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BELARUS

Selected Issues

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Approved by the European II Department

January 4, 2002

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Belarus: Basic Data, 1995-2001 (June)

	1995	1996	1997	1998	1999	2000	2001	
							Jan-Mar	Jan-Jun
Social and demographic indicators								
Area (km2)	207,600	207,600	207,600	207,600	207,600	207,600	207,600	207,600
Population (in thousands)	10,297	10,264	10,236	10,204	10,045	10,020	9,984	9,980
Urban	7,061	7,072	7,090	7,123	6,962	6,985	...	...
Rural	3,236	3,193	3,146	3,081	3,084	3,034	...	...
Population density (inhabitants per sq. km.)	50	49	49	49	48	48	48	48
Life expectancy at birth (in years)	68.6	68.6	68.5	68.4	67.9	...	...	...
Infant mortality rate (per thousand)	13.3	12.5	12.4	11.3	11.5	9.3	9.8	9.3
Annual population growth rate (in percent)	-0.3	-0.3	-0.3	-0.3	-1.6	-0.3	...	...
GDP (in millions of U.S. dollars) 1/	10,531	14,361	14,006	15,116	12,099	12,728	2,550	5,447
GDP per capita (in U.S. dollars) 1/	1,023	1,399	1,368	1,481	1,204	1,270	...	...
				(Percentage changes in constant prices)				
Output								
GDP	-10.4	2.8	11.4	8.4	3.4	5.9	2.2	3.5
Of which:								
Industry	-10.3	4.7	17.7	10.6	8.8	7.3	1.1	...
Agriculture	-2.4	1.5	-5.4	-1.7	-7.0	8.5	3.3	...
Industrial production	-11.7	3.5	18.8	12.4	10.3	7.8	2.2	6.1
				(Percentage changes)				
Prices and Wages								
Producer prices (end-of-period; year-on-year)	122	31	91	200	239	168	119	80
Consumer prices (end-of-period; year-on-year)	244	39	63	182	251	108	78	65
Average wage, excluding kolkhozes	670	60	88	102	321	198	121	120
Minimum wage (end-of-period; year-on-year)	200	67	100	75	314	148	92	113
				(In U.S. dollars)				
Average wage (end-of-period) 1/	88	103	108	83	110	76	81	91
Minimum wage (end-of-period) 1/	5	6	7	4	5	3	5	5
				(In percent of GDP)				
General government finance 2/								
Revenue	40.3	40.8	45.5	44.5	45.7	43.3	48.4	47.5
Expenditure 3/	42.2	42.4	46.2	44.8	47.9	43.9	49.4	48.5
Balance 3/	-1.9	-1.6	-0.7	-0.3	-2.2	-0.6	-1.0	-1.0
				(Percentage changes from previous period)				
Money and credit								
Rubel broad money	292	67	103	130	195	124	13	44
Banking system net domestic credit 4/	160	59	116	300	143	182	12	28
Refinance rate (percent per annum, end-of-period)	66	35	42	48	110	90	70	55
				(In millions of U.S. dollars; unless otherwise indicated)				
Merchandise trade								
Exports of goods	4,803	5,790	7,383	7,138	5,646	6,987	1,777	3638.5
Imports of goods	-5,469	-6,939	-8,718	-8,488	-6,216	-7,825	-1,723	-3755.2
Trade balance	-666	-1,149	-1,335	-1,350	-570	-838	54	-117
Current account balance (in percent of GDP)	-4.4	-3.7	-5.8	-6.1	-1.6	-1.3	8.4	4.4
Exchange rate (in rubels per U.S. dollar; end-of-period) 5/	12	16	31	107	320	1,180	1,293	1,378
(in rubels per U.S. dollar; period average)	12	13	26	46	250	717	1,230	1,287
Goss convertible official reserves	377	369	394	345	309	357	372	414

Sources: Belarusian authorities; and IBRD.

1/ Measured at the official exchange rate.
2/ Consolidated (cash) position, including local governments, budgetary funds, and the social protection fund.
3/ Includes an adjustment for discrepancy between monetary and fiscal data.
4/ Unadjusted for exchange rate variation.
5/ Data have been revised backward to reflect the redenomination of the rubel on January 1, 2000, which removed three zeros from the currency.

