. By presidential decree No. 7 of March 17, 1997, enterprises were required to follow guidelines designed to reduce aggregate unemployment to below 130,000 persons by end-1997.

145. In the course of 1997, the minimum wage was increased several times by resolutions of the Council of Ministers. On January 1, 1997 the minimum wage was increased from Rbl 100,000 per month to Rbl 130,000. It was raised to Rbl 150,000 on April 1, and to Rbl 200,000 on September 1, 1997. Effective January 1, 1998, the minimum wage became Rbl 250,000. At the same time, new wage scales, comprising 28 grades, were established for workers in the state sector. The highest wage in this schedule is about 6½ times the minimum wage. The government has also set maximum bonuses that can be charged against labor costs. Resolution 276 of the Council of Ministers (April 2, 1997) introduced obligatory work assignments for the graduates of higher and specialized secondary educational institutions who had not paid their own tuition.

### **D. Price Regulation and Demonopolization**

146. Following considerable progress in liberalizing prices in 1995, new price regulations—both de jure and de facto—were reinstated in the third quarter of 1996. In August 1996, the government decided to set ceilings and retail markups on “socially important” goods. This list included certain types of bread, dairy products, and meat, as well as children’s clothing and shoes. The procedure called for regional authorities to set ceilings and retail markups subject to a binding republican ceiling. The government briefly instituted a maximum markup of 25 percent on the prices of imports at the end of April 1997, but repealed it a month later.

147. In the course of 1997, the extent of formal and informal price control intensified, and by October 1997 the authorities estimated that between 30 to 35 percent of the typically consumer basket was subject to formal price control, either on account of socially important goods or the products and services of natural or "other" monopolies. Informal price controls were also prevalent. Price controls were further intensified following the March 1998 currency crisis. Thus, the degree of combined de jure and de facto price control at present likely exceeds the 30 to 35 percent level cited by the authorities.

148. A Law on Price Formation was passed on first reading by Parliament on April 22, 1998. While the law lays down certain criteria for price regulation, it does not contain an unambiguous statement that its intent is to encourage the establishment of market-based prices in most cases. At this point, the likely overall effect of the law on the degree of price liberalization, if enacted in its present form, is unclear.

149. The Ministry of Entrepreneurship and Investments continues to oversee the government's efforts in de-monopolization; previously a separate ministry had been charged with this task. In 1997, the list of economic entities that were considered as taking up a "dominant position" in the economy (i.e., being monopolistic) comprised 410 entities, including 47 natural monopolies. In general, the structure of the economy remained relatively uncompetitive, largely as a result of the very modest progress in breaking up the large state entities inherited from the Soviet system and because of locally imposed restrictions on inter-regional trade and distribution, which tend to create geographic monopolies.



Table 1. Belarus: Gross Domestic Product by Sector, 1993-97

	1993	1994	1995	1996	1997 1/
(In billions of rubels)					
GDP at market prices	985.9	17,814.5	119,813.1	181,179.9	351,043.3
GDP, at factor cost	924.8	16,140.5	108,036.6	163,350.5	301,113.8
Industry	286.1	4,974.9	33,921.5	56,518.6	111,024.4
Agriculture and forestry	169.1	2,417.8	19,103.6	26,073.5	42,444.7
Construction	77.7	992.5	6,562.8	8,943.0	21,535.2
Transport/communications	121.2	2,116.8	14,867.3	21,046.2	37,910.4
Trade and catering	86.5	1,798.1	9,191.1	14,335.8	28,196.3
Material supply and procurement	24.4	830.9	3,713.9	2,766.3	5,066.4
Housing and public utilities	37.5	733.7	4,701.0	7,208.2	8,723.3
Health care	30.9	507.7	3,583.8	5,694.7	9,681.8
Education, culture and science	55.2	827.1	5,707.8	9,909.2	17,191.6
Other	36.2	941.0	6,683.8	10,855.0	19,339.7
(In percent of nominal GDP at factor cost)					
Industry	30.9	30.8	31.4	34.6	36.9
Agriculture and forestry	18.3	15.0	17.7	16.0	14.1
Construction	8.4	6.1	6.1	5.5	7.2
Transport/communications	13.1	13.1	13.8	12.9	12.6
Trade and catering	9.4	11.1	8.5	8.8	9.4
Material supply and procurement	2.6	5.1	3.4	1.7	1.7
Housing and public utilities	4.1	4.5	4.4	4.4	2.9
Health care	3.3	3.1	3.3	3.5	3.2
Education, culture and science	6.0	5.1	5.3	6.1	5.7
Other	3.9	5.8	6.2	6.6	6.4
Total	100.0	100.0	100.0	100.0	100.0

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

1/ Provisional estimates currently under revision.

Table 2. Belarus: Gross Domestic Product by Expenditure, 1993-97  
(At current prices)

	1993	1994	1995	1996	1997
(In billions of rubels)					
GDP at market prices	985.9	17,814.5	119,813.1	184,173.9	351,043.3
Total consumption of goods and services	747.4	14,298.1	95,512.6	146,229.6	275,209.4
Household consumption	547.9	10,135.2	68,635.4	104,225.9	197,578.8
Public consumption	199.5	4,162.9	26,877.2	42,003.7	77,630.6
General government	175.1	3,581.5	23,156.6	36,627.0	67,914.9
Consumption of public organizations	24.4	581.4	3,720.6	5,376.7	9,715.7
Gross capital formation	404.3	5,860.4	30,047.4	45,118.7	90,058.8
Gross fixed capital formation 1/	334.0	5,918.1	29,984.2	40,938.2	86,600.3
Changes in inventories	70.3	-57.7	63.2	4,630.5	3,458.5
Balance of exports and imports 2/	-165.8	-2,344.0	-5,746.9	-7,174.4	-14,224.3
(In percent of nominal GDP at market prices)					
Total consumption of goods and services	75.8	80.3	79.7	79.4	78.4
Household consumption	55.6	56.9	57.3	56.6	56.3
Public consumption	20.2	23.4	22.4	22.8	22.1
Government consumption	17.8	20.1	19.3	19.9	19.3
Consumption of public organizations	2.5	3.3	3.1	2.9	2.8
Gross capital formation	41.0	32.9	25.1	24.5	25.7
Gross fixed capital formation 1/	33.9	33.2	25.0	22.2	24.7
Changes in inventories	7.1	-0.3	0.1	2.5	1.0
Balance of exports and imports 2/	-16.8	-13.2	-4.8	-3.9	-4.1

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

1/ Includes residential investment and fixed investment of businesses.

2/ Provisional data, not fully consistent with recently revised balance of payments data (Table 62).

Table 3. Belarus: Growth of Gross Domestic Product by Expenditure, 1993-97

	1993	1994	1995	1996	1997
	(Percent change in comparable prices) 1/				
Gross Domestic Product	-7.6	-12.6	-10.4	2.8	10.4
Total consumption of goods and services	-2.3	-12.1	-9.5	3.2	10
Household consumption	-1.5	-14.5	-12.3	4.5	11.8
Public consumption	-4.4			0.0	5.7
General government	-4.8	-5.5	-2.9	-0.2	6
Consumption of public organizations	-1.9	-6.6	-0.6	1.1	4.1
Gross capital formation	-6.3	-29.4	-28.7	7.2	12.8
Gross fixed capital formation 2/	-7.6	-13.7	-29.6	-3.1	21.3
Changes in inventories	-1.2	...	...	...	...
Balance of exports and imports 3/	...	22.0	-17.0	-11.0	-1.0
	(Contribution to growth)				
Total consumption of goods and services	-1.7	-9.7	-7.6	2.5	7.8
Household consumption	-0.8	-8.2	-7.0	2.5	6.6
Public consumption	-0.9	-1.3	-0.6	0.0	1.3
General government	-0.8	-1.1	-0.6	0.0	1.2
Consumption of public organizations	-0.1	-0.2	0.0	0.0	0.1
Gross capital formation	-2.6	-9.7	-7.2	1.8	3.3
Gross fixed capital formation 2/	-2.6	-4.6	-7.4	-0.7	5.3
Changes in inventories	-0.1	...	...	...	...
Balance of exports and imports 3/	-3.9	6.8	4.4	-1.5	-0.7

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

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

2/ Includes residential investment and fixed investment of businesses.

3/ Provisional data, not fully consistent with recently revised balance of payments data (Table 62).

Table 4. Belarus: Growth of Gross Domestic Product by Sector, 1993-97

	1993	1994	1995	<u>1995 level</u> (1991=100)	1996	1997	<u>1997 level</u> (1991=100)
	(Percentage change at comparable prices) 1/						
Total GDP at market prices	-7.6	-12.6	-10.4	65.4	2.8	10.4	74.0
Industry	-9.9	-19.2	-10.2	61.6	4.1	17.1	75.0
Agriculture	1.5	-15.3	-2.5	71.7	1.4	-6.4	68.0
Forestry	0.3	0.5	-5.1	90.2	2.1	-8.6	84.0
Construction	-22.7	-21.7	-33.2	37.6	-7.6	12.2	38.0
Transport	-11.4	-17.5	-9.4	53.2	-2.1	15.0	59.0
Communications	-20.8	-3.5	-13.3	48.2	-1.0	3.6	49.0
Trade and catering	-13.1	-8.6	-24.0	50.1	21.2	19.5	72.0
Material supply	-9.9	77.0	-19.5	109.5	-7.2	7.2	109.0
Procurement	-10.9	-19.0	-22.7	47.1	-1.3	5.4	49.0
Housing	1.4	0.5	-0.3	106.0	0.6	0.3	106.0
Public utilities	-2.8	-1.0	-5.6	82.3	-3.7	-2.5	77.0
Health care	2.9	1.0	-0.6	105.2	1.8	2.7	110.0
Education	-2.6	0.0	-1.5	92.5	2.8	3.5	98.0
Culture and science	-18.3	-8.2	-9.2	53.5	1.8	-0.2	54.0
Banks and insurance	13.4	24.4	17.0	174.6	102.0	0.4	178.0
Public administration and defense	-6.3	-6.7	-2.0	60.8	-0.8	2.0	61.0
	(Contribution to growth)						
Industry	-3.1	-5.9	-3.2	...	1.4	6.3	...
Agriculture	0.3	-2.2	-0.4	...	0.2	-0.9	...
Construction	-1.9	-1.3	-2.0	...	-0.4	0.9	...
Transport	-1.4	-2.1	-1.1	...	-0.2	1.6	...
Trade and catering	-1.2	-1.0	-2.0	...	1.9	1.8	...
Material supply	-0.2	3.5	-0.6	...	-0.1	0.1	...
Other	-1.0	0.5	-0.6	...	0.2	0.4	...
Adjustments and price markup	-0.4	-1.5	-0.6	...	0.6	2.5	...

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

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

Table 5. Belarus: Capital Investment by Sectors in Comparable Prices, 1993-98 1/

	1993	1994	1995	1996	1997	1998 QI Percent change 2/
	(1990=100)					
Total	63.4	56.5	39.2	37.3	41.4	49.9
Industry	66.3	74.5	47.7	47.7	51.1	84.4
Agriculture	32.5	17.4	11.6	9.8	9.2	13.7
Transport and communication	97.2	75.9	85.1	99.6	101.8	45.8
Construction	51.5	41.2	21.6	14.6	15.6	109.0
Residential construction	79.1	70.9	40.0	38.1	53.1	28.0
Other	81.5	75.6	56.4	45.6	48.1	49.4
	(Share of total)					
Industry	25.5	32.1	29.7	31.2	30.1	33.3
Agriculture	14.8	8.9	8.5	7.5	6.4	5.2
Transport and communication	11.3	9.9	16.0	19.7	18.1	15.3
Construction	2.6	2.3	1.7	1.2	1.0	1.2
Residential construction	24.5	24.6	20.0	20.1	25.1	26.4
Other	21.3	22.2	24.1	20.3	19.3	18.6
<i>Of which</i>						
Trade and catering	1.5	3.0	1.6	2.0	1.5	1.5
Total	100.0	100.0	100.0	100.0	100.0	100.0
Memorandum items:						
Real gross investment (1991=100) 3/	90.6	64.0	45.6	48.9	55.2	50.0
Gross investment						
In percent of GDP 3/	41.0	32.9	25.1	24.5	25.7	12.9

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

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

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

3/ According to national accounts data.

Table 6. Belarus: Industrial Production, 1993-98

	1993	1994	1995	1996	1997	1997 level (1991=100)	1998 Q1 1/
Total	100.0	-10.0	-11.7	3.5	17.6	72.7	14.6
<i>Of which</i>							
Power generation	14.6	-10.9	-15.8	-1.6	5.6	57.0	-0.7
Refineries	6.8	-39.2	12.3	-5.2	-1.0	17.2	-3.8
Chemicals and petrochemicals	12.4	-12.3	8.9	7.2	17.6	85.4	19.8
Ferrous metallurgy	1.9	-13.9	-1.4	23.4	34.5	106.4	33.4
Machine building	22.1	2.8	-20.5	1.6	25.6	82.9	16.3
Wood and paper	4.5	-3.4	-9.6	14.2	30.8	98.0	24.0
Construction materials	5.7	-23.9	-21.2	-4.0	28.1	46.9	24.2
Light industry	11.3	1.7	-34.1	11.9	27.1	75.8	18.4
Food processing industries	13.1	0.1	-12.7	5.5	11.8	84.6	28.1

(Percentage change in comparable prices)

Sources: Ministry of Statistics and Analysis; and Fund staff estimates.  
1/ Compared to the first quarter of 1997.

Table 7. Belarus: Inventories of Ready-Made Products in the Warehouses of Industrial Enterprises, by Branches of the Economy, 1995-98 1/

	December 1995	June 1996	December 1996	April 1997	December 1997	February 1998	
Total	8,514	10,794	9,514	12,310	16,453	21,881	
<i>Of which</i>							
Fuel	...	...	76	112	164	413	
Ferrous metallurgy	...	...	66	115	199	226	
Non-ferrous metallurgy	...	...	10	15	...	...	
Chemicals and petrochemicals	...	...	1,063	1,451	2,065	2,489	
Machine building and metal-working	...	...	5,446	6,721	9,180	12,616	
Forestry, wood, and paper products	...	...	451	767	646	1000	
Construction materials industry	...	...	329	452	553	717	
Light industry	...	...	783	1,254	1,361	1,864	
Food processing industries	...	...	730	853	1,449	1,425	
			(In billions of rubels)				
Total	75.2	85.0	52.2	44.9	38.0	26.3	
<i>Of which</i>							
Fuel	...	...	12.6	11.0	13.2	16.8	
Ferrous metallurgy	...	...	13.5	12.6	16.6	8.9	
Non-ferrous metallurgy	...	...	...	55.6	...	...	
Chemicals and petrochemicals	...	...	51.7	32.2	43.2	22.3	
Machine building and metal-working	...	...	138.6	92.5	106.1	59.2	
Forestry, wood, and paper products	...	...	52.3	50.0	34.3	21.7	
Construction materials industry	...	...	58.6	44.8	47.9	28.3	
Light industry	...	...	47.5	60.7	38.4	26.1	
Food processing industries	...	...	26.2	22.1	23.2	12.8	
			(As a percent of current month's output)				

Sources: Ministry of Statistics and Analysis, and Fund staff estimates.  
1/ End-of-period stocks.

Table 8. Belarus: Selected Indicators of Industrial Production, 1993-97  
(Quantity index: 1992=100)

	1993	1994	1995	1996	1997
<b>Wood and paper</b>					
Timber	95	86	85	78	86
Plywood	81	66	60	65	77
Cardboard	78	73	71	75	90
Paper	50	19	23	25	31
<b>Construction material</b>					
Lime	89	56	43	43	50
Mineral fertilizers	62	73	82	83	95
Cement	84	66	55	65	83
Window glass	85	66	54	48	...
<b>Chemicals</b>					
Chemical fibers	76	56	54	47	52
<b>Power generation</b>					
Electricity	89	84	66	63	71
<b>Ferrous metallurgy</b>					
Steel	86	80	67	80	110
<b>Machine building</b>					
Tractors	86	45	29	28	29
Feed harvest combines	78	26	19	17	16
Elevators	45	30	22	20	23
Electric motors	109	44	39	37	43
Transformers	94	46	61	36	49
<b>Light industry and textiles</b>					
Electric bulbs	65	51	47	45	46
Motorcycles	78	33	25	18	14
Bicycles	83	53	37	39	44
Radio sets	107	76	38	19	24
Television sets	73	43	22	39	57
Refrigerators and freezers	100	100	101	102	107
Cameras	52	13	4	4	2
Cotton yarn	78	29	22	25	23
Wool yarn	93	73	39	42	57
Linen yarn	76	55	59	59	62

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



Table 9. Belarus: Share of Total Exports in Production of Selected Industrial Products, 1993-97

(In percent; in volume terms)

	1993	1994	1995	1996	1997
Wood and paper					
Particle boards	10.6	14.0	40.4	26.9	38.5
Wood fiber	44.4	57.9	59.5	59.5	42.8
Wood particles	9.0	14.0	...	...	...
Chemicals					
Potassium fertilizers	83.5	86.4	93.0	85.5	88.7
Nitrogen fertilizers 1/	39.8	7.4	111.0	66.0	49.2
Refined fuel					
Diesel fuel	8.3	40.3	49.4	46.4	...
Machine building					
Metal-cutting machinery	51.8	42.8	85.1	74.8	86.6
Forge presses	19.8	27.9	...	...	...
Light industry and textiles					
Tractors	70.9	71.6	89.8	74.3	64.4
Trucks	68.8	69.9	73.7	71.9	99.0
Motorcycles	73.3	59.2	83.1	91.5	99.2
Refrigerators	68.7	71.9	67.7	72.2	84.8
Watches and clocks	75.0	75.1	66.1	46.4	27.9
Cameras 1/	48.5	66.1	193.3	111.2	60.9
Television sets	52.2	58.7	66.1	50.3	39.2
Radios	54.8	49.5	28.8	44.7	58.7
Synthetic fibers	70.8	78.3	82.8	77.3	92.3
Cotton and cotton-type textiles	10.5	26.7	...	...	...
Silk and silk-type textiles (including synthetics)	34.2	29.5	...	...	...

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

1/ 1995 and 1996 figures in some cases represented sales from inventories.

Table 10. Belarus: Agricultural Production, 1993-97

	1993	1994	1995	1996	1997
(In thousands of tons, unless otherwise indicated)					
Grain	7,508	6,095	5,502	5,792	6,420
Potatoes	11,644	8,241	9,504	10,881	6,942
Flax	57	49	60	49	26
Sugar beets	1,569	1,078	1,172	1,011	1,262
Meat	1,242	1,138	995	937	941
Milk	5,584	5,510	5,070	4,908	5,133
Eggs	3,514	3,400	3,373	3,403	3,459
Live animals (1,000 heads) 1/					
Cattle	5,851	5,403	5,054	4,855	7,802
Pigs	4,181	4,005	3,895	3,715	3,686
Sheep	271	230	204	155	127
Horses	215	220	229	232	233
(Percent change from previous year)					
Grain	3.8	-18.8	-9.7	5.3	10.8
Potatoes	29.6	-29.2	15.3	14.5	-36.2
Flax	-6.4	-14.0	22.4	-18.3	-46.9
Sugar beets	40.1	-31.3	8.7	-13.7	24.8
Meat	-13.9	-8.4	-12.6	-5.8	0.4
Milk	-5.1	-1.3	-8.0	-3.2	4
Eggs	0.4	-3.3	-0.8	2.0	1.6
Live animals 1/					
Cattle	-5.9	-7.7	-6.5	-3.9	-1.1
Pigs	-2.9	-4.2	-2.7	-4.6	-0.8
Sheep	-19.3	-15.1	-11.3	-24.0	-18.1
Horses	0.0	2.3	4.1	1.3	0.4

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

1/ End-of-period stocks.

Table 11. Belarus: Share of Private Sector in Agriculture, 1993-97 1/

	1993	1994	1995	1996	1997
(In percent of total output)					
Gross agricultural output 2/	38.6	39.6	44.0	44.8	40.4
Crops	47.8	49.0	53.0	53.6	48.1
Livestock	29.6	32.2	35.9	36.2	34.4
In physical volumes:					
Potatoes	74.6	85.4	86.9	84.1	84.8
Vegetables	73.0	76.1	77.3	80.6	80.9
Fruits and berries	92.6	94.7	94.8	86.6	89.7
Grain	5.5	6.5	6.5	8.0	9.0
Sugarbeets	0.4	0.6	0.4	0.6	0.6
Meat	18.0	20.2	23.7	25.5	26.0
Milk	34.7	35.8	39.6	40.9	40.3
Eggs	40.7	42.6	41.6	40.1	38.5
(In percent of end-of-period stocks)					
Live animals					
Cattle	13.9	15.1	16.2	16.3	16.0
Pigs	36.4	38.6	40.1	40.0	35.6
Sheep	69.7	74.8	82.5	86.2	88.7
Horses	20.3	24.7	29.9	34.5	33.3

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

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

2/ At comparable 1993 prices.

Table 12. Belarus: Distribution of Agricultural Land, 1993-97

	1993	1994	1995	1996	1997
(In thousands of hectares)					
Agricultural land	9,353.6	9,346.3	9,338.8	9,332.7	9,305.9
Collective farms	5,693.7	5,665.0	5,657.3	5,664.1	5,604.4
State farms	2,089.3	2,067.4	2,057.3	2,053.8	2,055.6
<i>Of which</i>					
Sovkhozes	1,972.6	1,948.3	1,921.6	1,895.3	1,847.2
Land plots utilized by individuals 1/	927.9	973.5	971.4	975.1	981.2
Collective gardens and orchards	70.2	72.0	79.3	81.9	81.3
Private farms 2/	47.7	52.1	53.1	52.4	52.5
Other	524.8	516.3	520.4	505.4	494.9
(As percent of total agricultural land)					
Agricultural land	100.0	100.0	100.0	100.0	100.0
Collective farms	60.9	60.6	60.6	60.7	60.6
State farms	22.3	22.1	22.0	22.0	22.1
<i>Of which</i>					
Sovkhozes	21.1	20.8	20.6	20.3	20.2
Land plots utilized by individuals 1/	9.9	10.4	10.4	10.4	10.5
Collective gardens and orchards	0.8	0.8	0.8	0.9	0.9
Private farms 2/	0.5	0.6	0.6	0.6	0.6
Other	5.6	5.5	5.6	5.4	5.3
(Number of units)					
Collective farms 3/	1,863	1,869	1,865	1,862	1,855
State farms 4/	1,769	1,761	1,771	1,757	1,743
Sovkhozes	658	655	650	635	628
Mezkhoses	30	29	28	26	18
Other agroindustrial enterprises	1,081	1,077	1,093	1,096	1,092
Private farms 2/	2,768	2,961	3,029	2,980	2,677
(Average size of farms in hectares)					
Collective farms 3/	3,056	3,031	3,033	3,042	3,041
State farms 4/	1,181	1,174	1,162	1,169	1,179
Private farms	17	18	18	18	26

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

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

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

3/ Including new collective farming enterprises.

4/ Including agro-industrial enterprises.

Table 13. Belarus: Share of Agricultural Production Sold Through State Procurement Organizations, 1993-97  
(In percent of total production)

	1993	1994	1995	1996	1997
Grain	24.7	30.5	31.4	30.2	28.1
Potatoes	6.1	3.3	1.8	1.9	2.9
Sugar beets	89.3	87.7	60.5	75.2	82.3
Vegetables	15.5	12.1	7.6	5.9	6.3
Meat 1/	81.2	73.9	58.5	58.2	58.2
Milk 1/	66.0	58.6	49.1	49.7	54.9
Eggs 1/	50.8	47.0	46.2	49.2	46.2

Sources: Ministry of Statistics and Analysis; and Fund staff estimates.  
1/ Excluding amounts used for catering or sold at farmers' markets.

Table 14. Belarus: Production and Consumption of Energy, 1993-97

	1993	1994	1995	1996	1997
<b>Production</b>					
Electricity (million Kwh)	33,369	31,397	24,918	23,728	26,057
Natural gas (million cubic meters)	291	294	266	249	242
Crude Oil (thousand tons)	2,005	2,000	1,932	1,860	1,822
Gasoline (thousand tons)	1,687	1,744	1,849	1,816	1,954
Diesel (thousand tons)	3,316	3,053	3,465	3,170	3,111
Heavy fuel oil (thousand tons)	6,285	4,962	5,592	4,812	4,524
<b>Import</b>					
Electricity (million Kwh) 1/	9,610	7,764	10,066	11,144	10,308
Natural gas (million cubic meters)	16,305	14,297	13,531	14,345	16,177
Crude Oil (thousand tons)	12,378	11,300	11,555	10,645	10,461
Gasoline (thousand tons)	10	31	53	72	56
Diesel (thousand tons)	17	117	24	18	33
Heavy fuel oil (thousand tons)	920	614	36	16	27
<b>Export</b>					
Electricity (million Kwh) 1/	3,605	3,944	2,907	2,601	2,688
Crude Oil (thousand tons)	284	250	200	300	400
Gasoline (thousand tons)	117	720	551	683	665
Diesel (thousand tons)	276	1,231	1,711	1,470	990
Heavy fuel oil (thousand tons)	95	57	233	901	713
<b>Change in stocks</b>					
Natural gas (million cubic meters)	382	71	43	-7	-17
Crude Oil (thousand tons)	183	-191	-25	250	-95
Gasoline (thousand tons)	-22	39	-82	100	-85
Diesel (thousand tons)	-18	27	27	182	-258
Heavy fuel oil (thousand tons)	-47	616	-217	189	-133
<b>Consumption</b>					
Electricity (million Kwh)	39,374	35,217	32,077	32,271	33,677
<i>Of which</i>					
Industrial sector (million Kwh)	18,355	14,993	13,383	13,456	15,785
Natural gas (million cubic meters)	16,978	14,662	13,840	14,587	16,402
<i>Of which</i>					
For production of heating and electricity (million meter)	12,122	11,262	9,903	10,748	12,449
Crude Oil (thousand tons)	14,282	12,859	13,262	12,455	11,788
Gasoline (thousand tons)	1,558	1,094	1,269	1,305	1,260
Diesel (thousand tons)	3,039	1,966	1,805	1,900	1,916
Heavy fuel oil (thousand tons)	7,063	6,135	5,178	4,711	3,705
<i>Of which</i>					
For production of heating and electricity (million meter)	5,714	5,113	4,238	4,073	3,592
<b>Losses in distribution 2/</b>					
Electricity (million Kwh)	4,047	3,837	3,636	3,757	3,801
Natural gas (million cubic meters)	103	126	139	155	135

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

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

2/ Included in consumption.