I. OVERVIEW

1. Economic growth has been decelerating in Belarus. Despite the positive impact of Russia's strong recovery from the 1998 crisis, real GDP growth dropped from 8½ percent in 1998 to an estimated 3 percent in 2001. This slowdown reflects the slow pace of structural reforms and the resulting loss in competitiveness—lately aggravated by expansionary wage policies. The continuation of a system of large transfers from enterprises to households (notably via a host of subsidies and increasingly higher wage bills) has squeezed enterprises' profits, limited their ability to invest, and thus jeopardized medium-term growth prospects. Without a fundamental change in policies, current plans for a monetary union with Russia will be more difficult to achieve.

2. Belarus has been losing ground against its main external competitors. Most indicators using price index data and the parallel market exchange rate, as well as cost-based indices, point to a loss in competitiveness in recent years. Favorable export performance, in particular during 2000–01, seems to be temporary, largely limited to industries where Belarus has a quasi-monopolistic share in the markets of Russia and other CIS countries. As a result, the current account surplus observed in the first half of 2001 could turn into a deficit in the near future. ***Competitiveness*** issues are discussed in Chapter II.

3. The increasing fragility of Belarus's real economy has been compounded by the government's wage policies. Large wage increases have been granted in the past two years, especially in 2001, following the President's promise of an average monthly wage equivalent to $100. This policy has put considerable pressure on the budget, foreign exchange market, banks and enterprises. In particular, the budgetary wage bill jumped from 6 percent of GDP in 2000 to an estimated 9 percent in 2001, while the overall wage share is expected to have risen from 34 percent of GDP to 39 percent during the same period. While the authorities have taken initial steps to reform the wage system, including by delinking part of the government sector from a rigid wage grid, wage hikes threaten to unwind the hard-won stabilization gains achieved to date. Belarus's ***wage policy*** is reviewed in Chapter III.

4. The government has made progress in reducing subsidies recently, largely by eliminating the existing multiple currency practice in September 2000. However, phasing out subsidies implicit in controlled utility prices has been more difficult. After years of decline, since the beginning of 2001 cost-recovery in most utilities has improved, but from a very low base. Despite those initial steps, Belarus still maintains extensive budgetary and implicit subsidies and cross-subsidies. Most subsidies are costly, poorly targeted, and unlikely to improve income distribution. By distorting price signals and leading to productive expenditure squeeze, subsidies may have also adversely affected economic growth prospects. An overview of Belarus's ***subsidies*** is presented in Chapter IV.

5. Against the background of its longstanding structural problems, Belarus faces a major policy challenge—to create a stable macroeconomic environment and achieve economic convergence with Russia by 2005. A review of the costs and benefits of the prospective ***monetary union with Russia,*** is summarized in Chapter V. The analysis suggests that, while

the union could encourage economic reforms and increase trade with Russia, it would also have significant drawbacks, especially given that the two economies are subject to different external shocks (e.g., Russia is a large energy exporter while Belarus imports most of the energy products it consumes). Without wide-ranging structural reforms that would help Belarus to adjust to these shocks and an appropriate mechanism of fiscal transfers, these shocks could complicate unified economic policy. Taking the union objective as given, a more flexible exchange rate policy may be needed during the transition period toward monetary union, especially in view of the relatively rigid labor markets in Belarus.

II. An Assessment of Belarus's External Competitiveness[1]

A. Introduction

1. The unification of exchange rates in September 2000 and an unexpected strengthening of Belarus's external current account, especially in the first half of 2001, call for a review of the country's external competitiveness. Belarus is a small, open economy. Trade volumes typically exceed GDP by more than 20 percent. Trade with Russia alone is equivalent to about 50 percent of GDP each year. At the same time, Belarus posted sizable deficits in its external current account from the beginning of data reporting in 1993 until 1999. A multiple currency practice was in place from January 1996 to September 2000. However, following an already more favorable export performance since 2000 and the unification of official exchange rates during the same year, Belarus's external current account closed with a surplus at end-June 2001. This has raised expectations that Belarus's external competitiveness may have improved recently.

2. This chapter reviews the external competitiveness of the Belarusian economy, particularly in 2000–01. The analysis starts with an overview of developments in Belarus's external current account (Section B). Section C examines various competitiveness indicators, most importantly changes in external and internal real exchange rates, as well as labor cost measures. Section D reviews trade data by sector to explain recent export performance. Section E summarizes and concludes the chapter.

B. Recent Balance of Payments Developments

3. Belarus experienced current account deficits during 1993–2000 (Table 1), although the country's external position improved markedly following the 1998 Russian crisis. The deficit reached its highest level (7 percent of GDP) in 1998, before dropping to about 2 percent of GDP in 1999–2000. A surplus of more than 4 percent of six-month GDP was recorded in the first half of 2001.