Table 15. Belarus: Price Developments, 1992-98

	Monthly percentage change		Percentage change on a year earlier	
	CPI 1/	IPPI 2/	CPI 1/	IPPI 2/
1995				
January	39.2	44.4	1,938	2,181
February	33.7	10.6	2,196	2,049
March	20.0	1.4	2,400	1,943
April	14.5	5.0	2,125	1,467
May	3.4	2.6	1,688	1,114
June	2.5	1.2	1,433	906
July	5.2	1.9	1,174	772
August	3.0	5.1	755	543
September	5.2	4.7	616	377
October	3.4	2.5	489	245
November	3.7	2.0	335	174
December	3.9	2.2	244	122
1996				
January	5.6	3.9	161	59
February	4.0	0.6	103	45
March	2.0	1.3	73	38
April	1.5	1.7	53	34
May	0.6	0.4	49	31
June	2.3	2.3	49	32
July	2.0	1.9	44	32
August	1.3	3.8	42	31
September	1.8	2.1	37	28
October	1.3	1.5	34	26
November	3.9	2.3	35	27
December	7.4	6.0	39	31
1997				
January	13.3	18.5	49	50
February	6.6	15.4	53	72
March	2.3	5.3	54	79
April	4.3	7.0	58	88
May	5.0	5.9	65	99
June	4.5	2.5	68	99
July	1.4	2.3	67	100
August	1.0	1.4	65	95
September	5.0	2.3	72	96
October	3.2	2.4	75	97
November	1.8	2.4	71	97
December	2.3	2.6	63	91
1998				
January	3.9	3.7	50	67
February	3.1	3.7	45	50
March	3.3	2.7	46	46
April	3.8	2.5	46	40
May	3.4	2.8	43	36
Average				
1992	...	...	971	2,327
1993	...	...	1,190	1,536
1994	...	...	2,221	2,171
1995	...	...	709	462
1996	...	...	53	34
1997	...	...	64	89

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

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

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

Table 16. Belarus: Changes in Administered Prices of Household Services, 1997-98  
(Percentage change)

	1997												1998			Annual change			
	Jan.	Feb.	March	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	March	Dec. 96/ Dec. 95	Dec. 97/ Dec. 96		
Utilities																			
Rent	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	20.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	13.5	20.0	
Water	15.0	0.0	0.0	15.0	0.0	0.0	0.0	0.0	20.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	13.5	58.7	
Sewage	15.0	0.0	0.0	15.0	0.0	0.0	0.0	0.0	20.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	13.5	58.7	
Heating	15.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	20.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	13.5	38.0	
Hot water	15.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	20.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	13.5	38.0	
Electricity																			
City dwellers	0.0	39.0	0.0	15.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	30.0	0.0	0.0	33.0	
Rural dwellers	0.0	37.0	0.0	15.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.2	2.2	0.0	0.0	61.2	
Transportation																			
Urban transport	0.0	33.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0	87.4	
Commuter transport	0.0	36.0	0.0	0.0	13.2	0.0	0.0	0.0	0.0	0.0	0.0	4.7	0.0	0.0	3.6	10.7	87.0	65.8	
Energy																			
Crude oil	10.7	0.0	19.1	14.1	12.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.2	0.0	0.0	59.7	87.2	
Natural gas 1/ Gasoline 2/	21.0	6.6	5.9	9.1	4.8	1.1	0.6	0.4	1.1	0.6	4.6	3.0	2.0	2.0	3.6	10.7	32.8	87.2	
Unleaded AI-76	10.7	0.0	19.1	14.1	12.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.2	0.0	0.0	52.9	87.2	
Leaded AI-93	10.7	0.0	19.1	14.1	12.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.2	0.0	0.0	55.3	87.2	
Diesel fuel 2/	10.7	0.0	19.1	14.1	12.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.2	0.0	0.0	40.0	0.0	
Fuel oil 2/	10.7	0.0	19.1	14.1	12.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.2	0.0	0.0	58.8	0.0	
Electricity (industrial tariff)																			
Use above 750 Kwh	25.4	6.6	6.0	3.0	7.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	52.9	0.0	
Use below 750 Kwh	25.4	6.6	6.0	3.0	7.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	46.5	0.0	
Heating (industrial users)	25.0	6.6	6.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	18.5	0.0	
Memorandum items:																			
Crude oil (1000 Rbl/ton)	1,525	1,525	1,818	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	59.7	0.0	
Natural gas (Rbl/cubic meter)	1,409	1,501	1,591	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	32.8	0.0	
CPI (percentage change)	13.3	6.6	2.3	4.3	5.0	4.5	1.4	1.0	5.0	3.2	1.8	2.3	3.9	3.1	3.3	39.3	63.1		

Sources: Ministry of Economy, and Fund staff estimates.

1/ Domestic resale.

2/ For preferred users.



Table 17. Belarus: Tariffs and Cost Coverage for Households, 1996-98

	January 1, 1996			January 1, 1997			September 1, 1997			April 1, 1998		
	Unit tariff 1/ (Rubels)	Unit tariff 2/ (Rubels)	Cost coverage (Percent)	Unit tariff 1/ (Rubels)	Unit tariff 2/ (Rubels)	Cost coverage (Percent)	Unit tariff 1/ (Rubels)	Unit tariff 2/ (Rubels)	Cost coverage (Percent)	Unit tariff 1/ (Rubels)	Unit tariff 2/ (Rubels)	Cost coverage (Percent)
Rent 3/ Heating	899	26,970	36	1,155	34,638	47	1,224	36,720	34	1,469	44,064	37
Water	3,105	93,150	68	3,993	119,784	61	4,868	146,040	51	4,868	146,040	45
Sewage	314	8,478	28	405	10,930	33	569	15,363	29	740	19,972	29
Hot water	309	8,343	32	398	10,743	40	559	15,093	35	727	19,621	37
Radio	9,314	27,942	57	11,977	35,932	51	14,603	43,809	29	14,603	43,809	25
Telephone	1,300	1,300	75	...	...	...	4,400	4,400	95	4,800	4,800	65
Television antenna	24,000	24,000	100	...	...	...	53,000	33,000	65	36,300	36,300	46
Gas	1,300	1,300	70	...	...	...	3,400	3,400	80	3,400	3,400	60
Electricity	3,569	10,707	54	4,222	12,666	72	10,186	30,558	65	14,260	42,780	86
Total	280	48,000	73	280	48,000	52	450	67,500	46	450	67,500	38
Winter 4/ Summer 5/ Average	...	250,190	59	...	...	...	...	403,083	45	...	435,486	43
Memorandum item: Energy utilities 6/	...	157,040	58	...	...	...	...	257,043	42	...	289,446	42
	...	203,615	59	...	...	...	...	330,063	44	...	362,466	43
	...	179,799	63	...	216,382	58	...	287,907	46	...	300,129	44

Sources: Ministry of Housing and Communal Services; Ministry of Economy, and Fund staff estimates.

1/ Per square meter for rent and heating; per cubic meter for water and sewage; per person for hot water and gas; per Kwh for electricity; and per household for radio, telephone, and TV antenna.

2/ The following assumptions are made to calculate rent and tariffs: 1) the area of a two-bedroom apartment is 30 square meters; and 2) each person consumes 9 cubic meters of water and 50 kwh of electricity per month.

3/ On December 1, 1996, a garbage disposal fee was introduced and is reflected in the higher rent.

4/ Including all services.

5/ Excluding heating.

6/ Including heating, hot water, electricity, and gas.

Table 18. Belarus: Average Monthly Wages, 1993-97  
(In rubels)

	1993	1994	1995	1996	1997
	(Annual survey) 1/				
Average	6,121	98,203	755,129	1,212,157	2,262,357
(Excluding collective farms)	6,369	104,275	803,141	1,287,374	2,423,621
Banks and insurance	12,902	214,865	1,612,084	2,206,532	4,548,450
Administration	7,587	124,837	1,192,259	1,749,663	3,233,397
Information and computing services	5,557	94,984	959,781	1,513,121	3,110,398
Construction	8,183	135,245	1,048,468	1,474,191	2,979,729
Transport	7,119	115,385	935,745	1,462,602	3,023,877
Industry	7,072	119,917	861,856	1,366,422	2,734,333
Science	5,876	96,880	815,598	1,353,925	2,619,565
Communication	6,076	94,679	919,400	1,351,527	2,304,456
Housing and communal services	5,351	86,685	752,864	1,203,367	2,144,400
Health	4,871	80,105	651,907	1,117,562	1,944,941
Forestry	5,080	75,628	727,899	1,099,660	2,004,419
Trade and catering	5,410	86,301	607,429	1,070,314	1,956,636
Education	4,820	78,810	594,554	1,015,356	1,854,200
Culture	4,323	66,707	517,685	893,280	1,585,604
Arts	4,469	68,246	516,556	859,082	1,576,500
Agriculture 2/	4,750	82,780	468,313	757,694	1,501,542
Memorandum item:					
Collective farms	4,568	59,122	436,762	699,691	1,188,279
	(Percentage change from the previous year)				
Average	1,107	1,504	669	61	88
(Excluding collective farms)	1,104	1,537	670	60	88
Banks and insurance	1,320	1,565	650	37	100
Administration	1,275	1,345	855	47	33
Information and computing services	1,299	1,609	910	58	76
Construction	1,167	1,553	675	41	95
Transport	1,159	1,521	711	56	76
Industry	1,074	1,596	619	59	98
Science	1,209	1,549	742	66	93
Communication	1,161	1,458	871	47	42
Municipal housing authority	1,061	1,520	769	60	76
Health	1,052	1,545	714	71	79
Forestry	985	1,389	862	51	81
Trade and catering	1,277	1,495	604	76	75
Education	1,014	1,535	654	71	83
Culture	1,077	1,443	676	73	77
Arts	1,117	1,427	657	66	85
Agriculture 2/	1,103	1,222	646	62	76
Memorandum item:					
inflation (measured by the CPI)	1,190	2,221	709	53	64

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

1/ The average monthly wage of workers for 1992-95 provided the basic annual data observations for full-year accounting of enterprises; basic monthly data observations are used from January to December, excluding very small businesses. Data calculated using full-year denominator. Wages are ranked by their level in 1997.

2/ Including collective farms.

Table 19. Belarus: Price and Wage Developments, 1993-98

(Percentage change from previous period)

	1993		1994		1995		1996		1997				1998	
									QI	QII	QIII	QIV	Year	QI
Consumer prices	1,190	2,221	709	53	264	13	8	9	64	9	64	9	9	9
Change at end-of-period	1,996	1,960	244	39	24	14	7	7	63	7	63	7	63	11
Goods	1,979	1,936	220	41	22	16	7	8	63	8	63	8	63	11
Food	2,149	2,109	213	43	24	17	6	8	66	6	66	8	66	12
Non-food	1,766	1,566	259	30	18	10	8	7	49	8	49	7	49	8
Services	2,206	2,241	477	30	31	7	14	5	66	7	66	5	66	9
Industrial producer prices	1,536	2,171	462	34	39	21	8	7	89	21	89	7	89	10
Change at end-of-period	2,316	1,867	122	31	44	16	6	7	91	16	91	7	91	11
Industrial goods	2,450	1,848	102	26	53	16	3	7	95	16	95	7	95	11
Consumer goods	2,006	1,921	173	42	29	17	12	9	84	17	84	9	84	10
Minimum wage (end-of-period)	900	900	200	6	16	24	20	20	88	16	88	20	88	16
Average monthly wage	1,107	1,504	669	61	6	6	11	10	14.5	6	14.5	10	14.5	6
Real wage	-7	-31	-5	5	-5	6	11	10	14.5	6	14.5	10	14.5	6
Memorandum items:														
Average monthly wage (in rubels)	6,121	98,203	755,129	2,212,157	1,634,718	2,629,270	2,438,515	2,918,267	2,202,357	2,629,270	2,438,515	2,918,267	2,202,357	3,372,447
Minimum wage (in rubels, end-of-period)	2,000	20,000	60,000	120,000	130,000	150,000	100,000	200,000	200,000	130,000	100,000	200,000	200,000	250,000
Real average monthly wage index (1991=100)	82	57	54	57	55	58	65	71	65	55	58	71	65	76

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

Table 20. Belarus: Money Income and Expenditures of Population, 1995-98  
(In billions of rubels; unless otherwise indicated)

	1995	1996	1997	1998 Q1
Money incomes	76,524	136,979	234,612	60,992
Salaries and wages of workers, and employees of collective farms	40,271	68,378	130,192	29,032
Remuneration from sales of agricultural products	1,093	1,726	3,308	732
Pensions, benefits, and scholarships	13,015	20,344	36,287	10,430
Receipts from financial system	3,150	7,278	16,705	1,053
Revenues of population from officially unaccounted business and other activities	18,995	39,253	48,120	18,847
Expenditures	73,745	134,801	229,122	59,456
Consumption of goods and payments for services	52,385	100,033	187,095	44,536
Taxes and other obligatory payments and voluntary contributions	4,601	7,903	17,489	3,850
Accumulation of savings in deposits, securities and foreign currency purchases	16,759	26,865	24,538	11,070
Unallocated income	2,779	2,178	5,490	1,536
	(As a percent of income)			
Wages, salaries, and other incomes	53	50	55	48
Unaccounted business and other activities	25	29	22	31
Saving rate 1/	23	21	11	20

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

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

Table 21. Belarus: Labor Market Indicators, 1993-98

	1993	1994	1995	1996	1997	1998 Q1
	(In thousands of persons)					
Employment 1/	4,828.0	4,701.0	4,410.0	4,365.0	4,370.0	4,235.0
Job leavers	705.0	721.0	799.0	769.0	779.2	187.6
Jobs taken up	628.0	551.0	585.0	678.0	797.0	195.8
Number of unemployed at the end of the period 2/						
Officially recognized	66.0	101.0	131.0	182.0	126.2	118.2
<i>Of which</i>						
Benefit recipients	35.0	52.0	69.0	85.0	49.4	50.4
Activity of the Employment Bureau						
Applications from job seekers	185.0	205.0	232.0	300.0	271.4	63.4
Placements	97.0	106.0	119.0	150.0	207.7	44.5
Vacancies	13.0	18.0	11.0	16.0	29.4	39.9
Unemployment rate (in percent) 3/	1.4	2.1	2.7	3.9	2.8	2.6
<i>Of which</i>						
Benefit recipients (in percent)	0.7	1.1	1.4	1.8	1.1	1.1
	(In percent)					
Memorandum items:						
Economically active population 4/	5,133.0	5,008.0	4,721.0	4,721.0	4,696.0	...
Labor force participation rate 5/	49.8	48.6	45.9	46.1	40.1	...
Economically active population as share of working-age population	89.9	87.5	82.4	82.3	81.8	...
Share of women in the labor force 6/	53.5	53.9	54.5	53.6	...	...
Share of women in total number of unemployed	66.3	63.7	64.3	63.8	66.6	...

Sources: Belarussian authorities; and Fund staff estimates.

1/ Average employment during the year for annual data; end-of-period data for March 1998

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

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

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

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

6/ Excluding collective farms.

Table 22. Belarus: Average Monthly Employment by Branches, 1993-98

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
	(In thousands)																	
	(Percentage change over previous period)																	
Annual survey 1/	4,828	4,701	4,410	4,365	4,370	...	-2.6	-1.3	-2.6	-6.2	-1.0	-0.1	...	...	...	...	...	...
Monthly survey 2/	4,318	4,124	3,813	3,685	3,703	3,670	-3.8	-3.4	-4.5	-7.5	-3.4	-6.6	-2.3	...	...	...	...	...
Industry	1,364	1,294	1,160	1,081	1,072	1,068	-4.1	-4.8	-5.1	-10.4	-6.8	-0.9	-1.2	...	...	...	...	...
Agriculture 3/	940	882	803	759	718	661	-4.3	-5.1	-6.2	-9.0	-5.5	-2.8	-8.7	...	...	...	...	...
Construction	374	336	278	248	253	255	-5.6	-2.9	-10.2	-17.3	-10.8	2	-4.7	...	...	...	...	...
Transport and communication	308	297	280	277	279	283	-3.3	-7.2	-3.6	-5.7	-1.1	0.7	4.2	...	...	...	...	...
Trade and related services 4/	270	253	223	216	227	236	-7.4	-5.9	-6.3	-11.9	-3.1	5.1	-2.4	...	...	...	...	...
Communal services 4/	101	104	110	126	128	131	0.1	-4.7	3.0	5.8	13.5	1.6	-0.4	...	...	...	...	...
Health and social services	255	261	260	264	271	276	1.2	3.2	2.4	-0.4	1.5	2.7	0.4	...	...	...	...	...
Education, culture, and science	463	466	461	471	189	504	-2.5	-2.5	0.6	-1.1	2.2	3.8	-0.6	...	...	...	...	...
Banks and insurance	33	39	45	45	46	47	6.9	6.5	18.2	15.4	0.0	2.2	1.6	...	...	...	...	...
Administration	66	70	73	75	75	77	5.2	10.0	6.1	4.3	2.7	2.0	8.4	...	...	...	...	...
Other 4/	144	122	120	124	445	132	-8.2	17.1	-15.3	-1.6	3.3	4.8	0.4	...	...	...	...	...
	(Share in total) 2/																	
	(Percentage change of share in total)																	
Industry	31.6	31.4	30.4	29.3	28.9	29.1	...	-1.5	-0.7	-3.0	-3.6	-1.3	...	...	...	...	...	...
Agriculture	21.8	21.4	21.1	20.6	19.4	18.0	...	-1.7	-1.8	-1.5	-2.2	-5.9	...	...	...	...	...	...
Construction	8.7	8.1	7.3	6.7	6.8	6.9	...	0.5	-5.9	-10.5	-7.7	1.5	...	...	...	...	...	...
Transport and communication	7.1	7.2	7.3	7.5	7.5	7.7	...	-4.0	1.0	2.0	2.4	0.2	...	...	...	...	...	...
Trade and related services 4/	6.3	6.1	5.8	5.9	6.1	6.4	...	-2.6	-1.9	-4.7	0.2	4.6	...	...	...	...	...	...
Communal services 4/	2.3	2.5	2.9	3.4	3.5	3.6	...	-1.4	7.8	14.4	18.5	1.1	...	...	...	...	...	...
Health and social services	5.9	6.3	6.8	7.2	7.3	7.5	...	6.8	7.2	7.7	5.1	2.2	...	...	...	...	...	...
Education, culture, and science	10.7	11.3	12.1	12.8	5.1	13.7	...	0.9	5.4	7.0	5.7	-60.1	...	...	...	...	...	...
Banks and insurance	0.8	0.9	1.2	1.2	1.2	1.3	...	10.2	23.7	24.8	3.5	1.7	...	...	...	...	...	...
Administration	1.5	1.7	1.9	2.0	2.0	2.1	...	13.8	11.0	12.8	6.3	-0.5	...	...	...	...	...	...
Other 4/	3.3	3.0	3.1	3.4	12.0	3.6	...	21.2	-11.3	6.4	6.9	257.1	...	...	...	...	...	...
Total	100.0	100.0	100.0	100.0	100.0	100.0	...	...	...	...	...	...	...	...	...	...	...	...

Source: 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/ Based on monthly survey data, which accounted for approximately 90 percent of the employment covered by the annual survey of 1993.

3/ Approximately two thirds from collective farms.

4/ Data for 1993 through 1996 reflect reclassification.

Table 23. Belarus: Enterprise Profits and Losses, 1993-98

	1993	1994	1995	1996	1997	1998 Q1
Profitability of profitable enterprises 1/						
Total economy	17.4	20.7	9.9	9.7	10.6	6.2
Industry	22.7	29.0	10.1	10.6	13.2	9.9
<i>Of which</i>						
Power generation	-1.3	3.9	-0.8	2.7	3.9	1.8
Refineries	30.9	30.9	18.1	24.4	24.4	12.0
Ferrous metallurgy	31.1	38.6	8.0	12.0	14.3	16.6
Chemicals	39.1	40.2	13.9	10.4	14.6	12.2
Petrochemicals	22.9	14.6	1.7	9.4	10.6	4.9
Machine building	22.9	38.5	9.2	9.1	15.5	11.7
Wood and paper	33.1	40.7	16.9	13.4	17.2	14.1
Construction materials	16.4	17.9	11.4	5.9	9.5	2.2
Light industry	35.4	43.6	11.7	11.0	14.4	13.0
Food industry	13.8	14.6	11.7	12.8	11.9	5.3
Agriculture						
Collective farms	9.4	12.9	18.2	11.8	18.4	17.7
State farms	7.5	12.1	11.8	8.7	10.8	8.4
Number of loss-making enterprises 2/ (In percent)						
Total	502	618	1,571	1,737	1,467	3,309
<i>Of which</i>						
Industry	42	46	192	324	262	535
Agriculture 3/	128	179	380	430	244	711
Loss-making enterprises (Share in percent of total within category)						
Total economy	6.2	7.3	17.9	18.4	13.7	30.0
Industry	2.9	3.1	11.6	17.6	12.5	25.1
<i>Of which</i>						
Power generation	20.0	20.0	25.0	...	...	25.6
Refineries	...	...	...	...	...	...
Ferrous metallurgy	...	...	...	...	...	5.9
Chemicals	...	2.9	9.1	11.1	2.5	7.3
Petrochemicals	...	...	9.1	...	...	20.0
Machine building	0.6	1.8	10.2	13.4	7.9	19.0
Wood and paper	...	...	8.7	9.1	7.9	15.0
Construction materials	5.3	13.2	19.1	33.8	25.3	48.8
Light industry	9.7	0.9	18.5	39.0	25.1	38.2
Food industry	1.3	2.5	8.2	9.8	7.7	26.5

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

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

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

3/ Includes state and collective farms.

Table 24. Belarus: Profit-Making Enterprises by Branch, 1995-97

	1995			1996			1997					
	Profitability in percent		Number of profitable enterprises	Profitability in percent		Number of profitable enterprises	Profitability in percent		Number of profitable enterprises			
	0-20	21-50 over 51		0-20	21-50 over 51		0-20	21-50 over 51				
Refineries	100	0	3	50	50	0	4	0	100	0	2	
Ferrous metallurgy	44	44	9	67	33	0	12	38	56	6	16	
Chemicals	58	35	26	74	26	0	31	62	32	6	37	
Petrochemicals	56	44	9	44	56	0	9	90	10	0	10	
Machine building	56	34	344	72	26	2	426	75	23	2	503	
Wood and paper	45	51	182	73	26	1	195	67	31	2	215	
Construction materials	81	18	101	94	6	0	87	92	7	1	112	
Light industry	66	29	199	78	19	3	149	82	17	1	200	
Food processing	70	24	299	80	16	4	291	83	14	3	371	
Other	60	30	195	70	26	4	199	76	21	3	212	
Total	839	433	95	1,367	1,054	313	36	1,403	1,292	349	37	1,678
Total number of industrial enterprises surveyed	...	...	...	1,656	...	...	...	1,843	...	...	...	2,099
Share of profitable enterprises 1/	...	...	...	83	...	...	...	76	...	...	...	80

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

1/ The number of non-profitable enterprises in the survey may not necessarily equal the loss-making enterprises of table 23 because of the different samples used (losses are measured from enterprises' balance sheets).



Table 25. Belarus: Interenterprise Arrears, 1995-98  
(End-of-period stocks in current prices)

	1995	1996	1997	<u>1998</u> <u>Q1</u>	1995	1996	1997	<u>1998</u> <u>Q1</u>
	(In billions of rubels)				(In percent of GDP)			
Overdue accounts receivable								
Total	18,217	31,238	41,656	40,999	15.2	17.0	11.9	32.7
Industry	5,242	14,529	20,354	19,673	4.4	7.9	5.8	15.7
Agriculture	499	678	900	1,417	0.4	0.4	0.3	1.1
Construction	1,041	1,314	1,510	1,912	0.9	0.7	0.4	1.5
Transport	6,373	9,061	11,149	10,324	5.3	4.9	3.2	8.2
Communications	...	...	184	193	...	...	0.1	0.2
Trade and public catering	343	306	410	493	0.3	0.2	0.1	0.4
Supply and sales	497	633	809	865	0.4	0.3	0.2	0.7
Housing and communal services	4,212	4,417	6,147	5,926	3.5	2.4	1.8	4.7
Overdue accounts payable 1/								
Total	24,327	33,590	47,224	57,916	20.3	18.2	13.5	46.2
Industry	8,032	18,812	25,753	25,100	6.7	10.2	7.3	20.0
Agriculture	1,649	3,978	6,659	7,510	1.4	2.2	1.9	6.0
Construction	848	1,246	1,443	1,931	0.7	0.7	0.4	1.5
Transport	6,575	3,460	4,486	7,746	5.5	1.9	1.3	6.2
Communications	...	...	52	95	...	...	...	...
Trade and public catering	808	970	1,510	1,701	0.7	0.5	0.4	1.4
Supply and sales	314	561	935	1,243	0.3	0.3	0.3	1.0
Housing and communal services	6,014	4,378	6,202	6,331	5.0	2.4	1.8	5.1
Memorandum item:								
GDP (billions of rubels)	...	...	...	...	119,813	184,174	351,043	125,366

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

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

Table 26. Belarus: Sectoral Distribution of Energy Debts of Enterprises, 1996-98 1/  
(In billions of rubels)

	January 1, 1996			January 1, 1997			January 1, 1998			April 1, 1998					
	Total	Gas	Oil Electricity	Total	Gas	Oil Electricity	Total	Gas	Oil Electricity	Total	Gas	Oil Electricity			
Domestic debts	13,754	10,102	221	23,537	15,208	401	7,394	23,537	15,208	401	7,394	31,438	18,898	4	10,858
Industry	7,841	5,380	29	13,805	7,829	32	5,823	13,805	7,829	32	5,823	18,992	10,111	4	8,295
Agriculture	506	112	28	1,354	251	32	1,004	1,354	251	32	1,004	2,091	418	0	1,584
Transportation, including pipelines	88	3	4	117	3	2	108	117	3	2	108	191	5	0	172
Communications	0	0	0	2	0	0	2	2	0	0	2	1	0	0	1
Construction	51	11	1	34	77	14	53	77	14	2	53	124	22	0	86
Trade and public catering	7	1	1	5	65	0	63	65	0	0	63	16	0	0	13
Supply and sale	429	9	154	11	519	3	11	519	3	320	11	778	4	0	17
Housing and communal services	4,820	4,584	4	7,583	7,107	13	317	7,583	7,107	13	317	9,222	8,337	0	668
Other	12	2	0	15	1	0	13	15	1	0	13				
Foreign debts	6,838	6,487	118	3,854	3,257	102	493	3,854	3,257	102	493	5,583	4,374	86	1,082
Industry	352	1	117	593	0	90	492	593	0	90	492	1,189	0	86	1,082
Agriculture	...	...	...	0	0	0	0	0	0	0	0	0	0	0	0
Transportation, including pipelines	6,486	6,486	0	3,257	3,257	0	0	3,257	3,257	0	0	4,374	4,374	0	0
Communications	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Construction	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Trade and public catering	0	0	0	1	0	0	1	1	0	0	1	0	0	0	0
Supply and sale	0	0	0	2	0	2	0	2	0	2	0	2	0	0	0
Housing and communal services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Domestic debts by sector															
Industry	57	53	13	79	51	8	79	59	51	8	79	60	54	100	76
Agriculture	4	1	13	6	2	8	14	6	2	8	14	7	2	0	15
Foreign debts by sector															
Industry	5	0	99	15	0	88	100	15	0	88	100	21	0	100	100
Transportation, including pipelines	95	100	0	85	100	0	0	85	100	0	0	78	100	0	0
Memorandum items:															
Domestic Energy debts	11	8	0	13	8	0	4	7	4	0	2	5	3	0	2
Foreign Energy debts	6	5	0	2	2	0	0	1	1	0	0	1	1	0	0

(As a percent of domestic debts, total and by type of energy)

(As a percent of foreign debts, total and by type of energy)

(In percent of GDP) 2/

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

1/ These debts are not necessarily overdue.

2/ For the first quarter of 1998, GDP is annualized.

Table 27. Belarus: Summary of General Government Operations (Old Presentation), 1993-97  
(In billions of rubels)

	1993	1994	1995	1996	1997
<b>1. State Budget</b>					
Revenue	361	6,493	35,018	50,074	111,736
Expenditure	395	7,244	37,957	53,265	115,875
Balance	-34	-751	-2,939	-3,191	-4,138
<b>2. Social Funds</b>					
Revenue	109	1,708	13,023	20,275	39,195
Expenditure	109	1,562	12,944	19,976	36,953
Balance	-1	146	79	300	2,242
<b>3. Extrabudgetary Funds</b>					
Revenue	70	486	4,411	6,351	13,136
Expenditure	57	447	4,057	6,519	12,645
Balance	13	40	354	-168	490
<b>4. General Government 1/</b>					
Revenue	535	8,463	51,203	75,410	162,003
Taxes on income and profits	133	2,465	11,634	12,678	27,985
Social security and payroll taxes	126	1,737	14,219	21,985	41,465
Taxes on goods and services	178	3,209	15,350	24,259	52,600
Other revenue	97	1,052	9,999	16,488	39,953
Expenditure	554	8,916	53,440	78,370	164,410
Interest payments	8	77	961	1,252	1,830
Subsidies	156	1,131	4,078	5,379	12,913
Social protection	117	1,998	15,434	22,954	41,988
Education and health	104	1,973	12,415	20,601	41,521
Defense	26	302	1,734	2,875	5,681
Lending	12	416	1,928	599	2,362
Other expenditure and adjustm. 2/	130	3,018	16,890	24,711	58,115
Balance (cash basis)	-18	-452	-2,237	-2,960	-2,408
Financing	18	452	2,237	2,960	2,408
Foreign financing	9	-154	-589	96	1,272
Domestic financing	8	554	2,518	2,857	960
Banking system	8	554	2,518	2,857	960
Privatization receipts	1	53	307	7	176
<b>Memorandum items:</b>					
Expenditure arrears (end-period)	...	...	2,510	4,237	1,308
General government revenue, excl. Social Protection Fund	425	6,581	37,331	57,013	126,065
General government expenditure, excl. Social Protection Fund	448	7,404	40,761	58,842	128,517
Nominal GDP	986	17,815	119,813	184,174	351,043

Sources: Belarussian authorities; and Fund staff estimates.

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

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

Table 28. Belarus: Summary of General Government Operations (New Presentation), 1996-98  
(In billions of rubels)

	1996	1997 1/	1998	
			Budget	Q 1
<b>I. State Budget</b>				
Total revenue, incl. Budgetary Funds	59,699	...	165,665	41,367
Revenue and transfers	50,080	...	142,310	36,669
Revenue, excl. budgetary Funds	48,809	...	142,310	36,669
Current revenue	48,150	...	139,149	36,372
Current tax revenue	44,108	...	129,600	32,856
Direct taxes on income and profits	12,638	...	35,435	9,294
Taxes on wage fund	3,821	...	3,976	1,390
Taxes on goods and services	21,601	...	68,167	16,675
Property tax	1,852	...	7,832	1,595
Custom duties	3,169	...	12,552	2,565
Other taxes, fees and duties	1,027	...	1,638	1,337
Current nontax revenues	4,042	...	9,548	3,516
Capital revenue	660	...	3,161	296
Revenue of republican budgetary funds	4,055	...	12,305	3,148
Revenue of local budgetary funds	5,564	...	11,050	1,550
Total expenditure, incl. budgetary funds	63,346	...	182,346	41,335
State and local governments	1,882	...	6,196	1,301
Foreign activity	292	...	2,732	78
Defense	2,264	...	6,148	1,522
Law, order and security	3,554	...	10,147	2,521
Prosecution	127	...	383	87
Science	845	...	2,698	511
Industry, energy and construction	675	...	3,428	513
Agriculture	1,996	...	6,402	2,155
Nature preservation, cartography and weather services	730	...	2,119	519
Transport	1,427	...	3,140	955
Development of market infrastructure	3	...	147	7
Housing	2,489	...	6,785	1,956
Emergency funds	4,219	...	10,419	2,049
Education	10,640	...	34,318	7,999
Culture and arts	803	...	2,258	598
Media	520	...	1,204	283
Health	9,318	...	26,108	6,217
Social policies	4,046	...	10,169	2,448
Servicing of state debt	1,227	...	4,375	690
Increase of state reserves	638	...	4,041	1,093
Other	1,581	...	3,143	861
"Brest"	0	...	108	5
Capital investment	4,451	...	12,524	2,710
Expenditure of budgetary funds	9,619	...	23,355	4,257
<b>2. Social Protection Fund</b>				
Revenue	19,687	...	51,589	13,967
Of which transfers from the budget	1,290	...	3,797	779
Expenditure	19,528	...	51,589	13,493
<b>3. Consolidated budget (new classification)</b>				
Revenue	78,096	...	213,457	54,555
Expenditure 2/	81,049	...	230,057	54,693
Balance	-2,953	...	-16,600	-138
<b>Financing</b>				
Foreign financing, net 3/	2,953	...	16,600	138
Domestic financing	96	...	-1,400	512
	2,857	...	18,000	-373
<b>Memorandum item:</b>				
GDP	184,174	351,043	476,300	102,944

Sources: Belarussian the authorities; and Fund staff estimates.

1/ New presentation is not available.

2/ Adjusted for discrepancy between monetary and fiscal data.

3/ The 1998 budget figure includes the repayment to the National Bank of Belarus of the on-lent IMF credit; in the projection for 1998, it is included under domestic financing.

Table 29. Belarus: Summary of General Government Operations (Old Presentation), 1993-97  
(In percent of GDP, unless otherwise indicated)

	1993	1994	1995	1996	1997
State budget					
Revenue	36.6	36.4	29.2	27.2	31.8
Expenditure	40.0	40.7	31.7	28.9	33.0
Balance	-3.4	-4.2	-2.5	-1.7	-1.2
Social funds					
Revenue	11.1	9.6	10.9	11.0	11.2
Expenditure	11.1	8.8	10.8	10.8	10.5
Balance	-0.1	0.8	0.1	0.2	0.6
Extrabudgetary funds					
Revenue	7.1	2.7	3.7	3.4	3.7
Expenditure	5.7	2.5	3.4	3.5	3.6
Balance	1.3	0.2	0.3	-0.1	0.1
General government 1/					
Revenue	54.3	47.5	42.7	40.9	46.1
Taxes on income and profits	13.5	13.8	9.7	6.9	8.0
Social security and payroll taxes	12.8	9.8	11.9	11.9	11.8
Taxes on goods and services	18.1	18.0	12.8	13.2	15.0
Other revenue	9.9	5.9	8.3	9.0	11.4
Expenditure	56.2	50.0	44.6	42.6	46.8
Interest payments	0.8	0.4	0.8	0.7	0.5
Subsidies	15.8	6.3	3.4	2.9	3.7
Social protection	11.9	11.2	12.9	12.5	12.0
Health and education	10.5	11.1	10.4	11.2	11.8
Defense	2.6	1.7	1.4	1.6	1.6
Lending	1.2	2.3	1.6	0.3	0.7
Other expenditure and adjustment 2/	13.2	16.9	14.1	13.4	16.6
Balance (cash basis)	-1.9	-2.5	-1.9	-1.6	-0.7
Financing	1.9	2.5	1.9	1.6	0.7
Foreign financing	0.9	-0.9	-0.5	0.1	0.4
Domestic financing	0.9	3.1	2.1	1.6	0.3
Privatization receipts	0.1	0.3	0.3	0.0	0.1
Memorandum items:					
Quasi-fiscal deficit related to subsidized directed credits	...	...	...	-2.4	-3.0
General government revenue, excl. Social Protection Fund	43.1	36.9	31.2	31.0	35.9
General government expenditure, excl. Social Protection Fund	45.4	41.6	34.0	31.9	36.6
Expenditure arrears (end-period)	...	...	2.1	2.3	0.4
Nominal GDP (in billions of rubels)	986	17,815	119,813	184,174	351,043

Sources: Belarussian authorities; and Fund staff estimates.

1/ Total of State budget, Social funds, and Extrabudgetary funds, excluding interbudgetary transfers.

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

Table 30. Belarus: Summary of General Government Operations (New Presentation), 1996-98  
(In percent of GDP, unless otherwise indicated)

	1996	1997 1/	1998	
			Budget	Q 1
<b>1. State budget</b>				
Total revenue, incl. budgetary funds	32.4	...	34.8	40.2
Revenue and transfers	27.2	...	29.9	35.6
Current revenue	26.1	...	29.2	35.3
Current tax revenue	23.9	...	27.2	31.9
Direct taxes on income and profits	6.9	...	7.4	9.0
Taxes on wage fund	2.1	...	0.8	1.4
Taxes on goods and services	11.7	...	14.3	16.2
Property tax	1.0	...	1.6	1.5
Custom duties	1.7	...	2.6	2.5
Other taxes, fees, and duties	0.6	...	0.3	1.3
Current nontax revenues	2.2	...	2.0	3.4
Revenues from state property and entrepreneurs	0.6	...	0.6	1.7
Administrative fees and revenue	0.4	...	0.4	0.5
Fines	0.7	...	0.7	1.0
Other current nontax revenue	0.5	...	0.3	0.2
Capital revenue	0.4	...	0.7	0.3
Revenue of republican budgetary funds	2.2	...	2.6	3.1
Revenue of local budgetary funds	3.0	...	2.3	1.5
Total expenditure, incl. budgetary funds	34.4	...	38.3	40.2
State and local governments	1.0	...	1.3	1.3
Foreign activity	0.2	...	0.6	0.1
Defense	1.2	...	1.3	1.5
Law, order, and security	1.9	...	2.1	2.4
Prosecution	0.1	...	0.1	0.1
Science	0.5	...	0.6	0.5
Industry, energy, and construction	0.4	...	0.7	0.5
Agriculture	1.1	...	1.3	2.1
Nature preservation, cartography, and weather services	0.4	...	0.4	0.5
Transport	0.8	...	0.7	0.9
Development of market infrastructure	0.0	...	0.0	0.0
Housing	1.4	...	1.4	1.9
Emergency funds	2.3	...	2.2	2.0
Education	5.8	...	7.2	7.8
Culture and arts	0.4	...	0.5	0.6
Media	0.3	...	0.3	0.3
Health	5.1	...	5.5	6.0
Social policies	2.2	...	2.1	2.4
Debt service	0.7	...	0.9	0.7
State reserves	0.3	...	0.8	1.1
Other	0.9	...	0.7	0.8
Capital investment	2.4	...	2.6	2.6
Expenditure of budgetary funds	5.2	...	4.9	4.1
<b>2. Social Protection Fund</b>				
Revenue	10.7	...	10.8	13.6
Expenditure	10.6	...	10.8	13.1
<b>3. Consolidated budget (new classification)</b>				
Revenue	42.4	...	44.8	53.0
Expenditure 2/	44.0	...	48.3	53.1
Balance	-1.6	...	-3.5	-0.1
<b>Financing</b>				
Foreign financing, net 3/	1.6	...	3.5	0.1
Domestic financing	0.1	...	-0.3	0.5
	1.6	...	3.8	-0.4
<b>Memorandum items:</b>				
Quasi-fiscal deficit related to subsidized directed credits	-2.4	-3.0	-1.7	-4.0
GDP (in billions of rubels)	184,174	351,043	476,300	102,944

Sources: Belarussian authorities; and Fund staff estimates.

1/ New presentation is not available.

2/ Adjusted for discrepancy between monetary and fiscal data.

3/ The 1998 budget figure includes the repayment to the National Bank of Belarus of the on-lent IMF credit; in the projection for 1998, it is included under domestic financing.

Table 31. Belarus: State Budget, 1993-97  
(In billions of rubels)

	1993	1994	1995	1996	1997
Revenue	361	6,493	35,018	50,074	111,736
Taxes on income and profits	133	2,465	11,634	12,678	27,985
Individual income tax	26	473	3,300	5,297	11,372
Profit taxes	108	1,992	8,334	7,381	16,612
Chernobyl surcharge	28	319	2,753	3,821	5,629
Taxes on property	5	104	1,202	1,868	4,870
Domestic indirect taxes	153	2,613	13,337	20,872	48,113
VAT	100	1,780	9,934	14,284	33,498
Excises	44	688	2,806	6,336	14,615
Fuel tax	9	145	597	252	0
Taxes on international trade	25	596	2,013	3,387	9,280
Other taxes	1	18	267	453	745
Nontax revenue	16	378	3,812	6,995	15,115
Expenditure	395	7,244	37,957	53,265	115,875
Interest payments	8	77	961	1,252	1,830
Interest on domestic debt	3	15	180	840	1,228
Interest on foreign debt	5	62	781	412	603
Subsidies	83	1,131	4,078	5,379	12,913
Price differentials	33	367	1,219	1,048	2,935
State subsidies	24	486	1,476	1,430	3,497
Agricultural subsidies	14	222	1,264	2,800	5,772
Other subsidies	12	55	119	101	708
Transfers to other budgets	5	224	1,249	1,178	1,709
Transfers to households	54	436	2,490	2,978	5,034
Education	58	1,038	6,644	11,199	23,236
Health	46	935	5,770	9,402	18,285
Expenditure related to Chernobyl	40	492	3,002	4,165	7,548
Expenditure state reserves	5	134	835	668	3,463
Capital expenditure	24	310	1,558	2,135	9,984
Lending minus repayments	12	416	1,928	4	2,060
Other expenditure and adjustments 1/	59	2,050	9,440	14,905	29,812
Balance (cash basis)	-34	-751	-2,939	-3,191	-4,138
Financing	34	751	2,939	3,191	4,138
Foreign financing	9	-154	-589	96	1,272
Domestic financing	24	853	3,527	3,095	2,855
Banking system, net	24	853	3,220	3,088	2,679
Privatization receipts	1	53	307	7	176

Sources: Belarussian authorities; and Fund staff estimates.

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

Table 32. Belarus: State Budget, 1993-97

(In percent of GDP, unless otherwise indicated)

	1993	1994	1995	1996	1997
Revenue	36.6	36.4	29.2	27.2	31.8
Taxes on income and profits	13.5	13.8	9.7	6.9	8.0
Individual income tax	2.6	2.7	2.8	2.9	3.2
Profit taxes	10.9	11.2	7.0	4.0	4.7
Chernobyl surcharge	2.8	1.8	2.3	2.1	1.6
Taxes on property	0.5	0.6	1.0	1.0	1.4
Domestic indirect taxes	15.6	14.7	11.1	11.3	13.7
VAT	10.1	10.0	8.3	7.8	9.5
Excises	4.5	3.9	2.3	3.4	4.2
Fuel tax	1.0	0.8	0.5	0.1	0.0
Taxes on international trade	2.5	3.3	1.7	1.8	2.6
Other taxes	0.1	0.1	0.2	0.2	0.2
Nontax revenue	1.6	2.1	3.2	3.8	4.3
Expenditure	40.0	40.7	31.7	28.9	33.0
Interest payments	0.8	0.4	0.8	0.7	0.5
Interest on domestic debt	0.3	0.1	0.2	0.5	0.3
Interest on foreign debt	0.5	0.3	0.7	0.2	0.2
Subsidies	8.4	6.3	3.4	2.9	3.7
Price differentials	3.3	2.1	1.0	0.6	0.8
State subsidies	2.5	2.7	1.2	0.8	1.0
Agricultural subsidies	1.4	1.2	1.1	1.5	1.6
Other subsidies	1.2	0.3	0.1	0.1	0.2
Transfers to other budgets	0.5	1.3	1.0	0.6	0.5
Transfers to households	5.5	2.4	2.1	1.6	1.4
Education	5.9	5.8	5.5	6.1	6.6
Health	4.7	5.2	4.8	5.1	5.2
Expenditure related to Chernobyl	4.1	2.8	2.5	2.3	2.2
Expenditure state reserves	0.5	0.8	0.7	0.4	1.0
Capital expenditure	2.5	1.7	1.3	1.2	2.8
Lending minus repayments	1.2	2.3	1.6	0.0	0.6
Other expenditure and adjustments 1/	6.0	11.5	7.9	8.1	8.5
Balance (Cash basis)	-3.4	-4.2	-2.5	-1.7	-1.2
Financing	3.4	4.2	2.5	1.7	1.2
Foreign financing	0.9	-0.9	-0.5	0.1	0.4
Domestic financing	2.4	4.8	2.9	1.7	0.8
Banking system, net	2.4	4.8	2.7	1.7	0.8
Privatization receipts	0.1	0.3	0.3	0.0	0.1

Sources: Belarussian authorities; and Fund staff estimates.

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



Table 33. Belarus: Tax Arrears, 1993-98  
(In billions of rubels, unless otherwise indicated; end of period)

	1993	1994	1995	1996	1997	1998 Q1
Total tax arrears	7	180	2,509	3,923	...	...
State budget tax arrears 1/	7	119	1,364	1,722	1,400	1,969
Taxes on income and profits	3	62	339	231	...	665
Personal income tax	...	...	2	...	...	0
Profit tax	3	62	329	...	...	665
Enterprise income tax	...	...	7	...	...	0
Chernobyl tax	1	6	226	215	...	124
Taxes on property	...	2	126	443	...	221
Real estate tax	...	2	92	79	...	128
Land tax	...	...	34	364	...	93
Domestic taxes on goods and services	3	48	674	833	...	958
Value-added tax	3	39	531	546	...	821
Excises	1	7	73	40	...	97
Fuel tax	...	3	10	10	...	0
Natural resource tax	...	...	15	75	...	40
Forestry tax and other taxes	...	...	44	162	...	0
Social Protection Fund	...	61	960	1,783	2,000	...
Fund for Support of Agricultural Producers	...	...	185	418	...	287
Memorandum items:						
Total tax arrears						
(In percent of GDP)	0.7	1.0	2.1	2.2	...	...
Deferred taxes 2/	...	...	1	1,419	4,319	6,119

Sources: Belarussian authorities; and Fund staff estimates.

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

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

Table 34. Belarus: Social Funds, 1993-97

	1993	1994	1995	1996	1997
(In billions of rubels)					
<b>Social Protection Fund</b>					
Revenue	105	1,658	12,622	19,687	38,002
Pension fund contributions	96	1,383	10,833	17,724	34,966
Transfers from state budget	5	224	1,249	1,290	2,065
Other revenue	5	50	540	673	971
Expenditure	106	1,512	12,679	19,528	35,893
Pensions	75	991	8,940	15,164	27,098
Child allowances	10	100	524	914	2,131
Other expenditure	21	421	3,215	3,451	6,664
Balance	0	146	-57	159	2,109
<b>Employment Fund</b>					
Revenue	4	50	401	588	1,193
Employment fund contributions	2	35	278	440	870
Other revenue	1	15	122	148	323
Expenditure	4	50	265	447	1,060
Unemployment benefits	0	6	61	170	206
Other expenditure	4	44	204	277	855
Balance	0	1	135	141	133
<b>Consolidated Social Funds</b>					
Revenue	109	1,708	13,023	20,275	39,195
Expenditure	109	1,562	12,944	19,976	36,953
Balance	-1	146	79	300	2,242
(In percent of GDP)					
<b>Social Protection Fund</b>					
Revenue	10.7	9.3	10.5	10.7	10.8
Pension fund contributions	9.7	7.8	9.0	9.6	10.0
Transfers from state budget	0.5	1.3	1.0	0.7	0.6
Other revenue	0.5	0.3	0.5	0.4	0.3
Expenditure	10.7	8.5	10.6	10.6	10.2
Pensions	7.6	5.6	7.5	8.2	7.7
Child allowances	1.0	0.6	0.4	0.5	0.6
Other expenditure	2.1	2.4	2.7	1.9	1.9
Balance	0.0	0.8	0.0	0.1	0.6
<b>Employment Fund</b>					
Revenue	0.4	0.3	0.3	0.3	0.3
Employment fund contributions	0.2	0.2	0.2	0.2	0.2
Other revenue	0.1	0.1	0.1	0.1	0.1
Expenditure	0.4	0.3	0.2	0.2	0.3
Unemployment benefits	0.0	0.0	0.1	0.1	0.1
Other expenditure	0.4	0.2	0.2	0.2	0.2
Balance	0.0	0.0	0.1	0.1	0.0
<b>Consolidated social funds</b>					
Revenue	11.1	9.6	10.9	11.0	11.2
Expenditure	11.1	8.8	10.8	10.8	10.5
Balance	-0.1	0.8	0.1	0.2	0.6

Sources: Belarussian authorities; and Fund staff estimates.

Table 35. Belarus: Extrabudgetary Funds, 1993-97

	1993	1994	1995	1996	1997
	(In billions of rubels)				
State Foreign Exchange Fund					
Revenue	46	35	n.a.	n.a.	n.a.
Expenditure	44	25	n.a.	n.a.	n.a.
Balance	3	10	n.a.	n.a.	n.a.
Price Regulation Fund					
Revenue	37	17	n.a.	n.a.	n.a.
Expenditure	33	19	n.a.	n.a.	n.a.
Balance	5	-2	n.a.	n.a.	n.a.
Road Fund					
Revenue	23	434	2,944	3,680	8,233
Expenditure	25	378	3,059	3,700	7,689
Balance	-2	57	-115	-20	544
Agricultural Support Fund					
Revenue	n.a.	n.a.	1,467	2,470	4,903
Expenditure	n.a.	n.a.	1,258	2,618	4,956
Balance	n.a.	n.a.	209	-149	-54
Export Support Fund 2/					
Revenue	n.a.	n.a.	n.a.	201	n.a.
Expenditure	n.a.	n.a.	n.a.	201	n.a.
Balance	n.a.	n.a.	n.a.	0	n.a.
Other extrabudgetary funds 3/					
Net expenditure	-12	25	116	0	n.a.
Balance	12	-25	-116	0	n.a.
Consolidated extrabudgetary funds					
Revenue	70	486	4,411	6,351	13,136
Net expenditure	57	447	4,433	6,519	12,645
Balance	13	40	-22	-168	490
	(In percent of GDP)				
State Foreign Exchange Fund					
Revenue	4.7	0.2	n.a.	n.a.	n.a.
Expenditure	4.4	0.1	n.a.	n.a.	n.a.
Balance	0.3	0.1	n.a.	n.a.	n.a.
Price Regulation Fund					
Revenue	3.8	0.1	n.a.	n.a.	n.a.
Expenditure	3.3	0.1	n.a.	n.a.	n.a.
Balance	0.5	0.0	n.a.	n.a.	n.a.
Road Fund					
Revenue	2.4	2.4	2.5	2.0	2.3
Expenditure	2.5	2.1	2.6	2.0	2.2
Balance	-0.2	0.3	-0.1	0.0	0.2
Agricultural Support Fund					
Revenue	n.a.	n.a.	1.2	1.3	1.4
Expenditure	n.a.	n.a.	1.1	1.4	1.4
Balance	n.a.	n.a.	0.2	-0.1	0.0
Export Support Fund 2/					
Revenue	n.a.	n.a.	n.a.	0.1	n.a.
Expenditure	n.a.	n.a.	n.a.	0.1	n.a.
Balance	n.a.	n.a.	n.a.	0.0	n.a.
Other extrabudgetary funds 3/					
Net expenditure	-1.2	0.1	0.1	0.0	n.a.
Balance	1.2	-0.1	-0.1	0.0	n.a.
Consolidated extrabudgetary funds					
Revenue	7.1	2.7	3.7	3.4	3.7
Net expenditure	5.7	2.5	3.7	3.5	3.6
Balance	1.3	0.2	0.0	-0.1	0.1

Sources: Belarussian authorities; and Fund staff estimates.

1/ n.a. means that funds did not operate.

2/ The fund operated only in 1996.

3/ For 1993-96, estimates based on balances recorded in banking account data; revenue and expenditure of these funds may have accounted for about 5 percent of GDP.

Table 36. Belarus: General Government Debt, 1993-98  
(In billions of rubels, unless otherwise indicated; end of period)

	1993	1994	1995	1996	1997	1998 March
Total debt, net	6,960	13,042	18,623	17,884	31,751	34,134
Domestic debt, net 1/	-26	-219	1,223	3,066	1,749	763
Republican government 2/	-2	242	2,598	2,772	4,218	3648
Local governments	-7	-146	-535	-896	-2,469	-2884
Extrabudgetary accounts 3/	-17	-129	-136	...	...	...
Budgetary organizations 4/	0	-187	-704	...	...	...
Foreign debt 5/	6,986	13,261	17,400	14,818	30,002	33,371
Memorandum items:						
Domestic debt (in percent of GDP) 6/	-2.6	-1.2	1.0	1.7	0.5	0.2
Foreign debt (millions of U.S. dollars) 5/	1,014	1,251	1,513	956	976	991
Exchange rate (Rbl/U.S. dollar)	6,890	10,600	11,500	15,500	30,740	33,660

Sources: Belarussian authorities; and Fund staff estimates.

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

2/ From 1996, central government, including all 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/ Annual GDP for end-March 1998.

Table 37. Belarus: Monetary Survey, 1996-98  
(In billions of Belarusian rubels; end of period)

	1996		1997					1998										
	December		March		June		September		December		January		February		March		April	
	act.		act.		act.		act.		act.		act.		act.		act.		act.	
Accounting exchange rate (Rbl/US\$)	15,500		24,650		26,980		27,830		30,740		31,710		32,670		33,660		34,710	
<b>NET FOREIGN ASSETS</b>																		
Net foreign assets (convertible)	3,823		5,770		8,643		10,071		9,012		6,235		4,793		5,591		5,836	
Foreign assets	3,312		4,716		6,475		8,820		8,491		5,827		4,740		5,318		5,404	
Foreign liabilities	11,097		17,262		17,809		19,620		20,606		18,737		18,039		18,708		18,895	
Net foreign assets (nonconvertible)	-7,785		-12,545		-11,335		-10,799		-12,115		-12,910		-13,299		-13,391		-13,491	
foreign assets	511		1,053		2,169		1,251		521		408		53		273		433	
foreign liabilities	1,425		2,175		3,571		2,720		3,096		3,065		2,743		2,989		2,304	
	-914		-1,122		-1,402		-1,470		-2,576		-2,657		-2,690		-2,716		-1,872	
<b>NET DOMESTIC ASSETS</b>																		
Net domestic credit	23,514		28,501		32,521		39,848		48,768		49,098		52,824		56,131		62,124	
Net credit to general government	28,896		37,812		42,932		50,385		62,271		61,922		64,748		68,073		74,726	
Net claims on central government	6,914		7,911		8,119		7,003		12,745		12,315		13,101		12,966		14,147	
Gross credit to local government	6,909		7,890		8,101		6,995		12,723		12,280		13,052		12,925		14,130	
Claims on economy	4		21		18		8		22		36		49		41		17	
Claims on non-financial public enterprises	21,982		29,901		34,813		43,382		49,526		49,607		51,647		55,107		60,579	
Claims on private sector	9,344		12,145		13,260		14,194		18,666		18,267		19,587		21,129		23,083	
Claims on non-bank financial institutions	12,335		17,427		21,109		28,767		30,363		30,873		31,717		33,591		37,099	
Other items net	302		329		444		421		498		468		343		387		397	
Capital	-5,382		-9,311		-10,411		-10,537		-13,503		-12,824		-11,924		-11,942		-12,602	
Other net assets	-6,678		-7,700		-8,906		-9,830		-22,567		-13,411		-16,132		-16,283		-16,213	
	1,296		-1,611		-1,505		-707		9,064		587		4,208		4,341		3,611	
<b>BROAD MONEY</b>																		
Rubel broad money	27,337		34,271		41,164		49,919		57,779		55,333		57,617		61,721		67,961	
Currency outside banks	20,725		23,399		28,625		35,554		42,026		39,741		41,841		45,124		50,917	
Domestic currency deposits	6,199		7,031		8,832		10,002		12,300		11,101		12,188		12,236		14,579	
Foreign currency deposits	14,526		16,368		19,793		25,552		29,727		28,641		29,653		32,888		36,338	
	6,612		10,872		12,540		14,364		15,753		15,592		15,776		16,597		17,044	

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

Table 38. Belarus: Accounts of the National Bank of Belarus, 1996-98  
(In billions of Belarussian rubels; end of period)

	1998												
	December	January	February	March	April	May	June	September	December	January	February	March	April
Accounting exchange rate (Rbl/US\$)	15,500	24,650	26,980	27,830	30,740	31,710	32,670	33,660	34,710				
<b>National Bank of Belarus</b>													
<b>NET FOREIGN ASSETS</b>	925	537	2,406	2,718	2,542	962	-156	-33	-757				
Net foreign assets (convertible)	793	444	1,794	2,134	2,732	1,377	157	-155	-795				
Foreign assets	7,272	10,534	10,154	10,675	12,102	10,744	9,912	9,816	9,486				
Foreign liabilities	-6,479	-10,090	-8,360	-8,541	-9,370	-9,367	-9,756	-9,971	-10,281				
Net foreign assets (nonconvertible)	132	93	612	584	-191	-415	-312	122	38				
Foreign assets	139	100	619	592	230	303	485	505	151				
Foreign liabilities	-7	-7	-7	-8	-421	-718	-798	-382	-112				
<b>NET DOMESTIC ASSETS</b>	11,238	11,952	14,298	18,085	22,696	21,862	24,525	28,378	32,514				
Net domestic credit	14,348	17,777	20,588	24,605	29,656	29,375	31,507	34,897	38,980				
Net credit to general government	7,484	9,392	10,495	9,431	12,438	12,574	13,502	13,902	13,968				
Claims on non-financial public enterprises	112	105	102	101	101	101	101	100	102				
Claims on private sector	32	33	31	30	71	70	70	70	70				
Claims on banks	6,719	8,247	9,960	15,042	17,047	16,629	17,833	20,824	24,841				
Other items net	-3,110	-5,825	-6,290	-6,520	-6,961	-7,513	-6,981	-6,519	-6,467				
<b>RESERVE MONEY</b>	12,163	12,489	16,704	20,803	25,237	22,824	24,370	28,345	31,757				
Currency issue outside banking system	6,199	7,031	8,832	10,002	12,300	11,101	12,188	12,236	14,579				
Due to banks	5,675	5,143	6,947	10,058	12,414	10,759	11,266	15,184	16,009				
Required reserves	2,942	3,737	4,989	6,174	7,442	7,722	7,767	8,492	8,485				
Excess reserves	2,733	1,406	1,958	3,883	4,972	3,037	3,499	6,692	7,524				
Deposits of other sectors (excl. central govt.)	288	316	925	743	523	965	915	925	1,170				

Source: National Bank of Belarus.