4. The recent strengthening of Belarus's external current account is partly the result of sluggish domestic demand for imported goods. Annual average import growth (in value terms) fell from almost 40 percent during 1994–97 to about 15 percent in 2000–01. This reflects a weakening of the Belarusian enterprise sector in recent years. Growth in industrial output fell steadily to less than 5 percent during January–September 2001, from 19 percent in 1997. Furthermore, enterprises report a sharp increase in inventories, noncash transactions and domestic arrears, as well as a significant deterioration in their financial position. Inventories of industrial goods climbed to almost 70 percent of monthly production in June 2001, from about 60 percent in January. Domestic barter also rose substantially: at end-May 2001 barter transactions accounted for almost 50 percent of GDP, compared to

[1] Prepared by Joerg Zeuner.

Table 1. Belarus: Balance of Payments, 1993-2001 (H1)
(In millions of U.S. dollars, unless otherwise indicated)

	1993	1994	1995	1996	1997	1998	1999	2000	2001 Jan-Jun
Current account balance	-435.0	-443.8	-458.3	-515.9	-859.2	-1,016.5	-193.7	-231.5	239.8
Merchandise trade balance	-527.9	-489.8	-665.7	-1,148.5	-1,407.0	-1,501.1	-570.0	-907.7	-116.7
Exports	1,970.1	2,510.0	4,803.0	5,790.1	6,918.7	6,172.3	5,646.4	6,932.3	3,638.5
Imports	-2,498.0	-2,999.8	-5,468.7	-6,938.6	-8,325.7	-7,673.4	-6,216.4	-7,840.0	-3,755.2
Services (net)	48.1	52.1	182.4	572.1	554.0	481.9	314.5	561.0	278.8
Income (net)	-7.4	-28.8	-51.0	-30.8	-84.6	-92.9	-42.0	-41.9	-18.1
Transfers (net)	52.2	22.7	76.0	91.3	78.4	95.6	103.8	157.1	95.8
Capital and financial accounts	294.1	168.4	211.3	479.8	871.3	524.9	459.9	209.2	11.9
Capital account	0.0	23.8	7.3	101.1	133.2	170.1	60.4	41.9	14.9
Financial account	294.1	144.6	204.0	378.7	738.1	354.8	399.5	167.3	-3.0
Direct investment (net)	17.6	10.5	14.7	104.5	349.5	200.9	443.2	89.9	32.2
Portfolio investment (net)	0.0	0.0	0.0	-17.7	-61.6	28.0	-15.4	7.4	29.7
Other investments (net)	276.5	134.1	189.3	291.9	450.2	125.9	-28.3	70.0	-64.9
Errors and omissions	3.4	-41.6	168.6	-178.1	53.0	172.3	-246.3	198.6	-176.6
Overall balance	-137.5	-317.0	-78.4	-214.2	65.1	-319.3	19.9	176.3	75.1
Financing	137.5	317.0	78.4	214.2	-65.1	319.3	-19.9	-176.3	-75.1
Reserve assets (net)	12.5	-58.6	-283.7	-78.6	75.3	54.6	34.6	-75.7	-64.3
Use of Fund resources	98.2	0.0	177.8	0.0	0.0	-24.4	-58.1	-55.8	-15.1
Exceptional financing 1/	26.8	375.6	184.3	292.8	-140.4	289.1	3.6	-44.8	4.3
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
				(as a percentage of GDP)					
Memorandum items: 2/									
Current account balance	-11.9	-9.1	-4.4	-3.7	-6.3	-7.0	-1.6	-1.8	4.4
Merchandise trade balance	-14.4	-10.1	-6.4	-8.3	-10.3	-10.3	-4.7	-7.1	-2.1
Overall balance	-3.8	-6.5	-0.8	-1.5	0.5	-2.2	0.2	1.4	1.4

Sources: Belarusian authorities; and EDSS data base.

1/ All accumulation, repayment, and forgiveness of arrears.
2/ Ratios for 1999 reflect the steep devaluation of the exchange rate.

40 percent in early 2000. Finally, about 40 percent of enterprises were nonprofitable at end-August 2001, while another 30 percent posted small profit margins.

5. The recent strengthening of Belarus's external current account is also the result of improved export performance. While the Russian recovery explains some of these developments, export data warrant an assessment of the external competitiveness of the Belarusian economy. Exports of goods grew at a similar annual average rate as imports (almost 10 percent) during 1995–99. However, average growth during 2000–01 is expected to reach almost 20 percent, some 5 percentage points higher than average import growth during the same period. Developments in the services balance point in the same direction: net services exports are expected to grow by 6 percent in 2001, following almost 80 percent growth in 2000.

C. Competitiveness Indicators

6. This section calculates and analyzes trends in various measures of external and internal real exchange rates. The external real (effective) exchange rate is defined as the ratio of the (weighted) average price or cost index in the reporting country to the corresponding index in the partner countries. Several of those ratios are presented below. The analysis is extended by adding a number of internal real exchange rates, defined as the ratio of the price of nontradable to tradable goods in the reporting country. Finally, some key labor cost indicators are discussed.[2]

7. The external and internal real exchange rate series do not allow for a clear assessment of external competitiveness in Belarus due to sensitivity to exchange rate assumptions and price distortions. For example, an indicator could show improvement in external competitiveness when using the official exchange rate, but a deterioration when using the parallel market rate or a weighted average of the two. At the same time, distortions in the domestic price system may explain why changes in the internal real exchange rate based on manufacturing and agriculture prices (thus avoiding the exchange rate altogether) indicate an improvement in Belarus's international trade competitiveness. To clarify this picture, the final set of indicators tries to assess Belarus's external competitiveness on the basis of labor costs. They all show a weakening of the country's external position.

External real exchange rates

8. Changes in the **real exchange rate** of the Belarusian rubel against the Russian ruble and the dollar may serve as a first approximation to assessing changes in Belarus's external competitiveness. However, due to a multiple currency practice from January 1996 to September 2000, the analysis separates movements in the official exchange rate from the parallel market rate until exchange rate unification in September 2000. The official rate was

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[2] For a review of various external competitiveness indicators, see Lipschitz and McDonald (1991), and Marsh and Tokarick (1994).

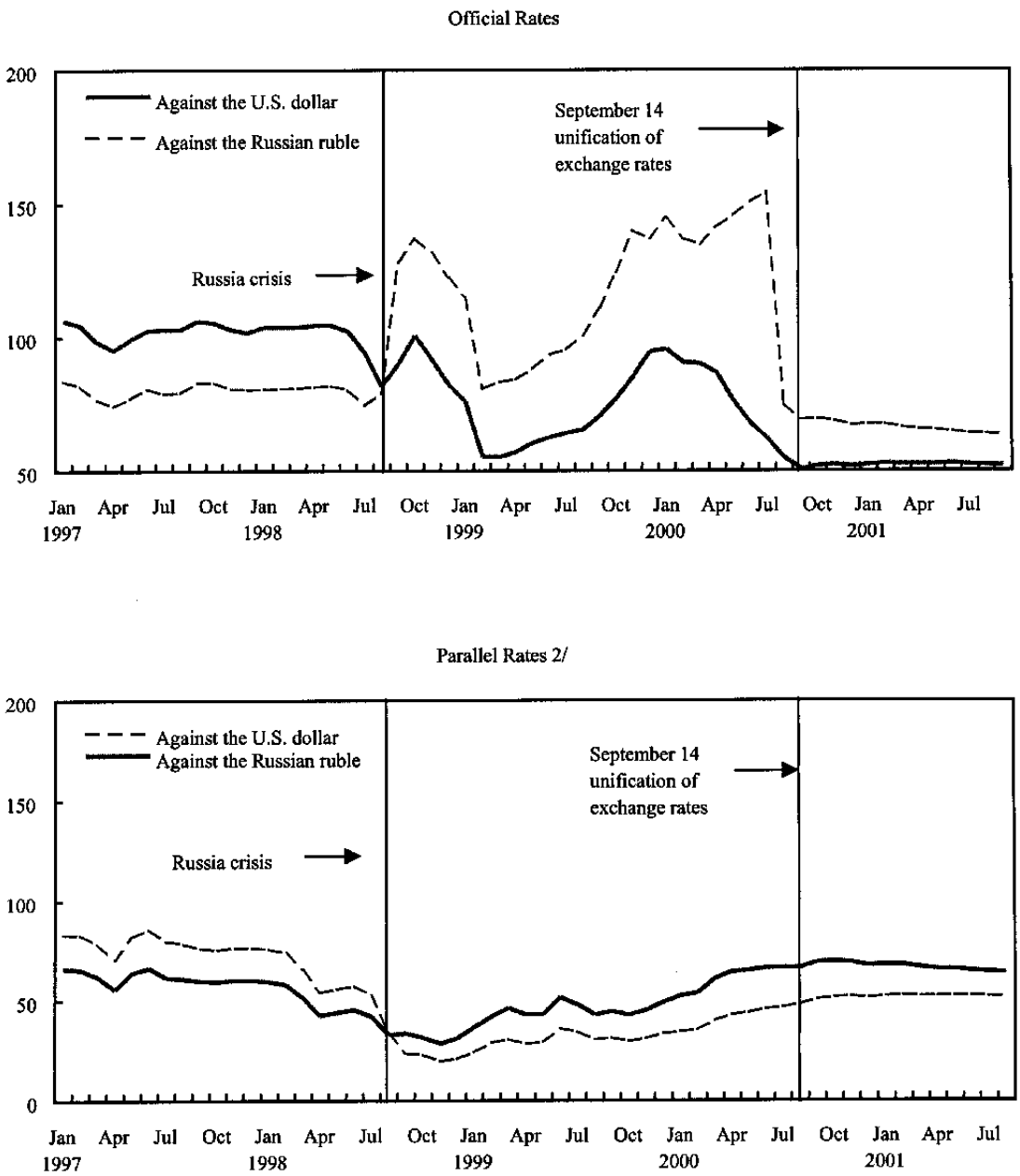
less favorable for external trade prior to unification, effectively imposing a tax on the export sector.