Table 39. Belarus: Deposit Money Banks' Accounts, 1996-98  
(In billions of Belarusian rubels; end of period stocks)

	1996			1997			1998		
	December	March	June	September	December	January	February	March	April
Net foreign assets	2897.9	5233.0	6237.3	7352.6	6470.1	5272.5	4948.4	5623.8	6592.9
Net foreign assets (convertible)	2519.2	4272.4	4680.6	6686.3	5758.7	4449.3	4583.5	5473.1	6198.8
Assets (convertible)	3825.1	6727.9	7655.2	8944.7	8503.7	7992.8	8126.4	8892.2	9409.4
Liabilities (convertible)	-1305.9	-2455.5	-2974.6	-2258.3	-2745.0	-3543.5	-3542.9	-3419.1	-3210.5
Net foreign assets (non-convertible)	378.7	960.6	1556.7	666.3	711.4	823.1	365.0	150.7	394.1
Assets (non-convertible)	1286.2	2075.0	2951.7	2127.9	2866.4	2762.2	2257.2	2484.2	2153.8
Liabilities (non-convertible)	-907.5	-1114.4	-1395.0	-1461.7	-2155.0	-1939.1	-1892.3	-2333.4	-1759.7
Net domestic assets	17951.2	21691.5	25169.6	31820.6	38485.9	37995.2	39564.9	42936.9	45619.3
Net domestic credit	20474.8	25295.2	28907.2	36472.9	45619.0	44115.6	45207.3	49248.6	52287.1
Net credit to general government	-570.5	-1480.5	-2375.6	-2428.4	307.0	-258.4	-400.9	-936.0	179.7
Net credit to central government	-574.8	-1501.8	-2393.5	-2436.0	285.4	-294.0	-449.5	-977.4	162.9
Claims on local government	4.3	21.2	18.0	7.6	21.6	35.6	48.6	41.4	16.8
Claims on non-financial public enterprises (NFPE)	9232.3	12039.4	13157.5	14092.6	18564.6	18165.5	19485.9	21028.5	22981.1
Claims on private sector	12303.1	17394.0	21078.5	28737.3	30292.1	30802.1	31646.2	33520.7	37029.3
Claims on non-bank financial institutions (NBF)	302.3	329.1	443.4	421.2	497.6	467.7	343.4	386.9	396.9
Net claims on National bank (NBB)	-792.6	-2986.8	-3396.7	-4349.7	-4042.4	-5061.2	-5867.3	-4751.6	-8300.0
Other items net	-2523.6	-3603.7	-3737.6	-4652.3	-7133.1	-6120.4	-5642.4	-6311.7	-6667.8
Capital	-5276.8	-5883.4	-6466.8	-7212.5	-8924.7	-9021.1	-11330.1	-11657.3	-11786.7
Fixed assets	3351.9	3859.8	4324.4	4549.3	5135.0	5237.2	7803.7	7961.5	8233.8
Restricted deposits	-156.1	-299.8	-234.1	-303.1	-618.0	-581.7	-357.2	-281.2	-455.9
Interbank settlement (net)	2.2	-23.9	-24.8	-37.2	-600.8	-116.4	-157.3	-167.2	-179.7
Interbranch settlement (net)	-158.3	-275.9	-209.4	-265.9	-17.2	-465.3	-199.9	-114.1	-276.3
Liabilities to non-financial institutions, excluding central government	20849.1	26924.5	31406.9	39173.2	44956.1	43267.7	44513.3	48560.7	52212.2
Demand deposits (LC)	9240.1	10674.6	13160.3	17629.5	21051.7	18556.6	19234.8	22503.8	24285.2
Time and savings deposits (LC)	5016.7	5403.1	5737.2	7212.6	8171.9	9139.3	9522.2	9480.3	10904.8
Deposits (FC)	6592.3	10846.8	12509.4	14331.1	15732.4	15571.8	15756.3	16576.5	17022.3

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

Table 40. Belarus: National Bank's Directed Credits, 1995-98  
(In billions of rubels; end of period balances)

	1995		1996		1997			
	Q4		Q4		Q1	Q2	Q3	Q4
Directed credit	822.4		5,131.3		5645.2	7202.0	12221.6	13723.7
Agriculture	457.8		2,225.4		2723.2	2350.9	1849.1	1456.7
Trade	125.6		109.0		0.0	...	...	...
Industry	48.3		332.1		276.3	467.9	3809.3	5947.4
Housing	45.6		1,282.2		1807.9	3543.0	5738.3	7509.6
State emergency reserves	145.1		285.1		0.0	...	...	...
Other	...		897.5		837.8	840.2	824.9	810.0

Source: National Bank of Belarus.



Table 41. Belarus: Composition of Bank Lending by Type of Credit and Sector, 1993-98

	1993	1994	1995	1996	1997	1998 (Q1)	1993	1994	1995	1996	1997	1998 (Q1)
Total bank credit	230.5	3,176.8	8,771.8	21,488.5	48,505.8	53,997.7	100.0	100.0	100.0	100.0	100.0	100.0
Type of credit:												
Short-term credit	210.6	2,799.0	7,662.4	14,877.7	27,278.2	29,585.8	91.4	88.1	87.4	69.2	56.4	54.8
Industry	54.0	636.4	1,777.8	6,713.6	14,457.7	15,024.2	23.4	20.0	20.3	31.2	29.8	27.8
Agriculture	24.9	844.2	477.2	1,382.1	2,810.2	3,596.9	10.8	26.6	5.4	6.4	5.8	6.7
Construction	3.9	93.3	222.7	492.9	617.3	667.3	1.7	2.9	2.5	2.3	1.3	1.2
Trade and catering	20.5	355.1	1,113.0	2,285.9	4,340.7	4,351.9	8.9	11.2	12.7	10.6	8.9	8.1
Other	107.3	870.0	4,071.7	4,003.2	10,772.7	13,139.3	46.6	27.4	46.4	18.6	22.2	24.3
Long-term credit	19.9	377.8	1,109.4	6,610.8	21,127.6	24,411.9	8.6	11.9	12.6	30.8	43.6	45.2
Industry	4.5	181.1	83.3	2,718.3	6,961.1	8,395.4	2.0	5.7	0.9	12.7	14.4	15.5
Agriculture	2.0	37.9	92.1	146.1	639.2	690.5	0.9	1.2	1.0	0.7	1.3	1.3
Housing construction	11.9	133.0	321.7	1,322.0	7,821.9	10,198.2	5.2	4.2	3.7	6.2	16.1	18.9
Other	1.5	25.8	612.3	2,424.4	5,705.4	5,127.8	0.7	0.8	7.0	11.3	11.8	9.5
Type of borrower:												
Short-term credit	189.9	2704.0	6,766.9	14,877.7	27,378.1	29,585.8	82.4	85.1	77.1	69.2	56.4	54.8
State enterprises	122.9	1,725.2	4,417.4	6,769.7	11,574.5	11,312.4	53.3	54.3	50.4	31.5	23.9	20.9
Cooperatives	54.5	447.7	2,257.0	6,305.5	13,551.4	15,612.4	23.6	14.1	25.7	29.3	27.9	28.9
Private sector	11.0	523.5	38.4	861.9	1,329.2	1,326.4	4.8	16.5	0.4	4.0	2.7	2.5
Households	1.5	7.6	51.1	443.7	861.2	1,262.3	0.7	0.2	0.6	2.1	1.8	2.3
Other	...	...	3.0	496.9	61.8	72.0	0.0	0.0	0.0	2.3	0.1	0.1
Long-term credit	40.3	472.7	2,004.9	6,610.8	21,127.6	24,411.9	17.5	14.9	22.9	30.8	43.6	45.2
State enterprises	6.0	244.8	435.7	1,649.6	5,216.5	6,146.1	2.6	7.7	5.0	7.7	10.8	11.4
Cooperatives	1.6	2.9	76.9	2,453.7	4,905.8	5,575.0	0.7	0.1	0.9	11.4	10.1	10.3
Private sector	0.1	...	181.4	701.3	1,809.3	2,515.0	0.0	0.0	2.1	3.3	3.7	4.7
Households	11.4	130.1	225.8	1,246.2	8,017.3	8,959.2	4.9	4.1	2.6	5.8	16.5	16.6
Other	21.2	94.9	1,085.1	560.0	1,178.6	1,216.6	9.2	3.0	12.4	2.6	2.4	2.3

Source: National Bank of Belarus.

Table 42. Belarus: Auctions of National Bank of Belarus Credits, 1997-98

	Interest rate (annualized, percent)					Volume (billions of rubels)							
	Average	Seven days	Fifteen days	One month	Two months	More than two months	Total	Seven days	Twelve days	Fifteen days	One month	Two months	More than two months
1997													
January	--	--	--	--	--	--	--	--	--	--	--	--	--
February	--	--	--	--	--	--	--	--	--	--	--	--	--
March	--	--	--	--	--	--	--	--	--	--	--	--	--
April	--	--	--	--	--	--	--	--	--	--	--	--	--
May	--	--	--	--	--	--	--	--	--	--	--	--	--
June	--	--	--	--	--	--	--	--	--	--	--	--	--
July	--	--	--	--	--	--	--	--	--	--	--	--	--
August	--	--	--	--	--	--	--	--	--	--	--	--	--
September	--	--	--	--	--	--	--	--	--	--	--	--	--
October	40.5	(40,45)	40	--	--	--	30.0	26.0	4.0	--	--	--	--
November	38.1	(38,39,40)	--	--	--	--	227.9	227.9	--	--	--	--	--
December	--	--	--	--	--	--	--	--	--	--	--	--	--
1998													
January	--	--	--	--	--	--	--	--	--	--	--	--	--
February	--	--	--	--	--	--	--	--	--	--	--	--	--
March	--	--	--	--	--	--	--	--	--	--	--	--	--
April	--	--	--	--	--	--	--	--	--	--	--	--	--

Sources: National Bank of Belarus.

Table 43. Belarus: Auction of Securities, 1997-98

	Maturity (days)	Amount offered	Amount sold	Percent sold	Revenue raised	Price bids			Weighted average	Annualized yield (percent)	Monthly average yield (percent)	Number of participants
						low cut-off	high					
(Securities issued by the Ministry of Finance)												
1997												
Short-term securities												
14-Jan	134	190.0	178.4	93.9	159.1	83.0	88.7	90.1	89.2	33.1	2.8	14
28-Jan	149	487.0	486.0	99.8	424.3	81.0	86.3	89.0	87.5	35.0	2.9	13
11-Feb	351	100.0	99.6	99.6	71.5	63.4	71.3	72.2	71.8	40.9	3.4	12
25-Feb	155	380.0	331.6	87.3	285.9	84.0	85.5	88.9	86.2	37.7	3.1	11
4-Mar	337	317.0	316.6	99.9	227.9	66.3	71.5	73.0	72.0	42.2	3.5	12
25-Mar	190	375.0	284.8	76.0	234.9	74.7	82.1	83.5	82.5	40.8	3.4	12
1-Apr	190	430.0	427.8	99.5	352.6	76.2	82.1	83.3	82.4	41.0	3.4	13
29-Apr	309	250.0	246.5	98.6	183.5	72.0	74.3	75.2	74.5	40.5	3.4	16
27-May	309	250.0	229.1	91.6	170.6	68.9	73.8	76.5	74.5	40.5	3.4	15
3-Jun	260	350.0	318.3	91.0	247.0	73.5	77.4	78.3	77.6	40.6	3.4	14
7-Jun	290	350.0	188.6	53.9	141.7	73.7	74.7	75.7	75.1	41.7	3.5	10
25-Jun	133	800.0	799.9	100.0	695.4	82.1	83.7	87.6	86.9	41.5	3.5	11
29-Jul	232	425.0	411.4	96.8	327.3	78.9	79.4	80.1	79.6	40.4	3.4	13
12-Aug	267	350.0	337.2	96.3	260.3	73.2	75.9	77.6	77.2	40.4	3.4	12
26-Aug	274	350.0	350.0	100.0	272.4	76.0	77.6	78.3	77.8	38.1	3.2	9
2-Sep	274	500.0	500.0	100.0	389.5	77.4	77.7	78.3	77.8	38.0	3.2	13
16-Sep	274	750.0	750.0	100.0	584.4	77.6	77.6	78.2	77.8	38.0	3.2	13
30-Sep	274	570.0	362.9	63.7	285.7	76.9	78.5	79.0	78.7	36.0	3.0	12
7-Oct	288	520.0	520.0	100.0	405.4	76.0	77.9	78.8	78.0	35.9	3.0	16
9-Oct	314	500.0	500.0	100.0	381.8	76.4	76.4	76.4	76.4	36.0	3.0	1
21-Oct	288	550.0	550.0	100.0	429.4	77.6	77.9	78.1	77.9	35.9	3.0	9
29-Oct	316	850.0	850.0	100.0	649.3	75.3	76.2	76.3	76.2	36.0	3.0	5
3-Nov	317	600.0	600.0	100.0	457.1	76.2	76.2	76.2	76.2	36.0	3.0	1
4-Nov	323	650.0	285.1	43.9	216.3	71.0	75.8	76.2	75.9	35.9	3.0	11
2-Dec	358	500.0	500.0	100.0	360.2	70.8	71.7	73.9	72.0	39.6	3.3	10
Long-term securities												
14-Oct	913	500.0	375.7	75.1	394.1	51.3	90.0	93.1	92.8	... 1/	... 1/	6
11-Nov	912	400.0	400.0	100.0	403.6	66.7	89.8	96.0	92.5	... 2/	... 2/	5
1998												
Short-term securities												
15-Jan	321	600.0	162.2	27.0	120.2	67.3	74.0	74.7	74.2	39.5	3.3	12
27-Jan	330	600.0	110.7	18.4	81.0	68.9	73.0	73.9	73.5	39.9	3.3	9
3-Feb	337	700.0	187.0	26.7	136.5	63.3	72.9	73.3	73.0	40.1	3.3	12
10-Feb	337	600.0	64.5	10.7	47.0	67.0	72.9	73.0	72.9	40.2	3.4	9
17-Feb	337	700.0	109.6	15.7	79.8	60.5	72.7	73.0	72.8	40.5	3.4	12
10-Mar	323	700.0	114.0	16.3	78.9	64.9	67.9	69.5	69.0	50.9	4.2	15
17-Mar	323	700.0	91.2	13.0	62.9	60.0	67.3	68.1	67.7	53.8	4.5	14
24-Mar	323	700.0	700.0	100.0	486.0	63.5	67.3	67.7	67.3	55.0	4.6	11
31-Mar	323	700.0	700.0	100.0	500.5	63.3	67.3	68.5	67.5	54.5	4.5	15
7-Apr	323	700.0	250.4	35.8	176.7	60.0	70.2	72.0	70.6	47.2	3.9	16
14-Apr	323	700.0	700.0	100.0	503.6	65.3	71.5	71.8	71.6	44.8	3.7	9
21-Apr	323	300.0	165.1	55.0	118.4	65.3	71.5	71.8	71.6	44.8	3.7	9
(Securities offered by the National Bank)												
1997												
16-Jan	34	400.0	102.2	25.6	98.8	96.0	96.0	97.1	96.7	37.0	3.1	4
11-Mar	83	300.0	193.6	64.5	175.0	91.3	88.9	87.4	90.6	45.7	3.8	4
8-Apr	104	350.0	147.2	42.1	129.6	88.6	87.6	85.6	88.0	48.1	4.0	8
22-Apr	91	558.2	558.2	100.0	500.0	89.6	89.6	89.6	89.6	46.7	3.9	1
15-May	41	300.0	46.4	15.5	44.1	95.4	94.9	94.9	95.3	44.4	3.7	2
16-Jun	55	250.0	12.1	4.8	11.3	93.7	93.7	93.7	93.7	45.0	3.7	1
10-Jul	10	1.0	1.0	100.0	1.0	99.5	99.5	99.5	99.5	20.0	1.7	1

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

1/ Coupon rate: January 14 - 38.02%; April 14 - 36.78%; July 14, 1998 - 46.08%.

2/ Coupon rate: February 11, 1998 - 36.85%.

Table 44. Belarus: Minimum Reserve Requirements, 1993-97  
(In percent of eligible deposits; beginning of period)

Category of deposits:	1993			1994			1995			1996			1997	
	Feb	Mar	Apr	Oct	Mar	Jun	Jul	Aug	May	July	May	May	Sep	
Domestic currency deposits														
Commercial banks:														
Demand deposits	8-15	8-15	15	5.5	10	12	12	12	12	15	17	21		
Time deposits whose maturity is:														
less than one year	8-15	8-15	10	5.5	10	12	12	12	12	15/10/5	17/13/5	21/17/5		
between one and three years	8-15	8-15	10	5.5	10	12	12	12	12	5	...	...		
greater than three years	8-15	8-15	10	5.5	10	12	12	12	12	5	...	...		
Belarusbank	10	10-15	10-15	5.5	10	12	12	12	12	15/10/5	17/13/5	21/17/5		
Foreign exchange deposits	...	...	...	5.5	5.5	8	10	12	12	15/10/5	17/13/5	21/17/5		

Source: National Bank of Belarus.

Table 45. Belarus: Interest Rates of the National Bank of Belarus, 1997-98  
(In percent per annum; beginning of period)

	1997												1998				
	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May				
Mandatory reserves																	
Commercial banks	12	12	12	12	12	12	12	12	12	12	12	12	12	12			
Sberbank	21	21	21	21	19	18	18	20	20	20	25	22	22	22			
Correspondent account overdrafts	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
	126	126	126	126	114	108	108	120	...	...	...	...	...	...			
General government deposits	12	12	12	12	12	12	9	9	9	9	9	9	9	9			
Refinance rate	42	42	42	42	38	36	36	40	40	40	50	44	44	44			
Basic rate	42	42	42	42	38	36	36	40	40	40	50	44	44	44			
Average refinance rate	9	9	9	10	10	9	9	9	9	9	10	12	12	11			
Special refinance rate																	
Promstroibank	5-44	5-44	5-44	5-40	5-38	5-38	5-38	5-42	5-42	5-42	5-52	5-46	5-46	...			
Agroprombank	1-84	1-84	1-84	1-76	1-76	1-72	1-72	1-80	1-80	1-80	1-100	1-88	1-88	...			
Recapitalization of enterprises	5-60	5-84	5-84	4-76	4-76	4-72	4-72	4-80	4-80	4-80	4-100	4-88	4-88	...			
Individual farmers	1-21	1-21	1-21	1-19	1-18	1-18	1-18	1-20	1-20	1-20	1-25	1-22	1-22	...			
Housing	2-6.5	2-6.5	2-6.5	2-6.5	2-6.5	2-6.5	2-6.5	2-6.5	2-6.5	2-6.5	2-6.5	2-6.5	2-6.5	...			
Credit to Government 1/	42	42	42	42	38	36	36	40	40	40	50	44	44	44			

Source: National Bank of Belarus.

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

Table 46. Interest Rates on Commercial Banks' Time Deposits With the National Bank of Belarus, 1997-98  
(In percent per annum, beginning of period)

	Maturity (in days)						
	1	2-4	5-7	8-14	15-30	3-180	Above 180
Apr-97	...	...	21	21	35	35	35
May-97	...	...	21	21	35	35	35
Jun-97	...	...	21	21	35	40	40
Jul-97	19	25	25	25	38	40	40
Aug-97	6	10	20	25	30	35	42
Sep-97	14	16	26	30	34	36	38
Oct-97	8	14	24	28	32	34	36
Nov-97	20	24	24	28	28	34	36
Dec-97	20	24	24	28	28	34	36
Jan-98	43	43	43	45	45	47	50
Feb-98	30	33	33	35	35	38	40
Mar-98	32	34	34	37	40	43	50
Apr-98	0	28	28	32	36	40	44
May-98	0	18	22	22	26	29	33

Source: National Bank of Belarus.

Table 47. Belarus: Interest Rates on Bank Deposits, 1997-98  
(In percent per annum)

	1997												1998			
	Jan.	Feb.	March	April	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April
Deposits with commercial banks 1/ <i>Of which</i> : Belarusbank	15.6	15.7	16.1	16.2	15.7	15.9	16.0	16.1	15.1	14.5	14.6	14.2	14.8	15.3	16.5	15.8
Promstroibank	11.8	12.0	11.9	11.5	10.9	10.4	11.3	11.6	11.2	10.7	10.5	10.0	10.7	11.4	11.4	11.2
Agroptrombank	17.3	17.5	17.7	16.4	15.9	15.2	15.7	16.3	15.4	14.7	14.3	14.2	14.4	15.2	15.6	14.5
	16.2	16.2	16.5	18.4	18.3	19.9	19.6	19.8	18.0	17.9	18.3	17.7	18.7	18.8	21.0	19.4
New deposits 2/	25.9	29.1	32.0	26.5	34.8	36.4	35.9	22.7	19.0	24.1	23.6	29.5	34.0	34.6	37.3	32.5
Up to 1 month	30.3	32.3	35.0	36.3	36.2	40.2	38.3	31.6	25.1	32.4	29.6	32.2	35.1	34.3	36.5	31.9
1 to 3 months	36.0	35.5	37.6	34.3	36.2	36.1	37.5	36.0	34.2	34.3	34.4	35.4	33.8	38.4	39.3	37.0
3 to 6 months	40.0	30.3	27.7	27.8	26.8	34.9	37.0	38.4	37.4	34.6	34.5	36.6	38.0	39.8	42.8	37.4
6 to 12 months	46.8	43.6	43.0	31.5	41.8	45.3	44.8	37.0	41.4	39.7	40.3	41.7	40.3	43.5	45.1	40.9
1 to 3 years	57.6	32.1	42.2	38.8	40.5	46.7	47.2	48.6	41.1	36.2	34.3	30.0	40.3	42.0	46.1	42.0
More than 3 years	36.5	30.9	33.5	34.7	34.8	45.0	55.1	57.0	45.7	46.4	17.2	19.1	45.0	45.0	45.0	45.1

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 48. Belarus: Interest Rates on Bank Credit, 1997-98  
(In percent per annum; period average)

	1997												1998			
	Jan.	Feb.	March	April	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April
Average lending interest rate 1/	38.6	38.2	36.2	34.3	34.3	32.9	32.3	32.0	30.0	28.5	28.0	28.9	27.5	27.8	29.6	29.1
<i>Of which</i>																
Belarusbank	27.2	27.1	27.1	25.0	24.7	23.4	43.8	22.8	21.0	19.6	18.8	18.8	17.0	17.0	18.0	17.5
Promstroibank	47.2	45.7	44.4	44.4	44.4	43.6	43.8	45.2	44.8	43.3	41.5	40.8	41.3	41.2	44.4	44.7
Agroprombank	31.7	32.3	29.9	29.0	29.2	28.9	29.3	28.9	26.6	25.9	26.6	29.4	27.6	27.8	31.2	29.2
By forms of property																
Public	38.1	38.0	37.7	38.0	37.8	38.0	38.9	38.0	35.9	34.6	33.9	35.0	34.2	34.7	37.8	36.9
Collective	49.3	48.3	43.3	40.6	39.1	37.9	38.5	38.0	36.2	34.9	35.2	37.0	36.5	37.0	39.2	37.7
Private	21.0	19.4	19.0	19.0	17.4	12.0	14.6	14.0	12.5	11.4	10.7	10.6	48.6	44.4	46.2	46.8
Other	57.2	52.9	49.0	52.9	53.0	49.4	49.5	47.8	49.1	48.2	44.9	45.3	51.0	47.1	49.8	50.6
By type of business																
Industry	35.5	36.5	36.1	35.8	35.6	36.3	36.9	35.9	32.8	31.0	30.2	30.8	31.3	31.7	35.2	33.9
Agriculture	46.5	41.0	30.5	27.5	27.5	26.3	26.1	26.4	26.0	27.1	31.1	40.0	28.0	27.6	26.2	26.6
Forestry	70.2	61.3	26.1	51.1	54.8	56.5	62.7	55.2	55.7	55.3	67.9	52.8	51.6	48.5	51.9	53.1
Construction	34.4	32.7	29.5	30.9	27.8	17.2	26.2	30.4	29.0	25.1	27.0	26.3	44.4	45.1	47.5	49.4
Trade and Catering	56.5	55.1	54.5	54.2	53.9	53.1	52.5	51.3	49.5	47.7	46.2	45.8	47.1	47.3	49.3	49.5
Information services	64.1	54.2	54.6	57.2	52.5	49.5	48.1	42.0	42.3	43.8	43.4	44.9	47.5	50.8	52.3	53.1
Real estate transactions	66.4	66.2	66.1	65.6	64.9	65.0	65.0	65.7	66.1	24.1	8.1	10.1	53.7	52.1	55.7	55.2
Residential services	36.0	52.9	32.3	46.3	46.2	46.4	46.6	49.4	49.8	52.0	51.2	43.2	42.9	41.9	43.5	44.5
Other	53.7	51.0	50.7	51.7	50.7	49.0	49.1	47.4	46.8	45.2	43.7	43.4	45.2	45.2	46.7	48.1
Bank credit for																
Housing	7.2	6.6	6.4	6.5	6.2	6.0	5.8	5.7	5.4	5.4	5.4	5.3	5.4	5.7	5.9	5.7
Purchase of consumer goods	46.4	43.8	42.3	44.0	41.2	40.4	38.7	37.5	36.9	35.3	36.1	33.2	31.8	31.7	31.8	31.6
Other credit																
Interbank	22.0	25.9	28.0	24.9	24.9	24.9	23.8	22.8	19.7	18.6	18.9	20.5	40.7	40.3	36.8	23.8
Arrears	91.7	74.1	74.5	62.8	74.2	83.4	67.5	84.6	77.3	78.5	74.1	67.1	41.9	36.5	39.8	44.5
Term structure of lending rates on new loans 2/																
Up to 1 month	38.8	36.7	30.2	26.4	39.2	37.8	41.0	24.4	23.7	27.1	31.2	34.5	43.2	42.0	43.9	40.0
1 to 3 months	48.9	50.2	52.3	44.4	45.9	55.4	57.3	48.1	38.5	42.6	47.8	49.9	41.5	41.5	51.6	50.5
3 to 6 months	58.2	54.7	50.3	46.0	51.5	53.2	45.0	32.8	33.2	41.3	49.9	49.5	46.1	47.8	50.4	49.0
6 to 12 months	51.6	51.5	43.7	43.0	33.3	41.2	41.8	31.6	38.4	31.1	40.8	42.9	43.4	49.7	50.5	40.1
1 to 3 years	47.1	33.2	30.1	34.3	48.8	53.3	45.8	35.6	33.9	25.4	40.8	39.4	46.7	40.2	39.3	35.2
More than 3 years	43.0	40.2	36.8	40.0	48.3	44.1	32.5	32.3	36.6	37.6	38.4	24.6	27.4	38.4	36.2	45.0
7.9	17.9	9.0	12.2	13.8	12.9	10.2	10.2	9.2	10.0	24.3	23.2	15.7	12.8	9.4		

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 49. Belarus: Interest Rates on New Foreign Exchange Deposits and Credits, 1997-98  
(In percent per annum)

	1997												1998			
	Jan.	Feb.	March	April	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April
Credits 1/	6.0	5.3	5.8	5.7	5.8	5.8	17.3	6.2	6.8	5.6	5.9	5.4	17.3	18.3	18.5	19.6
Up to 1 month	26.8	11.7	4.2	7.1	13.9	7.3	26.0	13.9	10.3	7.9	12.4	8.7	14.1	16.0	15.4	25.5
1 to 3 months	11.1	5.8	15.4	10.1	10.7	14.2	16.6	13.7	13.6	11.1	11.2	9.3	18.3	14.2	21.0	21.0
3 to 6 months	16.3	17.2	19.5	22.7	15.9	12.0	14.8	24.1	12.6	14.0	14.5	19.9	20.1	19.4	18.7	20.7
6 to 12 months	23.1	21.2	24.8	24.9	24.1	18.5	17.5	28.9	29.7	23.9	14.1	15.6	20.9	20.7	18.6	17.6
1 to 3 years	16.4	21.9	24.2	15.6	20.0	21.6	22.0	17.9	13.1	12.7	18.0	10.4	13.1	19.0	18.1	16.9
More than 3 years	16.0	14.9	9.4	17.7	16.9	16.0	15.0	16.0	15.5	5.0	15.0	5.0	14.7	14.3	15.6	17.5
Deposits 1/	6.4	8.5	9.7	10.1	8.7	7.9	6.6	9.6	9.6	9.0	9.4	7.7	7.6	8.2	9.5	9.9
Up to 1 month	4.7	9.7	8.5	11.4	10.7	7.9	4.8	7.9	10.1	9.2	6.7	6.4	4.3	5.6	4.9	12.4
1 to 3 months	4.5	5.9	8.6	8.4	6.5	7.6	6.2	7.6	9.0	8.5	7.7	6.9	7.1	6.6	7.1	7.7
3 to 6 months	7.3	10.5	10.3	9.7	9.0	8.1	11.3	6.7	7.1	9.1	10.1	7.5	10.9	9.2	10.3	10.3
6 to 12 months	7.1	8.0	9.3	10.2	11.1	13.5	10.8	11.3	9.8	10.7	10.8	7.5	8.9	12.0	12.6	11.2
1 to 3 years	14.8	11.3	10.1	11.2	10.2	11.4	3.8	11.6	11.6	11.8	11.4	11.6	8.8	12.1	10.1	9.7
More than 3 years	26.9	27.3	27.3	4.5	...	7.6	4.0	...	10.3	7.0	11.2	7.7	19.0	...	12.0	12.0

Source: National Bank of Belarus.

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

Table 50. Belarus: Structural Characteristics of the Banking Sector, 1995-97  
(In percent of total; end-of-period)

	Former specialized banks	Belagroprom- bank	Belpromstroj- bank	Belvneshekonom- bank	Belarusbank	Other commercial banks
Share capital						
1996 December	49.2	7.5	19.3	10.6	11.8	50.8
1997 December	46.8	3.0	3.3	13.7	26.8	53.2
1998 March	43.4	2.8	3.0	12.7	24.9	56.6
Domestic currency loans						
1996 December	77.7	37.2	16.5	2.3	21.7	22.3
1997 December	84.8	34.2	11.8	2.0	36.8	15.2
1998 March	84.3	34.9	11.0	1.7	36.7	15.7
Domestic currency deposits						
1996 December	72.1	17.0	19.1	2.0	34.0	27.9
1997 December	70.3	13.5	18.6	3.0	35.2	29.7
1998 March	71.1	14.5	17.4	2.4	36.8	28.9
Refinancing from NBB						
1996 December	95.6	47.9	6.1	0.0	41.6	4.4
1997 December	99.7	40.4	0.8	0.1	58.4	0.3
1998 March	99.7	45.0	0.7	0.1	53.9	0.3

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

Table 51. Belarus: Commercial Banks, Selected Indicators, 1995-97

	1995		1996		1997		April 1998		1995-96		1996-97		1997-April 98	
	End-period balances (In billions of rubels)								(Percentage change)		(Percentage change)		(Percentage change)	
									Nominal	Real 1/	Nominal	Real 1/	Nominal	Real 1/
Capital fund	3,054.4	3,335.4	5,402.2	8,220.1	9.2	-21.6			62.0	-0.7	52.2	32.6		
Authorized funds	3,644.8	3,202.2	5,608.1	5,131.2	-12.1	-36.9			75.1	7.4	-8.5	-20.3		
Unrealized exchange rate gains	48.6	219.6	800.2	1,000.4	351.9	224.4			264.4	123.4	25.0	8.9		
Retained profits	-134.4	371.2	370.2	467.7	376.2	170.1			-0.3	-38.9	26.3	10.5		
Revaluation fund	...	788.8	1,521.4	3,720.4	...	...			92.9	18.3	144.5	113.0		
Idle resources	...	16.7	0.0	0.0	...	...			-100.0	-100.0	0.0	0.0		
Main funds amortization	442.8	600.0	1,038.5	...	35.5	-2.7			73.1	6.1	...	...		
Long-term capital investments	35.1	24.6	47.3	...	-29.9	-49.7			92.3	17.9	...	...		
Non-material assets	23.3	33.0	73.1	87.0	41.6	1.7			121.5	35.8	19.0	3.6		
Reserves of non-convertible currencies	0.4	...	...	...	...	...			...	...	...	...		
Provisions against unrealized losses	...	542.3	1,731.4	1,982.3	...	...			219.3	95.8	14.5	-0.3		
Shares purchased by banks	3.1	29.7	7.4	30.3	858.1	587.8			-75.1	-84.7	309.5	256.7		
<b>Assets</b>														
Balance sheet assets	42,401.0	77,833.6	169,055.0	210,886.2	83.6	31.8			117.2	33.7	24.7	33.7		
Risk weighted assets (In percent of balance sheet assets)	17,213.7	20,919.0	44,767.5	57,725.1	22.1	-12.3			114.0	31.2	28.9	12.3		
Capital adequacy ratio 2/	17.7	15.9	12.1	14.2	-10.2	...			-24.3	...	18.0	3.1		
<b>Gross credit</b>														
(In percent of assets)	16,771.0	26,263.1	61,407.4	72,681.4	56.6	12.4			133.8	44.1	18.4	3.1		
Arrears to banks	1,887.8	2,933.2	6,496.9	6,173.6	55.4	11.5			121.5	38.8	-5.0	-17.2		
(In percent of gross credit)	11.3	11.2	10.6	8.5	-0.9	...			-5.3	...	-19.8	...		
(In percent of capital fund)	61.8	87.9	120.3	75.1	42.2	...			36.8	...	-37.6	...		
Principal arrears	1,618.7	2,626.9	6,047.2	5,631.8	62.3	16.5			130.2	44.3	-6.9	-18.9		
(In percent of gross credit)	9.7	10.0	9.9	7.8	3.1	...			-1.5	...	-21.3	...		
Interest arrears	269.1	306.3	449.7	541.8	13.8	-18.3			46.8	-8.5	20.5	5.0		
(In percent of gross credit)	1.6	1.2	0.7	0.8	-25.0	...			-37.6	...	2.7	...		
Required provisions against bad loans	...	2,058.8	4,228.6	4,919.8	...	...			105.4	25.9	16.3	1.4		
(In percent of total loans)	8.2	8.0	6.9	...	-2.4	...			-13.3	...	-6.9	...		
(In percent of capital fund)	45.1	61.7	78.3	59.9	36.8	...			26.9	...	-23.5	...		
Actual provisions against bad loans	...	1,548.4	2,484.0	2,924.1	...	...			60.4	-1.6	17.7	2.5		
(In percent of total loans)	7.3	6.0	4.1	...	-17.8	...			-32.0	...	-4.1	...		
(In percent of capital fund)	40.2	46.4	46.0	35.6	15.4	...			-0.9	...	-22.6	...		
Profits 3/	1,005.7	676.9	743.3	510.5	-32.7	-51.7			9.8	-32.7	...	...		
(In percent of gross credit)	6.0	2.6	1.2	0.7	-56.7	...			-53.8	...	...	...		

Sources: National Bank of Belarus and Fund staff estimates.

1/ Based on end-period consumer price index.

2/ Capital fund divided by banks' risk-weighted assets.

3/ Figures for April 1998 refer to profits in the first four months.

Table 52. Belarus: Six Largest Commercial Banks, Selected Indicators, 1995-98 1/

	1995		1996		1997		April 1998		1995-96		1996-97		1997-April 1998	
	End-period balances		End-period balances		End-period balances		End-period balances		(Percentage change)		(Percentage change)		(Percentage change)	
	(In billions of rubels)		(In billions of rubels)		(In billions of rubels)		(In billions of rubels)		Nominal	Real 2/	Nominal	Real 2/	Nominal	Real 2/
Capital fund	2,230.2	2,196.2	3,208.2	5,587.3	-1.5	-29.3	46.1	-10.4	74.16	51.7	8.58	...	...	
(In percent of all banks' capital fund)	73.0	65.8	59.4	68.0	-9.9	...	-9.7	...	...	...	...	...	...	
<b>Assets</b>														
Balance sheet assets	35,322.3	67,571.4	151,136.7	187,834.0	91.3	37.3	123.7	37.1	24.28	8.26	0.04	...	...	
(In percent of all banks' assets)	83.3	86.8	89.0	89.1	4.2	...	2.6	...	...	...	...	...	...	
Risk weighted assets	14,271.0	18,039.1	39,524.4	49,687.0	26.4	9.3	119.1	34.3	25.71	9.51	-2.21	...	...	
(In percent of all banks' assets)	82.9	85.8	88.3	86.1	3.5	...	2.9	...	...	...	...	...	...	
(In percent of balance sheet assets)	40.4	26.7	26.2	26.5	-33.9	...	-2.1	...	0.30	...	...	...	...	
Capital adequacy ratio 3/	15.6	12.2	8.1	11.2	-21.8	...	-33.4	...	3.13	...	...	...	...	
Gross credit	12,959.0	22,755.5	54,454.4	63,775.2	75.6	26.1	139.3	46.7	17.12	2.02	-0.46	...	...	
(In percent of total banks gross credit)	77.3	86.6	88.2	87.8	12.0	...	1.9	...	...	...	...	...	...	
(In percent of assets)	36.7	33.7	36.0	34.0	-8.2	...	6.9	...	-2.08	...	...	...	...	
Arrears to banks	1,328.0	2,528.6	6,107.4	5,654.5	90.4	36.7	141.5	48.1	-7.42	-19.35	-0.37	...	...	
(In percent of total arrears)	70.4	86.2	92.0	91.6	22.4	...	6.7	...	...	...	...	...	...	
(In percent of gross credit)	10.2	11.1	11.2	8.9	8.8	...	1.0	...	-2.35	...	...	...	...	
(In percent of capital fund)	59.5	115.1	190.4	101.2	93.4	...	65.4	...	-89.17	...	...	...	...	
Principal arrears	1,146.2	2,261.5	5,696.0	5,185.2	97.3	41.6	151.9	54.4	-8.97	20.7	-2.33	...	...	
(In percent of gross credit)	8.8	9.9	10.5	8.1	12.5	...	5.2	...	...	...	...	...	...	
Interest arrears	181.9	267.1	411.4	469.3	46.8	5.4	54.0	-5.6	14.07	0.63	-0.02	...	...	
(In percent of gross credit)	1.4	1.2	0.8	0.7	-14.3	...	-35.0	...	...	...	...	...	...	
Required provisions against bad loans	...	1,845.0	3,978.6	4,573.4	...	...	115.6	32.2	14.95	0.13	-0.20	...	...	
(In percent of total loans)	8.5	7.2	7.4	7.2	-15.3	...	2.4	...	...	...	...	...	...	
(In percent of capital fund)	49.3	84.0	124.0	81.9	70.4	...	47.6	...	-42.16	...	...	...	...	
Actual provisions against bad loans	...	1,326.0	2,298.1	2,722.9	...	...	73.3	6.3	18.48	3.21	0.01	...	...	
(In percent of total loans)	7.5	5.1	4.3	4.3	-32.0	...	-16.5	...	...	...	...	...	...	
(In percent of capital fund)	43.3	60.4	71.6	48.7	39.5	...	18.6	...	-22.90	...	...	...	...	
Profits 4/	925.3	559.1	569.6	387.4	-39.6	-56.6	1.9	-37.5	...	...	...	...	...	
(In percent of total profits)	92.0	82.6	76.6	75.9	-10.2	...	-7.2	...	-0.74	...	...	...	...	
(In percent of gross credit)	7.1	2.5	1.1	0.6	-64.8	...	-57.1	...	-0.44	...	...	...	...	

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

1/ Includes Sberbank (Belarusbank since 1995), Promstrobank, Agroprombank, Businessbank, Priortbank, and Vnesheconombank.

2/ Based on end-period consumer price index.

3/ Capital fund divided by banks' risk-weighted assets.

4/ Estimated profits in the first four months.

Table 53. Belarus: Commercial Banks and Branches of Foreign Banks  
(As of May 1, 1998)

	Date of establishment	Number of branches	Share of state ownership (in percent)	Capital fund in billions of rubels	Total assets in billions of rubels
1	Belagroprombank	131	71.4	50,262.6	560.6
2	Belpromstroibank	60	38.3	25,655.4	1473.3
3	Belarusbank	178	99.2	71,707.6	1181.4
4	Belbusinessbank	47	47.4	12,002.4	772.7
5	Belbank Razvitiye	5	98.5	1,879.6	338.5
6	Priorbank	31	48.2	16,954.9	650.3
7	Belkombank	12	8.3	2,356.6	113.4
8	Belvneshekonombank	23	82.0	11,251.2	946.1
9	Poisk	18	12.0	2,429.5	279.3
10	Belnarodni	1	...	369.6	80.1
11	Profbank	5	...	368.2	89.6
12	Belgazprombank	5	14.9	...	256.7
13	Absolutbank	1	10.7	1,858.3	65.6
14	Belkoopbank	12	...	...	61.8
15	Gem-Bank	...	...	458.4	40.2
16	Belbirzhevoibank	6	25.6	2,856.0	102.7
17	Minsk Kompleksbank	...	26.6	3,270.1	222.9
18	Bank Rekonverzi i Pazvitiya	...	...	205.1	59.5
19	Minsk Tranzitnibank	5	...	737.0	96.4
20	Minskchastnistroitelnibank, A.Klimova	...	...	2.0	0.2
21	Novokom	...	...	184.9	39.5
22	Rassvet	...	...	8.9	5.0
23	Corpobank	1	...	26.8	14.1
24	Belbaltiia	1	...	1,354.4	74.2
25	Tekhnobank	6	...	416.4	69.6
26	Zolotoi Taler	...	...	334.2	112.0
27	Infobank	3	...	664.2	143.0
28	Mosbank Minsk branch	...	...	1,585.1	192.5
29	Slavneftebank	1	...	942.1	192.9

Source: National Bank of Belarus.

Table 54. Belarus: Liquidity Ratios of Functioning Banks, 1995-97  
(End-of-period)

	1995	1996	1997
Requirement	1.0	1.0	1.0
Unweighted average	3.2	3.0	2.4
Of which: six largest banks	1.7	1.4	1.2

Source: National Bank of Belarus

Table 55. Belarus: Official Exchange Rates, 1993-98 1/

	1993	1994			1995			1996			1997			1998			
		QI	QII	QIII	QIV	QI	QII	QIII	QIV	QI	QII	QIII	QIV	QI	QII	QIII	QIV
<b>Nominal exchange rate</b>																	
Rubel per U.S. dollar																	
Average	269	3,666	11,529	13,292	26,193	26,193	11,500	12,548	13,977	15,141	26,456	27,349	29,428	32,178	32,680	36,003	
End-of-period	698	10,600	11,500	15,500	30,740	30,740	11,500	13,100	14,650	15,500	24,850	26,980	27,830	30,740	33,660	37,540	
Rubel per Russian ruble																	
Average	0.10	0.10	0.22	1.47	2.53	2.53	2.41	2.50	2.67	2.77	4.56	4.67	4.95	5.32	5.39	5.83	
End-of-period	0.45	2.92	2.48	2.79	5.16	5.16	2.36	2.57	2.71	2.79	4.31	4.55	5.86	5.16	5.53	6.03	
<b>Real exchange rate index (Jan. 1994=100) 2/</b>																	
Rubel per U.S. dollar																	
Average	49	85	238	300	243	243	329	310	273	288	244	235	247	247	247	...	...
End-of-period	66	98	303	303	245	245	337	307	286	303	232	244	252	245	247	...	...
Rubel per Russian ruble																	
Average	94	68	138	136	110	110	145	135	130	134	111	106	110	112	111	...	...
End-of-period	84	78	137	139	110	110	146	133	132	139	105	111	114	110	111	...	...

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

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

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

Table 56. Belarus: Direction of Trade: Exports and Imports, 1993-98 1/  
(In millions of U.S. dollars)

	1993	1994	1995	1996	1997	1998 Jan-Feb
Total exports	1,970	2,501	4,704	5,652	7,301	1,023
CIS exports	1,181	1,609	2,930	3,764	5,379	784
<i>Of which</i>						
Russia	790	1,260	2,089	3,024	4,730	721
Ukraine	256	267	607	478	425	44
Kazakhstan	47	27	76	85	53	5
Other countries	88	55	153	177	121	14
Non-CIS exports	789	1,032	1,776	1,888	1,922	239
Europe	512	707	1,374	1,316	1,176	154
Austria	27	17	18	15	16	3
Germany	98	155	268	198	217	25
Italy	26	32	61	57	64	12
Poland	86	104	271	338	245	24
Switzerland	27	40	8	20	21	1
Turkey	31	29	34	30	33	4
Other countries	217	330	714	658	580	85
United States	39	55	58	84	93	21
Other non-CIS countries	238	270	344	438	653	6
Total imports	2,539	3,351	5,564	6,939	8,689	1,404
CIS imports	1,420	2,376	3,677	4,570	5,817	958
<i>Of which</i>						
Russia	1,138	2,128	1,965	3,522	4,673	794
Ukraine	162	172	509	889	968	123
Kazakhstan	83	39	56	59	39	8
Other countries	3	37	87	100	137	33
Non-CIS imports	1,119	975	1,887	2,369	2,872	446
Europe	893	744	1,582	1,947	2,266	354
Austria	39	36	45	54	63	10
Germany	369	299	424	601	691	93
Italy	18	19	83	111	158	26
Poland	94	112	197	195	250	41
Switzerland	53	23	17	38	42	8
Turkey	23	10	8	17	20	3
Other countries	297	245	808	931	1,042	173
United States	87	51	97	152	138	19
Other non-CIS countries	139	180	208	270	468	73
Memorandum items:						
Share of CIS Exports to total exports	60	61	62	67	74	77
<i>Of which</i>						
Russia	40	48	44	54	65	70
Share of CIS imports to total imports	56	71	66	66	67	68

Source: Ministry of Statistics and Analysis.

1/ The Baltic countries were included in CIS trade in 1993. Barter transactions included in totals. Earlier figures revised extensively in 1998.



Table 57. Belarus: Selected Exports, 1993-98  
(In billions of rubels) 1/

	1993	1994	1995	1996	1997	1998 Jan.-Feb.
<b>Oil industry</b>	...	1,551.0	6,300.9	8,843.0	16,634.5	...
Gasoline	63.9	942.2	942.2	71,967.8	3,485.8	165.9
Diesel fuel	86.6	644.0	2,899.6	2,998.1	3,385.8	310.7
Mazut	16.7	41.2	198.0	19.3	1,642.8	93.8
Lubricating oil	12.0	0.0	...	...	461.3	110.6
<b>Metallurgy and machine building</b>	...	4,922.3	20,338.6	29,004.2	80,131.9	...
Rolled metal	62.8	409.5	1,425.7	2,295.4	3,605.2	1,193.9
Machine tools	...	...	132.7	303.3	670.0	360.1
Cast iron pressure pipes	2.8	3.8	42.1	58.6	1,028.1	45.9
Metal cord	30.0	60.4	1.4	1.3	15.8	2.1
Bearings	36.2	92.6	451.3	657.5	1,711.4	244.5
Trucks	540.3	944.1	3,401.6	4,726.8	12,934.3	2,573.5
Tractors	241.0	510.5	1,698.7	2,750.3	25,469.8	779.9
Lifting devices	9.7	...	123.1	265.9	616.4	107.1
Pumps	1.4	7.9	274.2	437.2	1,312.1	182.2
<b>Chemical products</b>	...	2,711.9	14,352.9	16,962.4	40,439.6	...
Nitric fertilizers	4.5	53.1	1,149.5	1,099.4	1,008.7	67.9
Potassium fertilizers	64.6	1,060.4	2,746.8	3,017.4	1,304.5	3,510.1
Ammonia	2.3	9.9	159.4	131.0	173.4	15.1
Polyethylene	43.5	63.3	674.5	467.9	1,639.5	284.3
Chemical fibers	232.7	508.9	2,289.5	763.4	2,962.8	705.1
Paint	...	51.0	339.1	595.6	325.7	449.2
Tires	121.6	189.0	887.6	2,448.1	3,656.2	1,011.4
<b>Wood and paper</b>	...	512.6	2,999.0	4,255.2	13,731.5	...
Wooden fiber slabs	1.3	36.1	108.1	138.2	260.6	39.3
<b>Construction materials</b>	...	287.1	1,395.1	1,754.8	4,208.9	...
Cement	0.4	2.5	6.2	36.6	71.0	12.3
Glass	1.3	8.9	52.4	52.4	285.0	49.0
<b>Light industry</b>	...	1,089.9	3,805.9	6,106.9	18,289.0	...
Leather goods	1.5	14.9	17.5	37.3	72.9	17.6
Wool fabrics and shawls	...	13.1	61.5	99.5	143.1	75.8
Linen fiber	8.7	70.1	205.5	106.2	272.0	25.9
Linen fabrics	...	...	127.9	175.3	632.7	137.8
Silk fabrics	27.9	45.3	...	0.9	0.2	...
Cotton fabrics	6.6	24.4	111.6	328.2	725.3	146.4
Products of knitted fabric	15.1	40.2	318.2	427.1	2,565.7	465.3
Stockings and socks	8.0	15.6	103.4	126.6	237.1	55.8
Leather shoes	20.7	73.0	419.8	292.1	2,432.7	678.2
Rubber shoes	2.6	6.8	8.0	36.0	138.8	20.6
Wall paper	19.8	29.0	202.7	122.5	1,003.9	133.0
Televisions	65.4	120.5	296.8	304.2	696.8	144.1
Radios	6.5	16.9	22.1	61.9	113.0	26.5
Motorcycles	27.3	22.6	92.4	115.5	211.1	23.2
Bicycles	9.1	15.9	86.3	115.1	313.7	63.3
Watches	19.4	79.6	126.6	85.5	217.3	40.6
Refrigerators	87.0	340.1	1,343.9	1,006.1	4,631.9	362.5
<b>Food and food industry</b>	...	431.3	4,835.9	7,115.1	17,271.7	...
Meat and meat products	65.8	86.8	469.8	404.8	1,196.1	264.1
Milk and dairy products	34.9	70.5	884.7	1,372.7	3,273.7	263.7
Potatoes	2.2	4.0	182.2	352.4	144.3	16.0

Source: Ministry of Statistics and Analysis.  
1/ Category totals include products not shown.

Table 58. Belarus: Selected Imports, 1993-98  
(In billions of rubels) 1/

	1993	1994	1995	1996	1997	1998 Jan-Feb
<b>Oil, gas, and coal industry</b>	...	5,569.1	20,870.6	25,544.5	56,975.8	...
Oil	574.0	629.8	7,636.7	13,566.2	29,506.0	5,378.1
Gasoline	6.5	2.4	161.9	209.0	232.1	34.6
Lubricating oil	1.2	1.7	21.9	174.0	157.7	96.0
Oil bitumen	2.8	...	...	2.0	5.2	...
Mazut	141.0	30.8	39.9	18.5	73.6	47.2
Natural gas	880.4	2,515.1	8,217.4	9,580.6	20,084.0	...
Coal	27.9	...	622.8	697.9	984.0	244.6
<b>Metallurgy and machine building</b>	...	3,798.3	18,814.4	28,344.7	78,585.8	...
Rolled metals	310.7	532.4	1,235.4	3,429.9	11,573.4	2,257.1
Steel pipes	70.7	96.0	737.7	1,941.3	5,366.8	403.9
Machine tools	0.9	64.8	91.3	61.0	463.1	83.8
Bearings	77.3	0.9	7,293.3	79.4	1,248.8	282.2
Wood processing tools	...	...	58.0	97.0	350.9	83.2
Buses	1.9	...	75.9	77.2	1,304.8	206.7
Tractors	17.0	0.8	20.8	18.0	565.5	214.4
Grain harvester combines	0.5	...	...	...	195.6	5.4
Excavators	0.2	...	5.4	3.4	49.3	5.7
Bulldozers	0.0	1.6	0.6	...	60.2	32.8
Trucks	3.4	5.4	124.0	109.2	1,658.3	342.9
Cars	4.4	774.6	2,939.1	1,219.0	1,854.9	465.9
<b>Chemical products</b>	...	2,303.9	9,986.3	15,293.7	33,802.1	...
Mineral fertilizers	17.0	3.7	426.8	324.4	2,166.3	203.1
Polystyrene	17.7	5.2	356.7	308.2	862.1	153.3
Chemical fibers and threads	17.8	123.5	144.8	223.9	406.0	107.0
Caustic soda	11.1	4.3	101.2	166.7	498.6	77.1
Calcinated soda	4.7	0.8	21.5	115.3	237.7	53.3
Synthetic rubber	91.2	4.2	520.0	1,220.5	2,026.9	265.1
Paints	17.0	105.9	335.4	422.9	1,120.2	178.8
Polyvinyl chloride resin	1.0	7.6	59.5	96.0	135.6	6.6
Tires for trucks	7.9	0.4	288.2	653.9	1,653.2	358.4
Tires for cars	1.5	51.2	42.4	55.8	186.1	17.5
Tires for agricultural equipment	31.2	0.2	62.5	...	527.6	53.0
<b>Wood and paper products</b>	...	267.6	1,417.5	2,378.8	6,435.7	...
Sawn timber	1.5	0.4	3.0	7.6	12.5	1.6
Wooden fiber slabs	1.3	...	4.7	9.0	46.5	5.2
Wooden shaving slabs	0.5	0.9	23.3	47.2	150.4	45.0
Cellulose	8.2	2.6	147.9	234.6	485.7	125.1
Paper and cardboard	12.3	6.7	522.6	991.6	2,647.1	443.5
<b>Construction</b>	...	206.1	626.0	853.3	2,171.5	...
Cement	35.2	0.1	184.0	73.3	99.5	10.0
<b>Light industry</b>	...	666.2	2,188.1	3,934.9	9,183.7	...
Cotton fiber	25.7	3.6	205.0	294.2	572.7	110.1
Wool	17.1	3.7	97.7	238.3	842.1	120.7
Rawhide	...	1.2	68.6	191.4	798.2	88.0
Cotton threads	11.4	0.2	4.4	7.0	18.1	3.4
Cotton fabrics	10.7	15.5	227.1	325.6	993.0	200.3
Rugs	2.3	...	21.0	13.1	35.3	125.9
Leather shoes	3.5	...	4.2	89.2	124.3	7.5
<b>Food and food industry</b>	...	995.3	7,764.6	12,745.6	30,558.6	...
Grain	180.3	102.4	140.3	3,140.8	4,821.1	256.2
Tobacco	14.7	2.3	166.1	307.5	2,445.9	736.9
Coffee	0.5	1.2	92.5	84.2	61.5	7.3
Cocoa	0.3	4.2	153.8	188.9	301.6	115.2
Sugar	38.0	6.0	1,463.6	1,001.6	5,641.6	384.5

Source: Ministry of Statistics and Analysis.

1/ Category totals include products not shown.

Table 59. Belarus: External Trade in Goods by Economic Branches, 1995-97  
(In billions of rubels)

	1995			1996			1997		
	Imports	Exports	Trade balance	Imports	Exports	Trade balance	Imports	Exports	Trade balance
Total	63,752.6	54,035.8	-9,716.8	92,850.7	75,142.3	-17,708.4	230,293.5	193,084.0	-37,209.5
Industry	62,055.7	53,503.6	-8,552.1	88,229.3	73,632.5	-14,596.8	221,827.1	190,410.4	-31,416.7
Power generation	1,413.0	5.6	-1,407.5	2,414.8	3.8	-2,411.0	4,514.8	70.0	-4,444.8
Refineries products	20,870.7	6,300.9	-14,569.7	25,544.5	8,843.0	-16,701.5	56,975.8	16,634.5	-40,341.3
Petroleum and gas	20,077.1	6,272.1	-13,805.0	24,656.9	8,802.0	-15,854.9	55,298.5	15,812.6	-39,485.9
Coal	744.0	1.6	-742.3	886.8	0.6	-886.2	1,371.4	3.2	-1,368.2
Other fuel	49.6	27.2	-22.4	0.8	40.4	39.6	305.9	818.7	512.8
Metallurgy	5,173.3	2,610.3	-2,563.0	10,789.4	5,353.8	-5,435.6	28,652.0	17,574.8	-11,077.2
Ferrous metals	4,422.7	2,415.5	-2,007.2	8,897.7	4,778.7	-4,119.0	23,239.4	15,598.8	-7,640.6
Non-ferrous metals	750.6	194.8	-555.8	1,891.7	575.1	-1,316.6	5,412.6	1,976.0	-3,436.6
Chemicals and petrochemicals	9,986.3	14,352.9	4,366.6	15,293.7	16,952.4	1,658.7	38,802.1	40,439.6	1,637.5
Machine building and metal processing	13,641.1	17,728.3	4,087.3	17,554.3	23,660.4	6,106.1	49,933.8	62,557.1	12,623.3
Wood and paper	1,417.5	2,999.0	1,581.4	2,378.7	4,255.2	1,876.6	6,435.7	13,731.5	7,295.8
Construction materials	626.0	1,395.1	769.1	853.3	1,754.8	901.5	2,171.5	4,208.9	2,037.4
Light industry	2,188.1	3,805.9	1,617.8	3,934.9	6,106.9	2,172.0	9,183.7	18,289.0	9,105.3
Food processing industries	6,108.9	3,884.2	-2,224.7	8,180.0	5,647.9	-2,532.1	22,093.2	14,599.2	-7,494.0
Other industry	630.8	421.4	-209.4	1,285.6	1,054.3	-231.3	3,064.5	2,305.8	-758.7
Agriculture	1,655.7	501.7	-1,154.0	4,565.6	1,467.2	-3,098.4	8,465.4	2,672.5	-5,792.9
Other activities	41.2	30.5	-10.7	55.8	42.6	-13.2	1.0	1.1	0.1

Source: Ministry of Statistics and Analysis.