9. Figure 1 suggests a weakening of Belarus's position in world and—even more so—regional trade since 1999, following initial gains from the steep devaluation of the Belarusian rubel during the Russian crisis. The parallel market rate of the Belarusian rubel has steadily appreciated in real terms against the Russian ruble and the dollar, since shortly after the crisis. Moreover, the Belarusian rubel appreciated faster against the Russian ruble than the dollar. However, developments may have been more favorable since the exchange rate unification. The real appreciation of the unified Belarusian rubel rate slowed down after September 2000, coming to a standstill against the Russian ruble shortly thereafter.

10. The hypothesis that Belarus gained competitiveness since 1998 cannot be rejected on the basis of the movements of various **external real *effective* exchange rates**. However, Belarus may have lost ground relative to its western competitors and trading partners. Figure 2 shows the monthly CPI-based real effective exchange rate (REER) for Belarus as calculated by the IMF Information Notice System (INS), using the official exchange rate.[3] The graph indicates that in the aftermath of the Russian crisis the REER appreciated to record levels for about three months, but returned to 1998 levels by mid-1999. The appreciation of the real effective exchange rate peaked again in the spring of 2000, before the Belarusian authorities unified the official with the parallel market exchange rate. Following the unification, the depreciation of the official exchange rate brought the real effective exchange rate down, to a level close to the beginning of 1995.

[3] The country weights used by the INS reflect the relative shares in Belarus's trade in 1995.

Figure 1. Belarus: Real Exchange Rate Developments, January 1997-September 2001 1/
(Index, 1995=100)

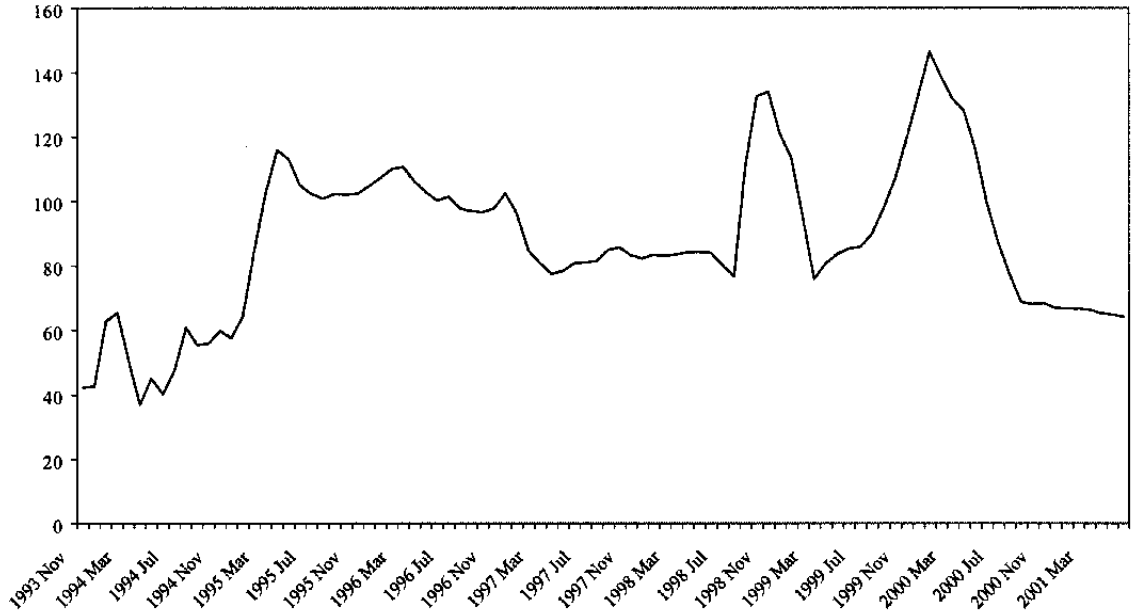


Source: National Bank of Belarus; and Fund staff estimates.