Table 60. Belarus: External Trade in Goods with CIS Countries by Economic Branches, 1995-97  
(In billions of rubels)

	1995			1996			1997		
	Imports	Exports	Trade balance	Imports	Exports	Trade balance	Imports	Exports	Trade balance
Total	42,105.8	33,558.9	-8,546.9	61,430.3	49,777.2	-11,653.1	153,830.4	142,583.1	-11,247.3
Industry	41,375.6	33,294.3	-8,081.3	58,036.2	45,368.1	-12,668.1	148,830.0	140,814.5	-8,015.5
Power generation	1,104.1	5.6	-1,098.5	1,555.5	3.8	-1,551.7	3,192.4	1.1	-3,191.3
Refineries products	20,587.8	4,739.0	-15,848.8	25,262.3	5,545.2	-19,717.1	56,245.1	12,230.2	-44,014.9
Petroleum and gas	19,836.7	4,729.3	-15,107.4	24,350.4	5,419.9	-18,930.5	54,622.4	11,504.3	-43,118.1
Coal	701.5	0.2	-701.3	882.1	...	-882.1	1,355.9	3.0	-1,352.9
Other fuel	49.6	9.5	-40.1	0.8	26.3	25.5	266.8	722.9	456.1
Metallurgy	4,451.2	550.3	-3,900.9	8,667.1	3,105.3	-5,561.8	22,756.2	12,208.5	-10,547.7
Ferrous	4,005.5	526.6	-3,478.9	7,594.7	2,997.0	-4,597.7	19,231.7	10,499.0	-8,732.7
Non-ferrous	445.7	23.6	-422.1	1,292.4	638.3	-654.1	3,524.5	1,709.5	-1,815.0
Chemicals and petrochemicals	5,469.1	5,596.2	127.1	8,061.6	8,085.7	24.1	20,377.5	22,054.3	1,676.8
Machine building and metal processing	5,108.7	14,238.6	9,129.9	7,366.2	18,053.8	10,687.6	26,230.7	51,829.9	25,599.2
Wood and paper	577.1	2,143.0	1,565.9	1,205.9	3,192.5	1,986.6	3,616.2	11,332.1	7,715.9
Construction materials	365.2	1,071.6	706.4	535.0	1,458.4	923.4	1,288.2	3,542.6	2,254.4
Light industry	613.2	1,858.5	1,245.3	915.8	3,126.7	2,210.9	3,455.2	12,119.5	8,664.3
Food processing industries	2,732.2	2,882.6	150.4	3,130.5	5,437.8	2,307.3	9,532.5	13,955.2	4,422.7
Other industry	367.0	208.9	-158.1	858.5	657.5	-201.0	2,136.0	1,541.1	-594.9
Agriculture	701.6	243.9	-457.7	3,363.1	676.3	-2,686.8	4,999.7	1,767.5	-3,232.2
Other activities	28.6	20.7	-7.9	36.9	29.9	-7.0	0.7	1.1	0.4

Source: Ministry of Statistics and Analysis.

Table 61. Belarus: External Trade in Goods with Non-CIS Countries by Economic Branches, 1995-97  
(In billions of rubels)

	1995			1996			1997		
	Imports	Exports	Trade balance	Imports	Exports	Trade balance	Imports	Exports	Trade balance
Total	21,646.8	20,476.9	-1,169.9	31,420.5	15,368.0	-16,052.5	76,463.1	50,500.9	-25,962.2
Industry	20,680.1	20,209.2	-470.9	30,199.1	24,564.8	-5,634.3	72,997.1	49,595.9	-23,401.2
Power generation	309.5	...	-309.5	856.9	0.0	-856.9	1,322.4	68.9	-1,253.5
Refineries products	282.8	1,561.8	1,279.0	311.2	3,396.8	3,085.6	730.7	4,404.3	3,673.6
Petroleum and gas	220.3	1,542.8	1,322.5	306.5	3,382.1	3,075.6	670.1	4,302.3	3,632.2
Coal	42.5	1.4	-41.1	4.7	0.6	-4.1	15.5	0.2	-15.3
Other fuel	...	17.6	17.6	...	14.1	-14.1	39.1	95.8	56.7
Metallurgy	1,722.1	2,040.0	317.9	1,922.3	2,048.5	126.2	5,895.8	5,366.3	-529.5
Ferrous metals	417.2	1,888.8	1,471.6	1,313.0	1,891.7	578.7	4,007.7	5,099.8	1,092.1
Non-ferrous metals	304.9	171.2	-133.7	609.3	156.8	-452.5	1,888.1	266.5	-1,621.6
Chemicals and petrochemicals	4,516.3	276.9	-4,239.4	7,232.1	8,876.7	1,644.6	18,424.6	18,385.3	-39.3
Machine building and metal processing	8,532.4	3,490.0	-5,042.4	10,187.7	5,596.6	-4,591.1	23,703.1	10,727.2	-12,975.9
Wood and paper	840.4	856.0	15.6	1,172.5	1,062.3	-110.2	2,819.5	2,399.4	-420.1
Construction materials	260.8	323.5	62.7	318.3	296.4	-21.9	883.3	666.3	-217.0
Light industry	1,574.9	1,947.4	372.5	2,719.1	2,680.2	-38.9	5,728.5	6,169.5	441.0
Food processing industries	3,376.7	1,001.6	-2,375.1	5,045.5	210.1	-4,835.4	12,560.7	644.0	-11,916.7
Other industry	263.7	212.5	-51.2	427.1	396.8	-30.3	928.5	764.7	-163.8
Agriculture	954.1	257.8	-696.3	1,208.5	796.9	-411.6	3,465.7	905.0	-2,560.7
Other activities	12.6	9.9	-2.7	18.9	12.7	-6.2	0.3	0.0	-0.3

Source: Ministry of Statistics and Analysis.

Table 62. Belarus: Balance of Payments, 1993-98  
(In millions of U.S. dollars)

	1993	1994	1995	1996	1997	1998 Q 1 Prel.
Current account balance	-1,113.2	-641.0	-253.1	-502.9	-798.5	-356.9
Merchandise trade balance	-1,051.0	-709.5	-528.0	-1,148.5	-1,335.4	-481.0
Exports	2,812.0	2,641.0	4,621.4	5,790.1	7,382.6	1,776.5
Imports	-3,863.0	-3,350.5	-5,149.4	-6,938.6	-8,718.0	-2,257.5
Services (net)	-118.8	52.1	261.8	572.1	537.8	123.2
Receipts	300.0	270.6	431.3	908.0	923.0	229.3
Payments	-418.8	-218.5	-169.5	-335.9	-385.2	-106.1
Income (net)	-12.0	-33.2	-65.5	-17.8	-79.3	-13.8
Receipts	0.0	0.0	1.8	70.9	26.2	4.4
Payments	-12.0	-33.2	-67.3	-88.7	-105.5	-18.3
Transfers (net)	68.6	49.6	78.6	91.3	78.4	14.7
Public (net)	...	...	...	49.7	30.9	3.1
Private (net)	...	...	...	41.6	47.5	11.6
Capital and financial accounts	496.2	730.1	165.4	1,273.8	741.2	117.6
Capital transfers	0.0	0.0	7.3	1,006.0	133.2	33.0
Financial accounts	496.2	730.1	158.1	267.8	608.0	84.6
Direct investment (net)	18.0	10.5	6.7	69.5	189.7	14.1
Portfolio investment (net)	0.0	0.0	0.0	5.0	-42.8	-10.5
Other investment (net)	478.2	719.6	151.4	193.3	461.1	81.0
Medium- and long-term	320.2	193.4	78.6	38.8	82.6	25.3
Public and publicly guaranteed	320.2	193.4	78.6	28.3	70.2	19.6
Assets (net)	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities	320.2	193.4	78.6	28.3	70.2	19.6
Disbursements	322.2	283.4	191.1	108.3	148.8	39.0
Amortization	-2.0	-90.0	-112.5	-80.0	-78.6	-19.4
Other sectors (net)	0.0	0.0	0.0	10.5	12.4	5.7
Short-term, incl. deposits and cash	158.0	526.2	72.8	154.5	378.5	55.7
Assets (net)	...	...	...	-272.5	23.5	-50.5
Liabilities (net)	...	...	...	427.1	355.0	106.2
Errors and omissions	381.1	-432.8	-0.2	-157.5	93.5	-0.1
Overall balance	-235.9	-343.7	-87.9	613.5	36.1	-239.5
Financing 1/	235.9	343.7	87.9	-613.5	-36.1	239.5
NFA of the NBB (- increase) 1/	-151.9	-55.2	-108.4	45.2	-6.1	84.8
Of which: IMF (net)	98.0	0.0	183.7	0.0	0.0	-7.8
Changes in external arrears	387.8	398.9	196.3	-658.7	-30.0	154.7
Memorandum items:						
Current account (as percent of GDP)	-30.4	-13.2	-2.4	-3.6	-6.0	-9.2
Trade balance (as percent of GDP)	-28.7	-14.6	-5.1	-8.3	-10.1	-12.3
Overall balance (as percent of GDP)	-6.4	-7.1	-0.8	4.4	0.3	-6.1
Financing gap (as percent of GDP)	0.0	0.0	0.0	0.0	0.0	0.0
Gross convertible official reserves 2/	37.4	101.0	377.0	369.2	393.7	295.1
(In months of imports of goods) 3/	0.1	0.4	0.9	0.6	0.5	0.4
Medium- and long-term debt 4/ 5/	...	...	1513.0	955.8	976.0	991.4
(As percent of GDP) 6/	...	...	14.6	6.9	7.4	6.2
Short-term debt 7/	...	...	...	828.7	1,153.7	1,414.6
(As percent of GDP) 6/	...	...	...	6.0	8.7	8.9
Debt service ratio 8/	0.4	4.2	3.5	2.5	2.0	2.1

Sources: Belarussian authorities; and Fund staff estimates.

1/ Adjusted for valuation changes.

2/ End-1996 figure and end-March 1997 figure is adjusted for exceptional short-term credits.

3/ Quarterly imports are annualized.

4/ In 1996, the change in stock reflects the cancellation by Russia of \$471 million in technical credits (see SM/97/203, p.52).

5/ Refers to public and publicly guaranteed debt only, including principal in arrears.

6/ All quarterly debt figures are divided by the current year GDP.

7/ Refers to public and private debt (estimates), including arrears and financing gap.

8/ Amortization of public and publicly guaranteed debt and total interest payments (in percent of exports of goods and services).

Table 63. Belarus: Medium- and Long-Term Public and Publicly Guaranteed External Debt, 1993-98  
(In millions of U.S. dollars)

	1993	1994	1995	1996	1997	1998 April
Total medium- and long-term public and publicly guaranteed external debt (end-of-period)	1,014	1,251	1,513	956	976	991
Multilateral (including IMF)	219	307	424	500	532	525
IMF	96	102	283	277	259	245
World Bank	0	102	109	125	138	140
EBRD	4	10	32	61	102	107
European Union	...	...	0	37	33	33
Bilateral	795	944	1,089	456	444	466
<i>Of which</i>						
Russia 1/	586	586	621	14	65	81
United States	29	59	71	86	86	86
Germany	154	232	322	277	206	200
Japan	...	...	47	39	30	29
Memorandum items:						
Debt/GDP (in percent)	...	...	14.6	6.9	7.4	6.2
Debt service/exports of goods and services	0.4	4.2	3.5	2.5	2.0	2.1

Sources: Belarussian authorities; and Fund staff estimates.

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

Table 64. Belarus: Transformation of State Property, 1993-98 1/

	1993	1994	1995	1996	1997	1998 Q1
Numbers of enterprises transformed						
Total	244	632	468	527	572	74
Cumulative since 1991	495	1,127	1,595	2,122	2,694	2,768
Republican property	140	184	53	131	192	23
Cumulative since 1991	191	375	428	559	751	774
Communal property	104	448	415	396	380	51
Cumulative since 1991	304	752	1,167	1,563	1,943	1,994
Share in total number of enterprises to be transformed 2/						
Total	2.9	7.4	5.5	6.2	6.1	0.9
Cumulative since 1991	5.8	13.2	18.7	24.9	31.0	31.9
Republican property	3.2	4.2	1.2	3.9	5.7	0.8
Cumulative since 1991	4.3	8.5	9.7	13.7	19.3	20.0
Communal property	2.5	10.9	10.1	7.8	7.3	1.0
Cumulative since 1991	7.4	18.3	28.4	36.2	43.5	44.5

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

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

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



Table 65. Belarus: Transformation of State Property, 1993-98  
(Excluding joint-stock companies with state share of more than 50 percent)

	1993	1994	1995	1996	1997	1998 May
Numbers of enterprises transformed						
Total	230	506	228	467	495	74
Cumulative since 1991	480	986	1,214	1,681	2,176	2,250
Republican property	129	123	21	77	115	23
Cumulative since 1991	180	303	324	401	516	539
Communal property	101	383	207	390	380	51
Cumulative since 1991	300	683	890	1,280	1,660	1,711
Share in total number of enterprises to be transformed 1/						
Total	2.7	5.9	2.7	5.4	5.9	0.9
Cumulative since 1991	5.6	11.5	14.2	19.6	25.8	26.7
Republican property	3.0	2.8	0.5	2.4	3.6	0.7
Cumulative since 1991	4.1	6.9	7.4	9.8	13.4	14.1
Communal property	2.5	10.9	5.0	7.7	7.4	1.0
Cumulative since 1991	7.3	18.2	23.2	31.0	38.5	39.5

Sources: Ministry for the Management of State Property and Privatization; and Fund staff estimates.  
1/ As of January 1, 1994, 4,423 Republican enterprises and 4,114 communal enterprises were planned to be privatized. However, figures are subject to constant change as the count of state-owned enterprises is revised. More recent data on the number of enterprises are not available.

Table 66. Belarus: Number of Transformed Enterprises by Activity, 1993-98

	1993	1994	1995	1996	1997	1998 Q1
Total	244	632	468	527	572	74
Republican property	140	184	53	131	192	23
Communal property	104	448	415	396	380	51
Industry	69	63	17	37	79	10
Republican property	68	58	15	37	74	9
Communal property	1	5	2	...	5	1
Construction	31	43	5	25	40	4
Republican property	28	40	3	22	34	4
Communal property	3	3	2	3	6	0
Agro-processing	12	48	221	125	70	18
Republican property	9	9	27	22	13	1
Communal property	3	39	194	103	57	17
Transport	9	10	1	24	26	2
Republican property	9	10	1	24	26	2
Communal property	...	...	...	...	...	...
Service	27	77	21	41	44	11
Republican property	1	23	...	...	1	...
Communal property	26	54	21	41	43	11
Trade and catering	38	284	161	210	233	15
Republican property	1	15	3	6	5	...
Communal property	37	269	158	204	227	15
Other	58	107	42	60	74	14
Republican property	24	29	4	21	32	7
Communal property	34	78	38	39	42	7

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

Table 67. Belarus: Number of Transformed Enterprises by Method of Transformation, 1993-98

	1993	1994	1995	1996	1997	1998 Q1
Total	244	632	468	527	572	74
Republican	140	184	53	136	192	23
Communal	104	448	415	390	380	51
Conversion into joint stock companies 1/	71	217	259	221	178	22
Republican	68	152	52	92	96	...
Communal	3	65	207	129	82	22
Buy-outs of leased enterprises	57	152	35	58	76	9
Republican	44	28	1	5	1	...
Communal	13	124	34	53	75	9
Sale of state property						
To individuals	...	36	1	...	...	...
Republican	...	...	...	...	...	...
Communal	...	36	1	...	...	...
Sale to juridical persons	24	12	1	...	...	...
Republican	10	1	...	...	...	...
Communal	14	11	1	...	...	...
Sale by competitive bidding	51	60	31	42	41	6
Republican	11	3	...	...	...	...
Communal	40	57	31	42	41	6
Sale in auctions	41	155	140	166	182	14
Republican	7	...	...	...	...	...
Communal	34	155	140	166	182	14
Other sales	...	...	...	34	95	23
Republican	...	...	...	34	95	23
Communal	...	...	...	...	...	...

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

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

Table 68. Belarus: Number of Employees in Transformed Enterprises, 1993-98 1/

	1993	1994	1995	1996	1997	1998 Q1
	(In thousands of employees)					
<b>Total</b>						
Increase during the period	128.0	141.4	74.4	74.0	100.4	7.4
Cumulative since 1991	198.6	340.0	414.4	488.4	588.8	597.3
<b>Republican enterprises</b>						
Increase during the period	125.2	115.0	31.1	47.1	79.9	...
Cumulative since 1991	173.6	288.6	319.7	366.8	466.7	446.7
<b>Communal enterprises</b>						
Increase during the period	2.8	26.4	43.3	26.9	21.6	7.4
Cumulative since 1991	25.0	51.4	94.7	121.6	143.2	150.6
	(In percent of total employment)					
<b>Memorandum items:</b>						
Number of employees in enterprises transformed since 1991	4.2	7.4	9.3	13.1	15.9	16.1
	(Average number of employees)					
<b>Average size of transformed enterprises</b>						
Republican	894.0	625.0	587.0	346.0	416.0	...
Communal property	27.0	59.0	104.0	78.0	57.0	145.0

Sources: Ministry for the Management of State Property and Privatization, and Fund staff estimates.  
1/ Number of employees at the time of transformation.

Table 69. Belarus: Number of Employees in Transformed Enterprises, 1993-98  
(Excluding joint-stock companies with a state share of more than 50 percent) 1/

	1993	1994	1995	1996	1997	1998 May
(Thousands of employees)						
<b>Total</b>						
Increase during the period	101.6	79.3	53.5	49.2	47.6	7.4
Cumulative since 1991	172.2	251.5	305.0	354.2	401.8	409.0
<b>Republican enterprises</b>						
Increase during the period	98.8	52.9	10.2	22.2	26.0	...
Cumulative since 1991	147.2	200.1	210.3	232.5	258.5	...
<b>Communal enterprises</b>						
Increase during the period	2.8	26.4	43.3	26.9	21.7	7.4
Cumulative since 1991	25.0	51.4	94.7	121.6	143.3	151.0
(In percent of total employment)						
<b>Memorandum items:</b>						
Number of employees in enterprises transformed since 1991	3.6	5.5	6.8	9.3	9.7	9.8
(Average number of employees)						
<b>Average size of transformed enterprises</b>						
Republican	787.0	430.0	486.0	221.6	183.0	...
Communal property	27.0	59.0	104.0	182.8	219.4	100.0

Sources: Ministry for the Management of State Property and Privatization; and Fund staff estimates.  
1/ Number of employees at the time of transformation.

Table 70. Belarus: Housing Privatization, 1993-98

	1993	1994	1995	1996	1997	1998 Q1
Number of apartments privatized during the period						
In thousands	197.0	200.3	112.2	75.3	77.4	25.7
In percent of total government and public owned housing 1/	12.5	13.8	8.1	5.8	6.3	2.1
Cumulative number of apartments privatized (In thousands) 2/	312.7	513.0	625.3	700.6	778.0	803.7
Number of square meters of housing privatized (In millions)	10.0	10.4	5.8	3.9	3.9	1.3
<i>Of which:</i>						
Given free of charge	0.5	0.1	0.1	0.0	0.0	0.0
Cumulative	16.6	27.0	32.8	36.7	40.6	42.0
Average size of privatized apartments (In square meters)	51.0	52.0	52.0	51.0	51.0	52.0

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

1/ The total number of dwelling units that had been privatized from 1989-1998 corresponds to 44 percent of the total stock of Government and public-owned housing. Adding annual percentages will give a different result due to expansion of the housing stock during this period.

2/ Since 1989.

## I. THE SOURCES OF GROWTH

### A. Introduction

150. The recovery of output and the acceleration of economic growth in Belarus over the past two years has taken place in the context of a loosening of monetary policy and stalled economic reform. This has raised questions about the sources of recent growth in Belarus as well as its sustainability. This appendix concludes that the main factors behind the economic recovery in Belarus have been: (i) the existence of considerable excess capacity in much of Belarussian industry, particularly for a number of products for which Belarus was one of the principal suppliers within the former Soviet Union; (ii) a sharp revival of exports to Russia, partly as the result of the real depreciation of the rubel vis-à-vis the Russian ruble; (iii) the pursuit of an expansionary credit policy and various other policy measures targeted mainly on several selected sectors; and (iv) a certain degree of internal restructuring by a number of export-oriented enterprises, within the limits established by a government generally antithetical to market-oriented reform.

151. Official statistics record a strong recovery of output in Belarus during 1996–97 and the first four months in 1998, following a steep decline during 1992–95. While the staff has no reason to question these growth statistics, it also is in no position to validate them or to suggest the possible confidence interval within which they should be evaluated. The following discussion relies solely on official statistics.

### B. A Simple Conceptual Framework

152. Among all the former union republics of the former Soviet Union (FSU), Belarus was most reliant upon the rest of the FSU as a market. Exports to other union republics represented almost 70 percent of its estimated NMP in 1988 (at the then much-distorted prices)<sup>44</sup>. Between 1991 and 1995, the estimated GDP of Belarus declined by 35 percent, while its economically active population fell by 8½ percent and its useable capital stock, is officially estimated to have remained basically unchanged. While modernization of the capital stock has been negligible—thereby suggesting increasing problems over the medium term—the capital stock capable of producing Belarus's traditional industrial products has remained largely intact due, in no small measure, to the lack of significant structural reform. Moreover, the branch composition of the Belarussian economy was more advantageous than in other neighboring countries. While important parts of Belarussian industry were integrated into the Soviet military industrial complex, it is also generally believed that the reliance of Belarus on this complex was smaller than in neighboring Russia and Ukraine. Instead, Belarus was a particularly important supplier for a number of products, such as mineral fertilizers, transportation and agricultural equipment, clothing and consumer

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<sup>44</sup>*A Study of the Soviet Economy* (Paris: IMF et al, 1991), p. 225.

durables, for which only limited restructuring was necessary to maintain or recapture lost markets, particularly in Russia.<sup>45</sup> Finally, in contrast to Russia and Ukraine, the low share of particularly inefficient heavy industries, for example ferrous and nonferrous metallurgy, in the total industrial output of Belarus (see Table 71) represented a significant advantage.

153. Belarus was thus well-poised to benefit from a revival of demand in neighboring countries for many of its traditional products, either due to the onset of economic growth in those countries or simply due to the revival of the replacement demand for clothing, basic consumer durables or standard transportation equipment. Its ability to compete for these markets, however, would also depend on its ability to remain competitive in terms of prices for the given quality.

154. In the context of excess capacity, it may be appropriate to visualize Belarus's situation, circa 1995-96, using the simple Keynesian multiplier framework, beginning with the standard national income accounting identity (expression (1)):

$$(1) \quad Y = C + I + X - M$$

where all variables are expressed at constant prices, Y stands for gross domestic product, C for consumption, I for investment, X for exports, M for imports.

155. Assuming for simplicity that the change in imports (2a) and consumption (2b) are linear functions of the change in income, gives a variant of the familiar Keynesian multiplier relationship (at constant prices). Expression (3) demonstrates that the increase in income is related to the increases in investment and exports through the multiplier. The latter is determined by the coefficients of the marginal propensity to consume and marginal propensity to import. In reality, neither the marginal propensity to consume nor the marginal propensity to import are parameters, since both are highly subject to policy decisions in Belarus. For example, in the lax monetary environment of Belarus, credits may be made available which are used by enterprises to increase wages and therefore incomes directly, with wage recipients directly spending a portion of their higher nominal incomes on consumption without these higher incomes having been generated by prior increases in investment or exports. By the same token, the level of imports will be influenced by the changes in exchange rate and trade policies of the authorities as well as by the evolution of exchange restrictions. In any event, in the following analysis, both marginal propensity coefficients are calculated *ex-post*.

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<sup>45</sup>In 1989, Belarus, with 3.6 percent of the population of the FSU, accounted for the production of 13.5 percent of AC electric motors, 10.4 percent of metal-cutting machines, 23.0 percent of equipment for livestock-raising and fodder production, 18.3 percent of mineral fertilizers, 28.9 percent of synthetic fibers, 7.2 percent of tires, 10 percent of silk cloth, 10.3 percent of radios, 17.4 percent of color television sets, 11.1 percent of refrigerators and freezers, 8 percent of hosiery and knitted garments, and 15.2 percent of adults' bicycles (*Ibid.*, pp. 216-17.).



$$(2a) \quad \Delta M = \bar{m} \Delta Y$$

$$(2b) \quad \Delta C = \bar{c} \Delta Y$$

$$(3) \quad \Delta Y = \frac{\Delta I + \Delta X}{1 - \bar{c} + \bar{m}}$$

Where  $1/(1 - \bar{c} + \bar{m})$  is the multiplier.

156. Dividing both sides of expression (3) by income and recasting the investment and export terms gives:

$$(4) \quad \dot{Y} = \frac{\dot{I}(I/Y) + \dot{X}(X/Y)}{1 - \bar{c} + \bar{m}}$$

where real economic growth ( $\dot{Y}$ ) is now expressed in terms of the weighted real growth rates of investment ( $\dot{I}$ ) and exports ( $\dot{X}$ ). Table 72 provides figures for the variables and parameters in expression (4), using the national accounts data of Belarus for 1997. The calculations suggest that the contribution of exports to growth was about four times larger than that of investment, and that the multiplier was less than one, due mainly to the relatively high level of the marginal propensity to import.

157. The high level of the marginal propensity to import of the Belarussian economy in 1997 is attributable to the high share of imported inputs used for the production of exports, and also to some extent to a switch in domestic expenditure towards imported goods. Expression (5) illustrates the role of both factors:

$$(5) \quad \Delta Y = \Delta A_d + \Delta X - \Delta M_i$$

where  $\Delta A_d$  stands for the change in domestic absorption of domestically produced consumption and investment goods, and  $\Delta M_i$  is the change in imports of inputs.

158. Since real exports increased by about Rbl 750 billion more than real GDP in 1997, and given that most exports are highly reliant on imported inputs, the latter likely also rose rapidly in 1997. There are no data on the evolution of domestic absorption of domestically produced goods, but it is highly likely that domestic absorption of domestically produced goods grew relatively slowly in 1997. This could have been due partly to the decline in 1997 in agricultural value-added of 6 percent, and also the likelihood that domestic price controls, together with the real depreciation of the rubel, made exports significantly more attractive than domestic

sales. This diversion of domestically produced goods from the domestic market was likely compensated by an increase in imports of consumption and investment goods.

159. The required condition for the improvement in the balance of trade in goods and services is derived from expression (3):

$$(6) \quad \frac{\Delta X (1 - \bar{c})}{\Delta I (\bar{m})} > 1$$

160. Expression (6) implies that the balance of trade in goods and services at constant prices will improve when the ratio of the increase in exports ( $\Delta X$ ) to the increase in investment ( $\Delta I$ ), multiplied by the ratio of the marginal propensity to save ( $1 - \bar{c}$ ) to the marginal propensity to import ( $\bar{m}$ ), is greater than 1. In 1997, in the case of Belarus, the ratio of the increase in exports to the increase in investment was about 3.5, and the ratio of the marginal propensity to save to the marginal propensity to import was about 0.2. Therefore the value of expression (6) was less than 1. This means that the necessary macroeconomic conditions for the improvement of the balance of trade in goods and services were not met in 1997, but this result is still consistent with the fact that growth of the Belarussian economy was driven by exports, in particular.

161. Moreover, shifting the accounting framework presented in expression (6) from constant to current prices provides some additional explanations for the worsening of the balance of trade in goods and services. To the extent that a given increase in exports is associated with a deterioration in the terms of trade, the balance of trade in goods and services measured in foreign currencies deteriorates by an additional amount for a given change in export volumes. In addition to the terms of trade effect, the depreciation of the exchange rate in real terms leads to an even higher deterioration of the balance of trade in goods and services relative to GDP. In the case of Belarus, the terms of trade deteriorated and the official exchange rate, used for accounting purposes in the compilation of national accounts, deteriorated significantly in real terms. These two factors explain why the current account deficit at current prices deteriorated to a greater extent in U.S. dollar terms and relative to GDP than might have been warranted by expression (6) alone.

### C. The Domestic Policy Context

162. The above analytical framework is helpful in understanding how the expansionary macro-economic policies pursued by the authorities during 1996–97 tended to promote short-term growth. The authorities purposefully tried to support the priority sectors of the economy through direct fiscal instruments and inflationary financing, while at the same time promoting exports indirectly, and to some extent unintentionally, through the concomitant depreciation of all exchange rates, which was officially considered as an adverse development. The principal effect of the depreciation of the exchange rates on Belarus's real GDP was associated with the increased exports and the induced stimulation of domestic demand through the familiar Keynesian multiplier relationship, based on the availability of excess

productive capacity. Furthermore, the effects of the virtuous circle created by the recovery of output, which strengthened the cash flow situation of successful enterprises and led to an increase in productivity, contributed to the growth of the Belarussian economy.

### **Credit expansion**

163. The more than doubling of net domestic credit of the NBB and of bank credit to the economy in 1997, and the continued high rate of growth of credit in early 1998, undoubtedly stimulated output, but only at the price of an acceleration in underlying inflation, the loss of official reserves, exchange rate instability, and a tightening of distortive price controls. In 1996–97, almost 45 percent of the net flow of credit to the economy was in the form of subsidized directed credits to agriculture, the food-processing industry, and housing construction. But even the allocation by banks of formally non-directed credits was subject to the influence of the government, such as through widespread guarantees of the borrowing by major enterprises.

164. The subsidized directed credits had mixed effects on the performance of the targeted sectors. No doubt these credits slowed down the decline in the agricultural sector during 1996–97, but most subsidized credits were allocated to state or collective farms without clear selection criteria, and they were mainly used to finance their current expenditure. By contrast, the food processing industry benefitted from subsidized directed credits, as its output increased substantially in 1996–97. Moreover, it is evident that the allocation of a substantial amount of subsidized credit to housing construction stimulated this activity and the production of building materials.