1/ An increase indicates an appreciation.

2/ The parallel market exchange rate is the offshore rate in Moscow until 1997 and the domestic noncash interbank rate outside the Belarus Currency and Stock Exchange fom 1998 until the unification of exchange rates in September 2000.

Figure 2. Belarus: Official Exchange Rate in Real Effective Terms, November 1993-June 2001 1/
(Index, 1995=100)



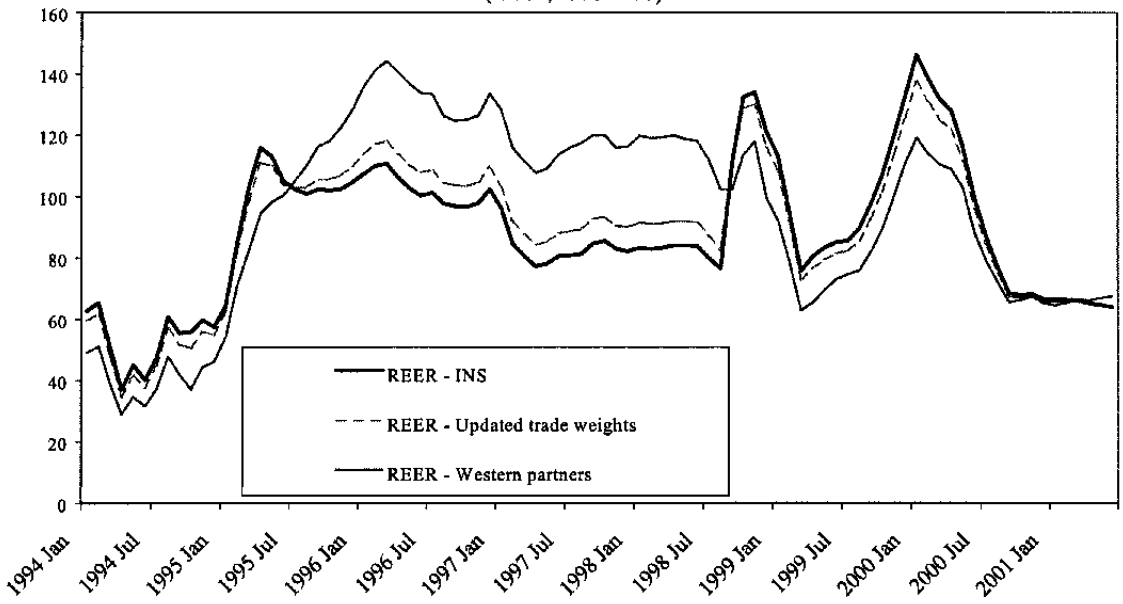
Source: INS database.
1/ An increase indicates an appreciation.

11. The results discussed in paragraph 10 above are not very sensitive to updating trade weights. The changes in the **REER on the basis of 2000 trade weights** look very similar to the ones shown in Figure 2, most likely due to the overriding importance of Russia as Belarus's main trading partner. In effect, a series of the official exchange rate in real effective terms including Russia as the only trading partner would look very similar to Figure 2.

12. Belarus's external competitiveness suffered less in western markets following the Russian crisis, at least until end-2000. Excluding Russia, real effective exchange rate movements against the dollar and the Deutschmark/euro were less pronounced (Figure 3). During the first six months of 2001, however, the **REER against the dollar and the Deutschmark/euro** started to appreciate, when the overall trend was in the opposite direction.

13. Using a basket of Belarus's main competitors and weights that reflect their relative importance (Table 2), the path of the REER again looks almost identical to the one reflecting the updated trade weights. This outcome is not surprising, since Belarus's main trading partners are also its main competitors.

Figure 3. Belarus: Real Effective Exchange Rate against Western Trading Partners, January 1994 - June 2001
(Index, 1995=100)



Source: INS database; and Fund staff estimates.
1/ An increase indicates an appreciation

14. The positive effect of the exchange rate unification on Belarus's competitiveness during 2000 was probably more limited than suggested by Figures 2 and 3 because the official exchange rate was not used for many international current transactions. While the surrender requirement ensured that about a third of the transactions was converted at the official exchange rate, foreign exchange proceeds from the remaining 70 percent was either kept in foreign currency and/or exchanged at the parallel rate. Nevertheless, the exchange rate unification appears to have helped Belarus's export performance since early 2000.

Table 2. Belarus: Main Competitors

	Weight
Russia	50
Germany	15
Ukraine	10
Poland	10
Latvia	5
Lithuania	5
Turkey	5
Total	100

Source: Belarusian authorities.

15. Other competitiveness measures are clearly needed before firmer conclusions can be drawn. First, while the INS calculations above are CPI-based, the price system in Belarus remains distorted, with some price controls still in place. Furthermore, more than 20 percent of exports and about 15 percent of imports were traded under barter agreements during the first six months of 2001, generally involving discounts on registered prices (of which many are subject to minimum export price regulations), further distorting the picture. Second, the official exchange rate was only one of the two main exchange rates used in international current transactions until September 2000.

16. In view of these difficulties, this chapter examines other measures of external competitiveness. The first additional measure involves the calculation of a **real exchange rate using the GDP deflator and the *parallel market* exchange rate**. This will be compared with a measure using the same price index ratio but the *official* exchange rate instead. The advantage of the GDP deflator is that it eliminates imported inflation to a greater extent than the CPI; the latter generally includes a larger number of imported goods. This comparison may also reveal the sensitivity of any conclusions to the exchange rate used.

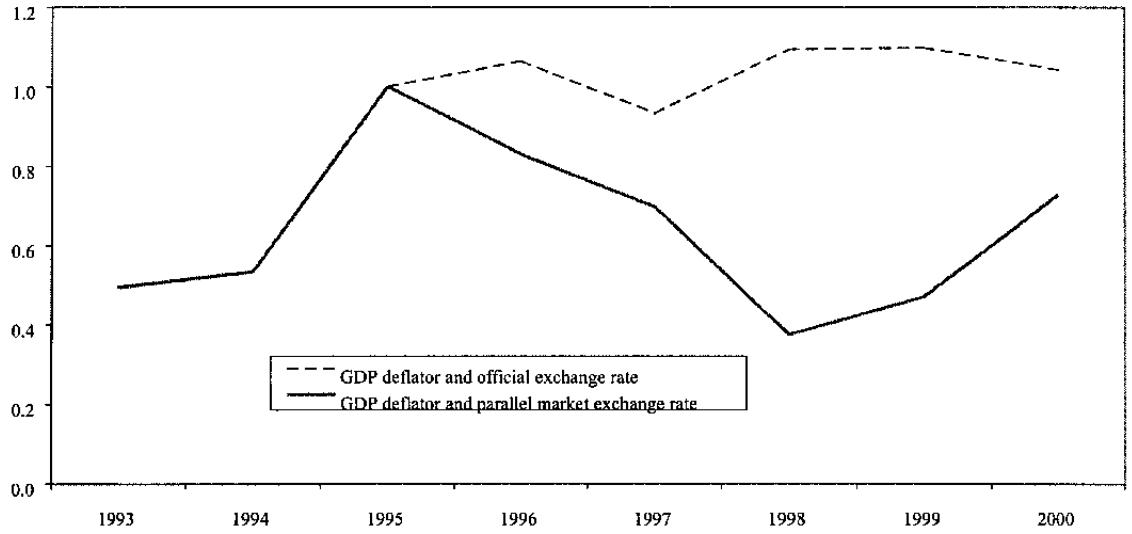
17. Figure 4 shows that movements in the REER during 1995–2000 are relatively robust regarding a change in price index, but highly sensitive to the choice of exchange rate. The Belarusian rubel *appreciated* in real terms against the currencies of the country's main trading partners during 1993–98 (with the exception of 1997), when the official exchange rate is used. The real appreciation tapered off in 1999. The year 2000 witnessed a small depreciation in real terms, confirming earlier results.

18. Using the parallel market exchange rate, however, the Belarusian rubel *depreciated* sharply in real terms during 1995–98 (Figure 5). Moreover, while developments in the official exchange rate were favorable for the export sector during 1999–2000, the parallel market exchange rate appreciated by almost 100 percent in real terms during the same period. According to Figure 4, Belarus's external competitiveness has deteriorated significantly since 1998. This result is confirmed when using a weighted average of both exchange rates, to account for the 30-percent surrender requirement.

Internal real exchange rates

19. Another indicator of changes in external competitiveness is the internal real exchange rate, using more disaggregated price level data, in an attempt to avoid the shortcomings of the CPI. One of the measures presented below also circumvents the use of exchange rate data, eliminating another source of large distortions due to multiple currency practice. The internal real exchange rate is defined as the ratio of the price of nontradable to tradable goods in Belarus. Movements in this ratio importantly affect the allocation of resources between these two categories of goods, and influence Belarus's external competitiveness. More precisely, if the relative price of nontradables increases, resources will be shifted to that sector, resulting in a deterioration of export competitiveness.