### **Tax breaks, subsidies and other privileges**

165. A series of government resolutions and presidential decrees in early 1996 provided tax exemptions, tax deferrals, access to inexpensive foreign exchange and other privileges to targeted state enterprises. In 1997, the number of enterprises targeted for this special treatment declined, but the overall real value of tax exemptions and deferrals actually grew, indicating that certain enterprises enjoyed a considerable real increase in privileges. At the same time, however, explicit budgetary subsidies declined from an average of 8.7 percent of GDP during 1992–95 to 2.4 percent in 1996 and about 3.8 percent in 1997. Although reduced in terms of GDP, continuing budgetary subsidies to agriculture and food processing enterprises, as well as to housing and communal services, were aimed at preventing these sectors from collapsing after the imposition of pervasive controls on their product prices.

### **Capital expenditures of the budget**

166. The growth of the construction sector was assisted with the increase in budgetary capital construction outlays from an average of 1.9 percent of GDP during 1992–95, and only 1.3 percent of GDP in 1996, to 2.8 percent of GDP in 1997. Most of these projects were in the social sphere, however, including housing, schools, hospitals and Chernobyl-related

projects. While these outlays did not therefore enlarge production capacity for the medium run, they did help create favorable conditions for the development of human capital in the long term.

#### D. External Policy

167. Over the past two years, the dynamic element of exports has been exports to Russia, which were estimated by the authorities to have grown (in U.S. dollar terms) by 45 percent in 1996 and 56 percent in 1997, and in 1997 they accounted for 65 percent of Belarus's total exports. Exports to other CIS countries were very small, and exports to non-CIS countries (which accounted for around one-quarter of total exports in 1997) increased by 6 percent in 1996 and only by 2 percent in 1997.

168. The official exchange rate of the rubel, vis-à-vis the Russian ruble, depreciated in real terms (year-one-year on average) by 1 percent in 1996, and by 19 percent in 1997. The parallel rate—for which information is available only from late 1996—depreciated in real terms vis-à-vis the ruble by 14 percent from end-November 1996 to end-December 1997. This real depreciation had three effects. First, even if Belarussian firms were price takers on the Russian market, the real depreciation increased the attractiveness of exporting to Russia. Second, the real depreciation also gave them more scope to profitably reduce the ruble prices of their products on the Russian market in order to gain market share and higher profits. To the extent this happened, but Belarussian importers remained price takers on Russian markets for energy and other imported inputs, Belarus's terms of trade would have declined vis-à-vis Russia. Indeed, in 1997, the first year for which regionally disaggregated terms of trade estimates are available, Belarus's terms of trade with Russia declined by around 7½ percent, as export unit values fell by 7 percent (see Table 73).<sup>46</sup> (Belarus's terms of trade with the non-CIS region, meanwhile, improved by close to 8 percent.) Third, the decline in the dollar wages in Belarus relative to Russia gave Belarussian firms a further competitive advantage but also induced some Russian firms to relocate production to Belarus as reflected in the proliferation of the "give and take" trade.<sup>47</sup> At the same time, the Belarussian authorities initiated a determined effort to seek out old and new customers in a number of Russian regions, with the Belarussian government frequently signing protocols of intent with the local governments of Russia.

169. Two institutional factors also contributed to the expansion of Belarussian exports to Russia. The first factor is related to the creation of the customs union between Belarus and

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<sup>46</sup>Using the Laspeyres unit value index.

<sup>47</sup>Within the framework of the "give and take" trade, Russian firms provide raw materials to Belarussian enterprises, which subsequently return the major part of their processed output to the same Russian firms.

Russia in 1995.<sup>48</sup> The elimination of customs duties in mutual trade, and the establishment by Belarus of higher Russian tariffs on imports from third countries created incentives for the enlargement of intra-union trade, while probably diverting some exports previously destined to other countries.

170. The second factor is related to the increased role of barter in Russia. Although, as shown above, Belarussian enterprises had increased incentives to increase production for export to Russia, many Russian enterprises were not in a position to pay in cash. It seems reasonable to assume that this was not too constraining for their Belarussian partners, for two reasons. First, many of these exporters required increased imports of inputs from Russia in any event, if they were to expand their output and exports. Even if their customers did not supply these goods themselves, triangular deals could be easily arranged on the basis of former close personal ties, or products could be bartered through a growing number of intermediary enterprises.

171. Second, it was in the interest of Belarussian exporters to avoid, in any event, the 100 percent, later 50 percent, and currently 30 percent surrender requirement on export proceeds in foreign exchange at the more appreciated official exchange rate (see Box 1). According to the estimates of the Belarussian authorities, as long as cash payments for exports represented about 30-35 percent of the total receipts, exporting enterprises would be able to settle all required cash transactions (mainly taxes and wages) without problems. The authorities' estimates show that barter transactions increased from 19 percent of total exports

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<sup>48</sup>Kazakhstan and the Kyrgyz Republic formally joined the customs union in 1996; however, the turnover of trade between Belarus and these countries was very low.

### Box 1. The Role of Implicit Taxation in Export Barter Growth

The imposition and strengthening of exchange controls in Belarus since early 1996 has played an important role in the recently observed surge in barter export arrangements. Essentially, the interaction of three aspects of the exchange regime has imposed a tax on foreign exchange transactions, providing incentives for firms to engage in barter. The implicit tax, in theory, depends on: (i) The official surrender requirement set by the government; (ii) the ex-ante extent to which this surrender requirement is eroded by exemptions and mandated grace periods during which foreign exchange is allowed to be spent; and (iii) the difference between the official rate at which surrender takes place ( $e_o$ ), and the parallel market rate ( $e_p$ ).

$$\text{Tax} = (\text{official surrender requirement}) * (1 - \text{erosion coefficient}) * (1 - e_o/e_p)$$

In 1995, barter exports represented around 15 percent of total exports in a regime largely free of exchange controls.<sup>1</sup> In January 1996, a 100 percent mandatory surrender requirement was introduced, but cushioned by a 60-day grace period within which companies could spend their foreign exchange. To the extent that firms would not ordinarily exchange all of their currency within 60 days, this would have affected the share of unsurrendered proceeds. An active parallel market for foreign exchange did not exist at this point, but assuming a steady growth in the exchange premium to the 55 percent average observed in the final quarter of 1996, then a small tax would have emerged. In July of 1996, the official surrender requirement was reduced to 50 percent, but the grace period was reduced to 5 days. This would imply a large decline in the erosion coefficient, and assuming a continued increase in the premium, possibly an increase in the overall tax. By the end of 1996 the share of barter exports in total exports had escalated to the 20 percent range.

In the fourth quarter of 1996, the offshore exchange rate premium rose to 67 percent against the official rate by the end of the year. The deepening of this market made the cost of surrender more explicit. In early 1997, the NBB estimated the effective surrender requirement to be 15 to 17 percent. This implied a tax of at least 6 percent, but probably more, since the NBB's ex-post estimate of effective surrender reflected the change in enterprise behavior associated with the tax. A surge in barter followed immediately in the first quarter of 1997, from 20 percent of exports to around 30 percent.

In June of 1997, the surrender requirement was further reduced to 30 percent, but all exemptions were eliminated, lowering the erosion coefficient to close to zero. With the exchange rate premium falling to around 28 percent in mid-1997, this implied that the implicit tax remained relatively stable. On a quarter-by-quarter basis in 1997, the share of barter in total exports did, in fact, broadly level off. Most recently, in early 1998, the widening in the parallel market premium to almost 90 percent (associated with the March currency crisis), pushed the implicit tax to around 14 percent.

The elimination of the surrender requirement and unification of the exchange market would reduce the tax-driven barter, but it would not necessarily immediately eliminate all barter given the other reasons for its existence. Indeed, as time has passed and firms have continued to develop institutions and trading networks which lower the cost of matching a double coincidence-of-wants, it presumably has become less costly to sustain some barter.

<sup>1</sup>An earlier stabilization effort had mostly eliminated previous exchange controls.

in 1996 to 28 percent in 1997, although in trade with Russia they amounted to an even higher share of exports in 1997.

172. Due to both of the above reasons, Belarussian firms could be seen as having a comparative advantage in exporting to the Russian market over foreign competitors—above and beyond what price advantage they might have had—because they either had a strong incentive, or at least were not particularly averse, to providing their products on a barter basis.

173. It should be noted, however, that at the macroeconomic level, this increase in exports and economic growth, which was becoming increasingly dependent on barter, was only making more acute the general problem with respect to external payments; in particular, vis-à-vis Gazprom. As long as Gazprom was content to accept in-kind deliveries for a high proportion of its gas deliveries to Belarus, this was not a major problem. But as Gazprom has come under increasing pressure to make its tax payments in Russia in cash, its willingness to accept in-kind payments from Belarus has diminished.

174. The problem of lack of foreign exchange is not significantly alleviated by Belarus's trade relations with the non-CIS countries. This is because Belarussian firms are increasingly finding it difficult to sell in these markets (mainly due to a generally obsolete product mix); indeed, Belarus has been running an ever larger current account deficit with the non-CIS region even as its trade with Russia has now moved into rough balance. Moreover, even to the extent that Belarussian firms are able to sell on non-CIS markets, they have the incentive—partly due to the surrender requirement and also because of uncertainty about the exchange system—to keep their foreign exchange abroad.

### **E. Enterprise Restructuring**

175. There is some evidence<sup>49</sup> that many enterprises—even in the constrained environment for reforms found in Belarus—have been able to engage in some internal restructuring so as to take advantage of these incentives for increased exports to Russia. At the same time, many inefficient and nonviable enterprises were kept afloat through various policies at the price of limiting restructuring and the ability of viable enterprises to sustain growth in the medium term.

176. The need for enterprise restructuring in a transition economy, which includes physical, financial and organizational restructuring (see definitions in Box 2), arises from fundamental changes occurring in the economy in the aftermath of liberalization of economic activities and opening-up of the economy. In Belarus, the slow pace of liberalization of economic activities, pervasive controls over prices and the allocation of foreign exchange as well as the recourse to centralized allocation of credit resources and to some extent material resources, suppressed the urgency of market-oriented enterprise restructuring. Many enterprises in Belarus, mainly in agriculture, food processing, and tools and machine building benefitted from this centralized allocation of resources, which enabled them to preserve their competitive positions in trade. However, some key export-oriented enterprises were able to respond to the revival of external

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<sup>49</sup>Based on discussions with five major exporting enterprises and the Ministry of Industry.

Box 2. Definition of Restructuring

The *process* of enterprise restructuring may be envisaged as involving **physical** (plant, equipment, inventories, and technologies), **financial** (the structure of financial assets and liabilities), and **organizational** (organization and governance) restructuring. The need for restructuring enterprises arises from apparent functional problems inherent in these three above-mentioned areas during the transition from central planning to market.

*Organizational forms* of restructuring should be examined from two angles: who is responsible for restructuring and what the means of restructuring are. Inefficient public enterprises can be restructured through: (i) privatization (private shareholders, including incumbent managers and workers, outside domestic investors, and foreign investors), (ii) commercial bank-led restructuring after commercialization and corporatization of public enterprises (as the main holders of enterprises' debts, commercial banks supervise the restructuring), (iii) provision of technical assistance to enterprises after their commercialization and corporatization or (iv) subordination of inefficient enterprises to a government agency responsible for restructuring (the centralized approach). In the case of privatization and bank-led restructuring, the existence of efficient bankruptcy laws, well-developed judicial system, and banks having sufficient expertise are the crucial elements for successful restructuring.

demand without benefiting from the misallocation of resources to a great extent, because those factories and plants had relatively advantageous start-up conditions in terms of their technologies and proceeded to limited restructuring.

177. Many enterprises were able to realize limited restructuring and increase output without undergoing corporatization or privatization. The short-run supply response of these enterprises was predicated on the system of incentives combining a certain degree of managerial autonomy; indicative planning, assistance in commercialization and severe enforcement of discipline of managers by branch ministries (see Box 3); and some tax benefits and credit guarantees provided by the republican government. Despite the success in generating a short-term output response by the management of partially idle plants, there are indications that many firms would not be able to increase their output significantly beyond the next year or two without fundamental technological restructuring and enlargement of productive capacities. The main obstacles to fundamental restructuring are the lack of foreign direct investment, insufficient level of retained earnings because of the high level of explicit as well as implicit taxation (surrender requirements at the official exchange rate), and the distorted system of prices in the internal market.

178. Indications are that *physical restructuring* was of a limited nature. Even though overall investment grew faster than real GDP during 1996-97, investment in production facilities increased somewhat more slowly, because a significant part of investment occurred in residential construction and social infrastructure (schools, hospitals, day care centers etc). This suggests that highly obsolete and amortized fixed assets of the Belarussian enterprises were only partially updated or replaced by new equipment. Even though imports of machinery



Box 3. System of Monitoring Performance of Enterprises by the Ministry of Industry

The Ministry of Industry supervises the activities of 376 units, of which 170 are enterprises, and the remainder are research and technological institutions and laboratories. Most leading exporting enterprises of Belarus are under the jurisdiction of the Ministry of Industry. Concerning the ownership structure of units under the Ministry's jurisdiction, 80 enterprises are joint stock companies (with state shares from one to 95 percent), 30 enterprises are leased enterprises, and the remainder are state-owned enterprises. Some fully privatized enterprises perform regular consultations with the Ministry.

The Ministry exercises its supervisory functions through its representatives on the supervisory boards of joint stock companies, and the conclusion of contracts with managers of all other enterprises. In addition, every enterprise subordinated to the Ministry submits an annual business plan, which specifies production activities, restructuring plans, projected financial indicators, and justification of tax benefits, subsidies and potential borrowing from domestic and external sources. These plans are defended by each enterprise with the Ministry, and the latter has the right to reject business plans or send them back for further elaboration. If a business plan is judged acceptable, the Ministry submits to the government justifications for tax benefits, guarantees for external and internal borrowing, and subsidies; also, commercial banks are invited to participate in financing enterprises, often after the assurance of guarantees from the republican government.

As a rule, the Ministry does not interfere with the wage policy of enterprises. All enterprises are free to set wages on the basis of available resources, and they are only obliged to comply with the minimum monthly wage requirement. However, the Ministry limits the usage of profits for payments of bonuses up to 40 percent of the balance sheet profits.

The Ministry is responsible for promoting successful enterprises through the various incentive mechanisms described above, and rehabilitating poorly performing enterprises. The latter are kept in business because of social considerations. Many poorly performing enterprises are the major employers in their respective regions, and large layoffs associated with their fundamental restructuring or closures are judged to be unacceptable by the government. The main reason provided for the poor performance of many enterprises is a permanent loss of markets in the aftermath of the dissolution of the common industrial complex of the former Soviet Union. The Ministry tries to initiate a reprofiling of such enterprises with an aim of enabling them to produce products substituting for imports. For example, many machine and machine tool building enterprises were reprofiled to produce spare parts and equipment for leading exporting enterprises. However, the cost of such an import-substituting reprofiling is very high, as many reprofiled enterprises continue to be loss-making, draining resources from the budget and directly from successful enterprises.

The Ministry has the ability to finance restructuring of enterprises using not only the resources allocated by the republican government for these purposes, but also through its own Innovation Fund. All enterprises falling under the supervision of the Ministry of Industry contribute up to 3 percent of their costs out of their profits to this fund. In addition, the Innovation Fund finances research programs. For example, the Ministry elaborated and has begun to implement the program of energy savings technologies.

and equipment from non-CIS countries increased in U.S. dollar terms in 1996 and 1997, the share of imports of these goods in fixed capital formation decreased from 29 percent in 1995 to 26 percent in 1996–97. The absence of a pronounced increase in the share of imported capital goods from non-CIS countries is indicative of a probably low level of efficiency of investment. Also, it is known that significant resources were invested in changing the production profiles of poorly performing enterprises with very doubtful effects on their efficiency, contributing to the misallocation of resources in the economy. The restructuring of the agricultural sector has been stalled since 1992, as evidenced by extremely low investment. However, there is anecdotal evidence that many enterprises were able to reorient their productive capacities to the production of new products or modifications of traditional products without undergoing fundamental technical restructuring.

179. *Financial restructuring* of enterprises also appears to have had modest results. The financial viability of enterprises in Belarus is undermined by their high indebtedness and low level of liquidity. Improvements in these two areas can be achieved through the increase in profitability of enterprises and decrease in their indebtedness to manageable levels. In Belarus, the modest improvement in the financial viability of leading export-oriented enterprises was mainly achieved through the acceleration of growth. At the same time, many enterprises with a high level of indebtedness and low level of liquidity were kept afloat through subsidies, tax benefits, and directed credits instead of fundamental financial restructuring, involving the reorganization of debts of viable enterprises and the liquidation non-viable enterprises. The lack of fundamental financial restructuring, which is in fact replaced by inefficient “rescue” measures is reflected in the modest and uneven improvement of the major financial indicators of enterprises. The modest average improvement of the enterprises’ average profitability from 1996 to 1997 may have been temporary as the enterprises’ average profitability decreased in the first quarter of 1998 as compared with the first quarter of 1997. The share of loss-making enterprises decreased from 18.4 percent in 1996 to 13.7 percent in 1997, but it increased significantly again in the first quarter of 1998. The tendency toward the decrease of the share of overdue accounts payable with respect to GDP observed during 1996 to 1997 continued into the first quarter of 1998, but this improvement reflected mainly the loose monetary policy. On the basis of this evidence, the appropriateness of the mix of instruments used to stabilize the financial position of enterprises is questionable.

180. Even though only partial information is available on *organizational restructuring* of enterprises without privatization, it seems that many state enterprises did proceed with some managerial reorganization, although its impact is difficult to measure given data limitations. The management of several successful export-oriented enterprises have suggested that their respective firms had undergone a significant managerial reorganization at different levels. *First*, the enterprises had begun the divestiture of assets related to the social sphere (day care centers for children, medical facilities, farms, canteens etc). *Second*, more financially independent productive units were created inside the previously existing conglomerates, in order to create incentives for profit maximization at the level of units. *Third*, best managerial practices in enterprises from the non-CIS region were studied and to some extent implemented. *Finally*, previously unimportant marketing divisions were enlarged, and their

strategy was fundamentally reconsidered; as a result many marketing agencies financed by the central enterprise of the conglomerate had been opened abroad, including in non-CIS countries.

#### **F. Conclusions**

181. A simple Keynesian multiplier framework has been used to demonstrate how the expansion of exports and investment in Belarus induced real GDP growth, in an economy characterized by excess capacity. The revival of investment activities was stimulated by loose monetary policy and targeted fiscal instruments. Exports, particularly to Russia, were boosted by the depreciation of the official and parallel exchange rates in real effective terms and the willingness of Belarussian enterprises and their Russian partners to engage in growing barter trade, which was at least partly stimulated by the distorted exchange system of Belarus. The short-run supply response of the Belarussian economy was underpinned by the limited restructuring of export-oriented enterprises and State-supported reprofiling of some poorly performing enterprises for social reasons.

182. While Belarus has in this way been able to grow in the short-term, the combination of factors explaining this growth, together with the absence of significant structural reform in most areas of the economy, do not augur well for the sustainability of this approach to growth in the medium-term.

Table 71. Belarus, Russia, and Ukraine: Composition of Net Material  
Product and Industrial Output, 1991  
(In percent)

	1991		
	Belarus	Russia	Ukraine
Net Material Product	100.0	100.0	100.0
Industry	46.3	51.3	61.7
Agriculture	24.8	15.2	20.1
Construction	10.0	15.8	8.5
Transports and Communication	4.2	4.8	3.6
Others (trade, procurement, catering)	14.7	12.8	6.1
Industry	100.0	100.0	100.0
Power generation	2.8	4.0	3.5
Refineries and fuel	3.8	7.3	3.8
Chemicals and petrochemicals	6.7	6.6	5.9
Ferrous metallurgy	0.4	4.9	9.9
Nonferrous metallurgy	0.0	6.3	1
Machine building	24.8	21.7	26.4
Wood and paper	4.4	5.8	2.9
Construction materials	3.5	3.7	3.7
Light industry	17.8	16.2	12.3
Food processing industries	23.2	14.4	26.1
Other industries	12.4	9.1	4.5

Sources: National authorities; and Fund staff estimates.

Table 72. Belarus: Illustration of the Keynesian Multiplier, 1997  
(At 1996 prices, percentage change, unless otherwise indicated)

GDP real growth	10
Multiplier	0.7
Propensity to consume	0.8
Propensity to import	1.3
Contribution of investment to GDP growth 1/	2
Investment growth	13
Share of investment in GDP	25
Contribution of exports to GDP growth 1/	8
Export growth 2/	27
Share of exports in GDP 2/	47

Sources: Belarussian authorities; and Fund staff estimates

1/ Including the multiplier effect.

2/ Exports of goods and services.

Table 73. Belarus: Terms of Trade and Trade Volumes, 1996-97  
(Annual percentage change)

	1996	1997			Total
	Total	CIS	Russia	Non-CIS	
Paasche index:					
Export unit price	25.1	-5.6	-7	-2.8	-4.7
Import unit price	25.0	1.9	0.7	-9.8	-2.1
Export volume	...	36	51.1	36	26.4
Import volume	...	15.6	26.6	14.5	15.2
Terms of trade	0.1	-7.4	-7.6	7.8	-2.7
Laspeyres index:					
Export unit price	25.0	-1.8	-2.9	0.3	-1.1
Import unit price	13.0	5.3	3.9	6.1	5.6
Export volume	...	29.4	43	4.1	29
Import volume	...	19.5	30.6	34.7	24.6
Terms of trade	10.6	-6.7	-6.5	-5.5	-6.3

Source: Belarussian authorities.

**I. STATUS OF THE TAX SYSTEM**

**MAY 1, 1998**

**A. Individual Income Tax**

183. Taxable income includes cash income in domestic and foreign currencies and in-kind income earned in Belarus and abroad. There are several types of income which are not taxed, such as gifts (material incentives) received from an enterprise, up to 20 times the minimum monthly wage (MMW) during a calendar year; income paid at the principal place of employment, in an amount of 30 MMW per year; and material benefits, free or discounted health resort treatment, and other support of social protection nature; all forms of social benefits (pensions, benefits under state social insurance and state social welfare (except temporary disability benefits), benefits paid by the state to citizens who suffered from the Chernobyl accident, and scholarships for graduate and undergraduate students); proceeds from the sale of private property (once every five years for real estate and once a year for vehicles); income from sale of products from private plots; interest and gains on deposits with banking institutions and on government securities; income received by inheritance; income received as gifts from individuals permanently residing in the republic, and from close relatives living abroad.

184. The income tax on citizens is collected on a progressive rate scale. Tax rates are differentiated depending on taxable income expressed in MMW (which was Rbl 250,000 per month on May 1, 1998). The rate scale below became effective on April 1, 1996. Dividends and similar income, if earned, is taxed at a rate of 15 percent.

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<b>Monthly Taxable Income</b>	<b>Marginal Tax Rate (in percent)</b>
Y < 1 MMW	0
1 MMW < Y < 10 MMW	9
10 MMW < Y < 15 MMW	12
15 MMW < Y < 20 MMW	15
20 MMW < Y < 30 MMW	20
30 MMW < Y < 60 MMW	25
60 MMW < Y < 70 MMW	30
70 MMW < Y	50

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185. Local governments are permitted to establish fixed sum tax rates for income derived from certain activities within the amounts set forth in Presidential Decree No. 70, of January 20, 1997 "On Organizing Collection of Fixed Amounts of Profit Tax and Firm Amounts of Income Tax."

186. Members of kolkhozes (or of agricultural entities with a collective form of ownership formed out of former kolkhozes) pay income tax in 1998 on the basis of the same procedure as all other tax payers.

187. Deductions for children and dependents are:

- 1 MMW per child up to 18 years of age and for each dependent;
- 2 MMW per child for citizens raising three or more children.

188. Deductions amounting to 10 MMW per month (120 MMW per year) are allowed for the following taxpayers:

- persons who fell ill and suffered radiation sickness from the consequences of the Chernobyl disaster, and persons who participated in disaster recovery efforts;
- veterans of various wars;
- group I and II disabled persons with all types of disability;
- citizens—for income from wild medicinal plants, berries, mushrooms, nuts, and other wild products sold to procurement enterprises.

189. The income tax on earnings and other cash and in-kind income is calculated and withheld by the enterprises paying the earnings. Income tax withholdings are transferred by enterprises to the budget at the time incomes of citizens is transferred to their banking accounts.

190. Citizens duly registered as unincorporated entrepreneurs calculate and pay income tax on a quarterly basis as an accruing total from the start of the year, no later than the 5th of the second month following the reporting month. After the year ends, a declaration of income actually received over the course of the year is filed no later than February 15. The difference between the annual tax calculated on the basis of this declaration and the amount paid during the year has to be paid by or refunded to the taxpayer no later than March 15.

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

191. The income and profit tax is levied on legal entities, including enterprises with foreign investments, foreign legal entities, subsidiaries, representative offices, and other structural



subdivisions of legal entities possessing an independent (separate) balance sheet and a settlement (current) account.

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

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

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

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

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

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

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

199. The total amount of profits eligible for tax concessions related to the measures listed in the paragraphs below may reach 50 percent of balance-sheet profit;

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

- the profit of enterprises in radio-electronics and in other sectors of industry formerly related to defense, earned from selling technically complex civilian equipment, for two years from the moment of their establishment, from selling new kinds of machinery and equipment to consumers intended for production and processing of agricultural products, and from creating new science-intensive production operations.
200. Profit-tax exemptions are granted to:
- enterprises in which disabled workers account for at least 50 percent of the average listed number of industrial production personnel (if from 30 to 50 percent are disabled, taxable profit is reduced by 50 percent);
  - the profits of enterprises of veterans of war, labor, and the armed forces in which at least 70 percent of the average listed number of employees have reached retirement age (60 years for men and 55 years for women);
  - enterprises with foreign investments in which the share of foreign investment is more than 30 percent of the authorized capital, for three years from the moment they announce a profit, including the first profitable year, for profit earned from selling products (work, services) of their own making. In this case, if an enterprise with foreign investments produces products of special importance to the republic, the Council of Ministers may reduce the profit tax rate by 50 percent for up to an additional three years in accordance with its list of such products;
  - agricultural entities, for sale of plant-farming and livestock-raising products of their own making;
  - profit earned from production of baby food;
  - income earned from transactions with securities;
  - profits of newly established pharmaceutical enterprises selling critically needed medicines for a period of two years;
  - the profits of banks and lending institutions earned in the form of interest on credits granted to economic agents for a term of not less than three years to make capital investments into production based on new and high technologies; and
  - the profits of enterprises selling products (work, services) of their own making abroad earned from the increment in sales of these products (work, services) compared to actual sales in the corresponding period of 1997.
201. The profit tax is paid by foreign legal entities doing business in Belarus through a permanent representative office located there. Foreign legal entities, which are not conducting

business in Belarus through a permanent representative office, but which receive income from sources located in Belarus and which are residents in Belarus pay tax on:

- dividends, royalties, licenses, and other income—at a rate of 15 percent;
- income from debt obligations of any kind (bonds, bills, borrowings)—at a rate of 10 percent; and
- freight charges connected with international shipping—at a rate of 6 percent.

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

### C. Value-Added Tax

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

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

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

206. Since January 1994, Belarus has had a standard VAT rate of 20 percent (it was 28 percent in 1991–1992, and 25 percent in 1993). A preferential tax rate of 10 percent is set on sales of plant-farming, livestock-raising, fishing, and beekeeping products by the kolkhozes, sovkhozes, and other agricultural entities producing them; on the sale of foodstuffs on a list approved by Resolution No. 509 of August 2, 1996 of the Cabinet of Ministers produced by economic agents in Belarus, and on the sale of products (work, services) on a list approved by

the Council of Ministers by the enterprises manufacturing these products using new and high technologies.

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

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

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

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

- kolkhozes, sovkhoses, peasant- and owner-operated farms, and other agricultural entities, for foodstuffs (except excisable ones) produced by them in their auxiliary shops and production operations;
- goods produced for children;
- medical equipment and instruments upon their sale by manufacturing enterprises to consumers, and production and sale of drugs and medicines;
- communication services rendered to the public, and the services of delivering newspapers and magazines to subscribers;
- sale of religious articles and performance of religious rites by religious associations;
- the services of urban passenger transport, and the services of suburban passenger carriage by river, rail, and motor transportation;
- housing and communal services;
- services rendered by fee-based polyclinics, physicians, veterinary hospitals, and veterinarians;

- child-care services in preschool institutions, and care of the sick and elderly;
- fee-based educational services provided by duly accredited educational institutions;
- the services of lawyers and legal offices providing legal aid to the public;
- theatrical and circus performances and concerts in premises seating not more than 2,000 spectators, sports events, museums, and children's attractions;
- enterprises employing disabled people (in 1998, this concession is granted to enterprises belonging to societies for the disabled on the condition that disabled persons in these enterprises account for not less than 50 percent of the average listed number of industrial production employees), or old-age pensioners, in which old-age pensioners account for not less than 70 percent of the average listed number of industrial production personnel;
- sale of fuel to the public (firewood, peat briquettes, coal, and gas);
- income from transactions with government securities;
- upon entry into the republic: goods entering as nonrepayable aid; items brought in by foreign participants as contributions to authorized capital (except excisable goods), and special transportation for ambulance services, fire departments, and internal affairs agencies; and
- other concessions.

211. When goods that are exempt from VAT by law are sold abroad, the tax is determined on the basis of added value.

212. In accordance with current legislation, the VAT is levied on the basis of the country-of-origin principle in foreign trade relations with all CIS countries, and the destination-country principle in trade with non-CIS countries. That is, the VAT is collected when goods are exported to CIS countries, while goods imported from CIS countries are not taxed. On the other hand exports to non-CIS countries are exempt from VAT, while goods imported from these countries are subject to VAT.

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

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

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

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

#### D. Excises

217. A new version of the Law of the Republic of Belarus 'On Excises' went into effect on January 1, 1998 in an effort to harmonize the legislations of Belarus and Russia.<sup>50</sup>

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

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

220. Excise rates on goods are established as an absolute amount per physical unit of measurement of excisable goods (firm, or specific, rates) or as percentages of the value of goods (ad valorem rates—Table 76). Excise rates are set by the Council of Ministers in coordination with the President.

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

a) in the case of produced excisable goods:

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<sup>50</sup>The old system of excise taxes is presented in Tables 74 and 75.

- the volume of produced excisable goods in natural units—for excisable goods for which firm (specific) excise rates are set; and
  - the value of excisable goods determined on the basis of selling prices without regard for excises—for excisable goods for which ad valorem tax rates are set;
- b) in the case of excisable goods carried into the customs territory of Belarus:
- the volume of excisable goods carried in, in natural units—for excisable goods for which specific excise rates are set; and
  - customs value, increased by the amount of customs duty and customs clearance fees—for excisable goods for which ad valorem excise rates are set;
- c) upon sale of excisable goods carried into the customs territory of Belarus for which ad valorem excise rates are set—the value (exclusive of excises) of the excisable goods sold; and
- d) upon sale of excisable goods carried into the customs territory of Belarus without payment of excises for which firm (specific) excise rates are set—the volume of excisable goods sold in natural units.

222. Excises are not paid on excisable goods carried out of Belarus (with the exception of excisable goods carried into member states of the CIS, and excisable goods carried out under barter arrangements).

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

224. The list of excisable goods has been shortened significantly since January 1, 1998. Excises are now levied on the following goods: industrial-grade hydrolytic alcohol; alcohol-containing solutions (except solutions with denatured additives); alcohol products (drinking alcohol, vodka, liqueur and vodka products, brandy, wine, and other alcohol products, with the exception of brandy spirits and wine-making materials); beer; tobacco products; crude oil; automotive gasolines, diesel fuel; jewelry; and passenger cars with an engine displacement of more than 2,500 cubic centimeters. Excises on articles made from natural fur and natural leather, passenger car tires, and carpets have been repealed.

225. The list of excisable goods may be refined by the National Assembly at the request of the President.



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

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

#### **E. Import Duties**

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

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

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

#### **F. Real Estate Tax<sup>51</sup>**

231. The real estate tax is collected from legal entities, including enterprises with foreign investments and foreign legal entities, as well as the subsidiaries, representative offices, and other structural subdivisions of legal entities possessing an independent balance sheet and a settlement account, and from individuals. The tax is levied on the value of productive and

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<sup>51</sup>It should be noted that legislation of Belarus uses the term "real estate tax," not "property tax."

nonproductive fixed assets owned or possessed by the taxpayers, on unfinished construction, and on the value of buildings belonging to individuals. The annual real estate tax rate is set at 1 percent for legal entities. For individuals it is 0.1 percent of the value of buildings belonging to them.

232. Tax exemptions are granted to:

- legal entities funded by the budget of Belarus;
- social and cultural facilities and the housing of local bodies of government and legal entities;
- productive assets of organizations belonging to societies for the disabled (in 1998 the concession was extended to enterprises belonging to societies for the disabled on the condition that disabled persons in these enterprises account for not less than 50 percent of the average listed number of industrial production personnel);
- structures intended for protection of the environment and for the improvement of the environment;
- productive fixed assets of communications enterprises;
- privatized apartments in apartment houses, and purchased apartments in residential buildings of housing construction cooperatives;
- dwellings and outbuildings belonging to individuals who are old-age pensioners, disabled persons, and other citizens unable to work, as well as to the families of military servicemen and employees of the Ministry of Internal Affairs and the State Security Committee who were killed or reported missing while performing official duties;
- dwellings and outbuildings located in rural areas and belonging to citizens permanently residing in rural areas;
- agricultural productive fixed assets belonging to agricultural entities; and
- operating buildings and structures of legal entities, for one year from the moment they begin operating.

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

### **G. Land Tax**

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

235. The amount of land tax is determined depending on the quality and location of the land parcel, and it does not depend on the results of the business or other activity of the landholder, the land user, or the landowner. The amount of land tax on agricultural land is determined on the basis of a cadastre (point-based) appraisal of the land. The land tax rate on agricultural land varies, depending on the cadastre appraisal, from Rbl 609 to Rbl 3,550 per hectare (plowland, land occupied by perennial fruit plantations, hayfields, and pastures subjected to improvement), and from Rbl 116 to Rbl 675 per hectare (natural hayfields and pastures).

236. Correction factors were introduced on April 1, 1996 increasing land tax rates on land located within the limits of cities, other urban settlements, and rural population centers, as well as outside of population centers, and on land granted to citizens for private plots, for construction and maintenance of a dwelling, for gardening, and for dacha construction. The factor is 1.6 for towns, other urban settlements, and rural population centers, and 19.1 for the city of Minsk.

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

238. Since January 1, 1997, the land duty has been transferred in its entirety to budgets of the oblasts and the city of Minsk. Local soviets of deputies have the right to increase (decrease) rates, to grant concessions, and to set due dates for payment of this tax, and to change them.

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

239. The tax is paid by legal entities, including enterprises with foreign investments and foreign legal entities, their subsidiaries, representative offices, and other structural subdivisions possessing an independent balance sheet and a settlement account, and unincorporated entrepreneurs.

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

241. The tax consists of payments for exploitation of natural resources and for releases discharges of pollutants into the environment within set limits, for excessive exploitation of

natural resources and for discharges of pollutants into the environment beyond approved limits, and for refining of oil and petroleum products.

242. The rates of tax on exploitation of natural resources and on discharge of pollutants into the environment are set by the Council of Ministers. The tax is collected at a rate of 1 ECU for refining 1 tonne of oil or petroleum products. A tax of 15 times the base amount is collected for releases (discharges) of pollutants into the environment above established limits. A tax of 10 times the base amount is collected for extraction of natural resources above established volumes.

243. Legal entities funded by the budget of the Republic of Belarus are tax exempt. The tax is collected at preferential rates for water used for certain purposes and for sand (gravel-sand mixture) used in highway construction.

244. Since January 1, 1997, tax on use of natural resources has been transferred in its entirety to budgets of the oblasts and the city of Minsk. Local soviets of deputies have the right to increase (decrease) rates, to grant concessions, and to set due dates for payment of this tax, and to change them.

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

### **Contributions to the Social Protection Fund**

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

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

- for public associations of disabled persons and pensioners, and for enterprises holding full title to such public associations—4.7 percent;
- for residential, housing construction, and garage construction cooperatives not deriving income from their activity, and from gardening partnerships—5 percent;
- for law firms—5 percent;
- for employers for whom disabled persons account for not less than 50 percent of the average listed number of employees—20.4 percent;
- for economic agents engaging predominantly in agricultural production—30 percent; and

- for all other employers (including with foreign investments and for citizens of Belarus)—35 percent.
247. Mandatory insurance premiums are set in the following amounts for individuals and legal entities required to pay insurance premiums for state social insurance:
- for entrepreneurs—15 percent of income;
  - for members of peasant (owner-operated) farms—15 percent of income;
  - for creative workers—15 percent of income;
  - for enterprises with foreign investments (for foreign citizens)—5 percent of the wages of foreign citizens; and
  - an insurance premium amounting to 1 percent of earnings is set for working citizens.

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

248. Contributions to the Employment Fund are made by employers, including unincorporated entrepreneurs, the amount of the contributions is one percent of the wage bill.

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

249. The emergency tax for recovery from the Chernobyl accident has been collected since 1986. This emergency tax is used solely to fund disaster recovery measures at Chernobyl. In 1994 the tax rate was reduced from 18 to 12 percent. The tax was reduced to 10 percent on April 1, 1996, to 8 percent on January 1, 1997, and to 4 percent on January 1, 1998. The tax is paid by all legal entities, and by their subsidiaries, representative offices, branches, and other structural subdivisions possessing an independent balance sheet and a settlement account engaging in business regardless of form of ownership, in an amount of 4 percent of the wage bill.

250. Tax exemptions are granted to:

- enterprises and organizations belonging to societies for the disabled by right of ownership, in which disabled persons account for not less than 50 percent of the average listed number of industrial production personnel;
- agricultural entities, for their plant-farming, livestock-raising, fishing, and beekeeping products;

- social and cultural enterprises, institutions, and organizations receiving subsidies from the budget to cover business losses;
- public associations conducting their activities on the basis of membership dues and voluntary donations of legal entities and individuals, and not engaging in business; and
- lawyers' cars.

### **K. The Road Fund**

251. The Road Fund is formed out of deductions for use of motor highways, deductions from income from operating motor transportation, fees collected from owners of light motor transportation resources and private owners of trucks, tolls collected by the Brest-Minsk-Russian Border motor highway, charges for travel by heavy and oversized transportation resources, and budget appropriations. Funds transfers by users of motor highways are the main source of the Road Fund's receipts. Deductions for use of motor highways are made by legal entities regardless of form of ownership in the following amounts: (i) agricultural enterprises—0.5 percent of the receipts from sales of their products (work, services); (ii) procurement and trade organizations—0.3 percent of annual turnover; and (iii) all other organizations—1 percent of the receipts from sales of their products (work, services).

252. Exemptions from the deductions are granted to organizations and institutions maintained by the state budget, housing management organizations, road repair and construction organizations, and public organizations for the disabled.

253. Deductions from income from operating motor transportation are made by motor transportation enterprises and organizations regardless of form of ownership and business conditions, and by enterprises and organizations (except agricultural enterprises) possessing automotive departments, in an amount of 2 percent of income from operating motor vehicle transportation.

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

255. The fee on owners of light motor transportation resources, besides those maintained by the budget, is paid by legal entities and private citizens of Belarus, by foreign citizens, by persons without citizenship residing in Belarus and possessing transportation resources (automobiles, buses, motorcycles, motor scooters, and other tired self-propelled machines and mechanisms), and by private truck owners.

256. The fee rates, the payment due dates, and the procedure for granting concessions to certain taxpayers are determined by the Council of Ministers. The currently effective fee rates are presented in Table 77. Exemptions from this fee are granted to Heroes of Belarus, Heroes of the Soviet Union, Heroes of Social Labor, war veterans, disabled persons, large families,

legal entities maintained by the budget, diplomatic missions, and motor transportation enterprises providing taxi services to passengers.

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

257. The republican extrabudgetary fund for support of producers was established in 1995. Since 1998, this fund has been a state earmarked budgetary fund. The fund's income is formed from deductions amounting to 1 percent of the proceeds from the sale of products, work, and services produced by legal entities and their structural subdivisions engaging in business, regardless of forms of ownership.

258. Exemptions from payments to this fund are granted to:

- kolkhozes, sovkhoses, peasant- (owner-operated) farms, interfarm enterprises and organizations, agricultural cooperatives, the auxiliary farms of enterprises, institutions, and organizations, and other economic agents—for proceeds from sale of their plant-farming, livestock-raising, fishing, and beekeeping products;
- work therapy shops affiliated with psychiatric, psychoneurological, and anti-tuberculosis hospitals and outpatient clinics; and
- enterprises, institutions, and organizations of the consumer cooperative system.

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

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

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

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

#### **N. Other Funds**

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



Table 74. Belarus: Excise Taxes on Domestically Produced Goods, 1993-98  
(In percent)

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

Source: Belarussian authorities.

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

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

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

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

Table 75. Belarus: Excise Taxes on Imported Goods until January 1, 1998

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

Source: Belarussian authorities.

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

2/ A reduced rate of 10 percent applies to plates smaller than 15 cm<sup>2</sup>.

Table 76. Belarus: Excise Rates on Excisable Goods

Excisable Goods	Per Decree No. 111, January 28, 1998 of the Council of Ministers
Alcoholic beverages except wine, low-alcohol beverages with up to 7 percent ethyl alcohol by volume inclusively, grape and fruit beverages containing up to 25 percent ethyl alcohol inclusively; alcohol-containing solutions, except solutions with denatured additives, besides wine-making materials and brandy spirits	6.5 ECU per liter of anhydrous (100 percent) ethyl alcohol contained in the final product
Ethyl alcohol from dietary raw materials	1.8 ECU per liter of anhydrous (100 percent) ethyl alcohol
Ethyl alcohol from dietary raw materials, released by enterprises of the Republic of Belarus for manufacture of alcohol products sold in the Republic of Belarus	0 ECU per liter of anhydrous (100) ethyl alcohol
Industrial grade hydrolytic alcohol	0.4 ECU per liter
Raw alcohol from dietary raw materials released for rectification by enterprises of the Republic of Belarus	0 ECU per liter of anhydrous (100 percent) ethyl alcohol
Rectified alcohol released to enterprises of the Republic of Belarus for production of fermented alcohol-fortified fruit and berry juices (wine-making materials), and vinegar	0 ECU per liter of anhydrous (100 percent) ethyl alcohol
Vodka and liqueur and vodka products sold in the Republic of Belarus at fixed prices	80 percent
Champagne and sparkling wines	1.2 ECU per liter
Wines, except champagne and sparkling wines; low-alcohol beverages with up to 7 percent ethyl alcohol by volume inclusively, beverages of natural origin	0.2 ECU per liter
Grape and fruit beverages with up to 25 percent ethyl alcohol by volume inclusively	0.5 ECU per liter
Beer	0.13 ECU per liter
Pipe tobacco	17.5 ECU per kg
Smoking tobacco, with the exception of tobacco used as a raw material for making tobacco products	8.8 ECU per kg
Cigars	0.5 ECU each
Cigarillos	3.5 ECU per 1,000

Table 76 (concluded). Belarus: Excise Rates on Excisable Goods

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

Source: Belarussian authorities.

Table 77. Belarus: Fee Rates

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

Source: Belarussian authorities.

## I. STATUS OF THE SOCIAL SAFETY NET

MAY 1, 1998

263. The system of social protection of Belarus provides a wide range of benefits. It encompasses direct cash transfers, including pensions, unemployment benefits, and allowances provided to households by various governmental agencies, as well as controls on prices and subsidization of "socially important" goods and services. Nevertheless, despite the heavy financial burden of the maintenance of the social protection system, in many cases the consumption of recipients of social assistance and pensions remain below the level of the officially determined minimum consumption basket. Although there are a wide range of benefits, they are not well targeted. Only some children allowances and housing-cost subsidies are income tested. A key challenge is to shift from the universal assistance provided through the maintenance of low prices for socially important goods and services to targeted assistance, with the aim of ensuring that there is adequate government provision of social assistance benefits to low-income groups. The elaboration of a system of targeted assistance remains at a very preliminary stage, despite some efforts on the part of the Ministry of Economy and the Ministry of Social Protection. The former has begun to study the feasibility of replacing subsidies provided to producers of socially important goods with direct cash transfers to the population. At the same time, the latter Ministry has begun to create data banks on poor citizens at the republican and regional levels for the purposes of targeting social support. Another problem requiring an urgent resolution is the viability of the pension system managed by the *Social Protection Fund (SPF)*. The authorities indicated their preference for the continuation of a pay-as-you-go pension system controlled by the government, and the *Concept on Reform of the Pension Support System* in Belarus approved by the Council of Ministers (Resolution No. 349 of April 17, 1997) has been largely limited to the rationalization of the existing system.

### Poverty<sup>52</sup>

264. The number of poor has increased dramatically since 1990. According to a sample survey conducted in 1996, about 40 percent of all people were characterized as poor.<sup>53</sup> However, many of these people experienced only short spells of poverty, in part related to the seasonal nature of in-kind income derived from subsistence agriculture, as many segments of

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<sup>52</sup>This section draws on World Bank research (*Belarus Country Economic Memorandum*, November 1996).

<sup>53</sup>The definition of poverty is based on the cost of a minimum consumer budget (MCB), which includes food and nonfood items. The government and the World Bank have defined different poverty lines, since the latter differentiates according to family size and structure. However, for the average family the Bank's poverty line is very close to that defined by the government, which since 1993 has been 60 percent of the MCB.

the population have turned to such activities to satisfy their daily needs. About 10 percent of the population is deemed to be in "permanent" poverty, which is defined as being below the poverty line for more than nine months of the year. Those suffering the most are relatively large and less-educated families with children, single parents, and one-worker families. In 1997, it is likely that the incidence of poverty declined as economic growth resulted in the increase of real incomes of the population and household consumption, and the rate of registered unemployment decreased.

### **Pension benefits**

265. Pensions are disbursed through the SPF, which is funded by a 35 percent payroll tax paid by employers and a 1 percent tax on salaries paid by employees.<sup>54</sup> Every citizen over the legal retirement age (60 years for men, 55 years for women) with a full work history (i.e., 25 years for men and 20 years for women) is eligible for a pension (Table 78). Uninterrupted service is no longer a requirement. However, there are many professional categories whose members are entitled to get a pension before the legal retirement age.<sup>55</sup> As of January 1, 1998, the number of pension recipients serviced by the republic's social welfare agencies was 2,544,588 (2,544,511 in 1996), including 393,605 persons who have taken early retirement. Pensions were awarded in 1997 to 115,566 pensioners, including to 11,399 below the universally established retirement age.<sup>56</sup> The regular pension amount is based on years of service and on previous income (averaged over five years). The average monthly pension was Rbl 880,000 for 1997 and Rbl 1,475,300 in April 1998, including Rbl 924,600 for old-age pensions in 1997 and Rbl 1,548,300 in April 1998; Rbl 835,700 for disability pensions in 1997 and Rbl 1,399,100 in April 1998, and Rbl 473,100 for pensions due to loss of breadwinner for 1997 and Rbl 878,500 in April 1998. The minimum old-age pension in April 1998 (for men with 25 years of accrued employment and women with 20 years) was Rbl 832,500. Citizens who have not accrued enough years of employment to be eligible for a labor pension are awarded social pensions of from 30 percent (group 3 disabled persons) to 100 percent of the minimum old-age pension (children of disabled persons, persons with group 1 and 2 disabilities since childhood, persons retiring due to age). The social pension of group 1 disabled persons is increased by an additional benefit amounting to 50 percent of the minimum old-age pension to cover the costs of their care. The average pension of military servicemen under the law "On Pension Support to Military Servicemen and to Command and Rank-and-

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<sup>54</sup>For more details, see Appendix II.

<sup>55</sup>Special labor conditions and particular professional activities (e.g., ballet dancers, pilots, and workers in hazardous professions, such as chemists, miners, and founders) allow for a reduction in the minimum age and service record requirements (by 5 to 15 years).

<sup>56</sup>Persons awarded old-age pensions under advantageous conditions (including under the law "On Employment of the Population of the Republic of Belarus").

File Personnel of Internal Affairs Agencies” was Rbl 1,730,000 in 1997 and Rbl 2,975,000 in April 1998.

266. Six major pension adjustments were made in 1997:

- in January—in connection with the revision of provisions of the Law “On Pension Support” regulating the procedure for determining wages to be used to calculate pensions;
- in February, June, August, and November—in connection with the growth of the average wage of blue and white collar workers in the republic by more than 15 percent (Article 70 of the Law of the Republic of Belarus “On Pension Support”);
- in September—in connection with an increase in the minimum wage from Rbl 150,000 to Rbl 200,000 pursuant to Resolution No. 1124, August 28, 1997 of the Council of Ministers of Belarus; and
- on February 21 and October 17, 1997 when the government adopted resolutions increasing premiums to minimum labor pensions, respectively from 50 to 60 percent and from 60 to 100 percent of the minimum old-age pension.

267. As a result, the average pension for 1997 (Rbl 880,000) increased by a factor of 1.8 compared to that for 1996 (Rbl 493,000); the maximum old-age pension (for men with 45 years of accrued employment and women with 40 years) increased by a factor of 2.1 (from Rbl 529,100 to Rbl 1,116,600); and the minimum old-age pension (for men with 25 years of accrued employment and women with 20 years) increased by a factor of 1.7 (from Rbl 255,700 to Rbl 441,700). The average wage increased during this period by a factor of 1.9 (from Rbl 1,212,200 to Rbl 2,262,400). The ratio of the average pension (Rbl 880,000) to the average wage in the republic for 1997 (Rbl 2,262,400) was 38.9 percent.

268. Two pension adjustments were made in early 1998:

- in January—in connection with an increase in the minimum wage from Rbl 200,000 to Rbl 250,000 pursuant to Resolution No. 1752, December 30, 1997 of the Council of Ministers; and
- in February—in connection with growth of the average wage of blue and white collar workers by more than 15 percent (Article 70 of the law “On Pension Support”).

269. As a result, the ratio of the average pension (Rbl 1,475,300) to the average wage in the republic for March 1998 (Rbl 3,698,200) increased to 39.9 percent.

270. Belarus’s pay-as-you-go type pension system poses one of the most acute social-economic problems for the country: as indicated earlier, despite high expenses on pension



payments (close to Rbl 3.7 trillion in April 1998), in March 1998 more than 90 percent of the pensioners received pensions of amounts below the minimum consumer budget, and pensions for more than a third of pensioners were below the poverty criterion. The reasons are low wages, the relatively low age of effective retirement, and the increase in the pensioners-to-active-population ratio, which rose by 37 percent during the last six years (Tables 80 and 81). About 80 percent of the SPF resources are used to pay pensions, while the remaining 20 percent are used to pay other benefits and overhead costs.

271. In order to implement provisions of the *Concept on Reform of the Pension Support System in the Republic of Belarus*, the Ministry of Social Protection prepared a plan of measures to implement the provisions of this Concept during the period 1998–2000. Accordingly, the Ministry drafted two bills revising pension legislation with a view to incorporating some of the provisions of the Concept. One of the bills proposes streamlining the determination of the amount of the pension depending on the extent of the insured person's participation in funding the pension system; introduces a norm encouraging later old-age retirement; and rationalizes the criteria of eligibility for earlier retirement. This bill was considered in its first reading by Parliament. The other bill proposes differentiating pensions to a certain degree for persons who enjoyed higher wages prior to retirement. This bill is currently being considered by the Council of Ministers.

272. "The Regulations on Individual (Personal) Accounting of Insured Persons in the State Social Insurance System" were drafted and approved by Resolution No. 837, July 8, 1997 of the Council of Ministers in accordance with the *Concept on Organizing Individual (Personal) Accounting of Insured Persons in the State Social Insurance System*. The bill "On Individual (Personal) Accounting in the State Social Insurance System" adopted by the Parliament in its first reading. The objective of this legislative act is to create a national system of accounting for pension and social insurance contributions by employees and employers.

### **Other universal benefits**

273. The SPF also provides disability benefits, sickness benefits, maternity benefits, birth allowances, child care benefits up to the age of three years, funeral benefits, and health-related benefits, which are universal, except child allowances. All relevant benefits require a medical certificate. Temporary disability benefits amount to 80 percent of the average daily wage for the first six days of disability, and to 100 percent of the average daily wage for subsequent days. Preferential temporary disability benefits were established for certain categories of citizens (for example, for participants of disaster recovery at Chernobyl; persons with three or more dependent children up to 16 years of age (students—up to 18 years of age); for pregnancy and childbirth; and for caring for a sick child up to 14 years of age).

274. On January 1, 1998, unemployment benefits were paid to around 39 percent of the officially registered 126,000 unemployed. Only those who have been laid off in normal conditions receive benefits; voluntary resignations and dismissal for violations are not compensated. Basic benefits are paid for six months, at twice the minimum monthly wage, but

are lower for those previously earning less than this amount and for first-time job-seekers (the latter receive the minimum wage).

275. The *Employment Fund* (EF), which administers unemployment benefits, also provides retraining benefits and financing to training institutes, as well as subsidies to employers for creating new jobs. Unemployment benefits, retraining stipends, and other cash benefits amounted to 23 percent of EF's expenditure in 1997. Retraining accounted for 11 percent of the total expenditure, financial support for employers for creating jobs represented 39 percent, and the remainder was spent on administrative expenses and local agencies responsible for registration and assistance in job search. Given the decline in unemployment and the significant increase in the collection of payroll taxes levied on the wage funds of enterprises during 1997, the EF was able to generate a surplus.

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

#### **Income-tested benefits**

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

278. Allowances for children up to 3 years of age are differentiated, and are independent of total family income. Allowances amounting to 35 percent of the MCB are paid to working women on child-care leave; to women attending classes with leave from work; to female military service personnel discharged from military service in connection with pregnancy and childbirth. For nonworking women, the allowance amounts to 20 percent of the MCB. In addition, a new form of allowance was introduced for single mothers raising an infant up to 1.5 years of age, amounting to 15 percent of the MCB. In 1997 a one-time material allowance was provided in accordance with a presidential decree to large families preparing children for school. In 1997, child allowances were received by more than 38 percent of families and the corresponding outlays were on the order of 0.6 percent of GDP.

279. Subsidies for housing costs were introduced by Parliament in late 1994. This was in response to the decision to increase rents and charges for utilities. The government wished to ensure that the poorer segments of the population would not fall into poverty as the result of

this policy. Consequently, the amount that households actually pay for rent and utilities is mandated not to exceed 15 percent of household income. The following utilities are included: heating, hot and cold water, sewage, gas, electricity, and, in some cases, TV and radio antennae, and telephones. In addition, subsidies are paid to utility providers, to cover the difference between the cost of these services and the regulated household contributions. Average cost recovery in communal services and energy provided to households decreased from 59 percent at end-1995 to 43 percent at end-March 1998.

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

Table 78. Belarus: Types of Pensions and Pension Recipients as of February 1, 1998

	Number of pensioners	Structure (in percent)	Average pension (in rubels)
Pensioners receiving old-age pensions	2,471,661.0	100.00	1,495,085.0
of which :			
Age - on general terms	1,618,573.0	65.49	1,526,965.0
Age - on privileged terms	368,947.0	14.93	1,637,642.0
According to the Employment Law	15,674.0	0.63	1,651,743.0
Retired senior government officials	1,290.0	0.05	1,049,438.0
Long service	6,915.0	0.28	2,131,528.0
Special achievements	6,503.0	0.26	2,400,654.0
Disability	313,907.0	12.70	1,399,078.0
Loss of breadwinner	139,852.0	5.66	878,499.0

Source: Belarussian authorities.

Table 79. Social Indicators and Insurance Contribution Rates in Selected Countries  
(As of May 1, 1998)

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

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

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

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

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

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

5/ Employers contribute for employees.

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

7/ Government participates in social insurance financing.

Table 80. Belarus: Age Structure of Population, 1994-97  
(In percent)

	1994	1995	1996	1997
Total population	100.0	100.0	100.0	100
Population below working age 1/	23.9	23.5	23.1	22.6
Population of working age 1/	55.4	55.6	55.8	56.2
Population above working age 1/ of which: older than 65 years	20.7 11.8	20.9 12.1	21.1 12.6	21.2 12.8

Sources: Belarussian authorities; and Fund staff estimates.

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

Table 81. Belarus: Number of Employed and Pensioners, 1993-97  
(In thousands, unless otherwise indicated)

	1993	1994	1995	1996	1997 1/
Population (beginning of period)	10,297.8	10,319.4	10,297.2	10,264.4	10,229.2
Labor force	5,132.7	5,008.4	4,721.0	4,390.0	...
<i>Of which</i>					
Employed	4,823.7	4,696.0	4,409.6	4,364.8	4,370.0
Number of pensioners (end-of-period)	2,604.9	2,635.0	2,644.0	2,661.0	2,667.0
Ratio of employed to pensioners	1.9	1.8	1.7	1.6	1.6
Number of pensioners per 1,000 employed	540.0	561.1	599.6	609.6	610.3

Sources: Belarussian authorities; and Fund staff estimates.

1/ Preliminary data.