Figure 4. Belarus: Different Exchange Rates in Real Effective Terms using the GDP Deflator, 1993-2000 1/
(Index, 1995=1)

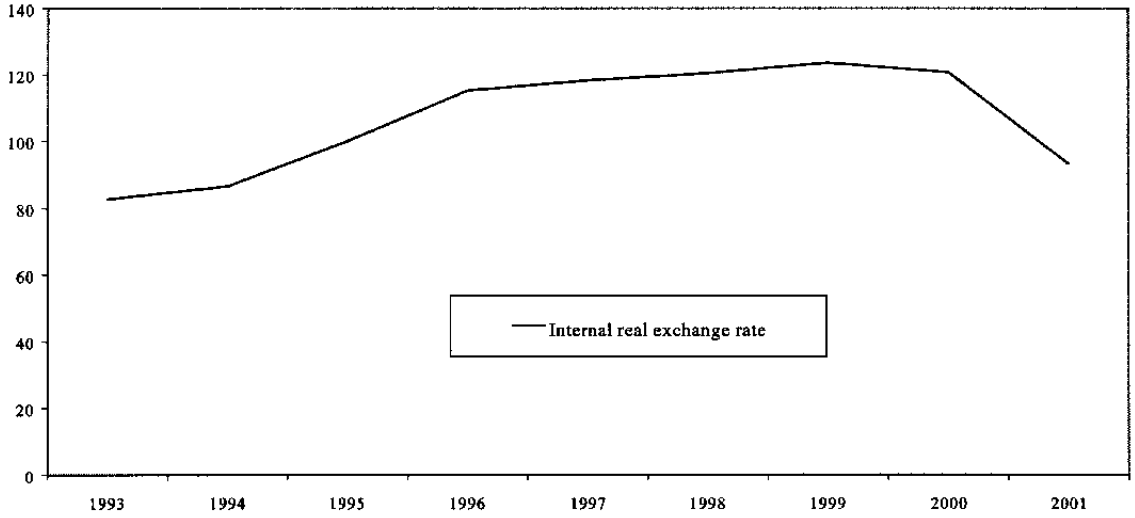


Source: WEO database; and Fund staff estimates.
1/ An increase indicates an appreciation.

20. It has been common practice in the literature to use the **price indices of manufacturing and agriculture** as proxies for the prices of tradables and nontradables, respectively.[4] Figure 5 shows the movements in the real exchange rate defined as the ratio of the price index of both product groups. Ignoring exchange rate movements in the calculation of this indicator, the evolution of this internal real exchange rate is significantly smoother than changes in any of the external real effective exchange rates. At the same time, this indicator suggests that a period of continued real appreciation came to a halt in 2000. More significantly, Belarus's competitiveness improved significantly during the first quarter of 2001. The plotted series would therefore support the view that Belarus gained external competitiveness recently, similar to the REER calculations based on official exchange rate data.

[4] See, for example, Gelb and associates (1988).

Figure 5. Belarus: Internal Real Exchange Rate using Manufacturing versus Agriculture Prices, 1993-2001 Q1 1/
(Index, 1995=100)



Source: Belarusian authorities; and Fund staff estimates.
1/ An increase indicates an appreciation

21. However, since agricultural products may be tradable goods, the literature suggests several other approximations to measuring price changes of tradables compared to nontradables. One is to take, on an annual basis, **world market producer prices** as a measure for the price of tradables **and the domestic CPI and PPI** as a proxy for the price of nontradables. Adopting a methodology recently used for Ukraine, the index for the world market price of tradables is calculated as a weighted average of the producer price indices of the five major industrial economies (the United States, Germany, France, the United Kingdom, and Japan), using the SDR weights during 1996–98 (Table 3).[5]

22. Following this methodology, and at the same time using the parallel market exchange rate, Belarus gained external competitiveness during 1994–98 but lost most of these gains thereafter, with the index approaching 1995-levels during 2001 (Figure 6). This behavior is also broadly similar to the external real exchange rate estimates when they are based on the parallel market or weighted average exchange rate (Figure 4). The results are not very sensitive to using the CPI compared to the PPI, although the latter produces worse outcomes; the country mainly trades in industrial products that are included in the PPI but not in the CPI.

[5] See Berengaut and others (forthcoming).

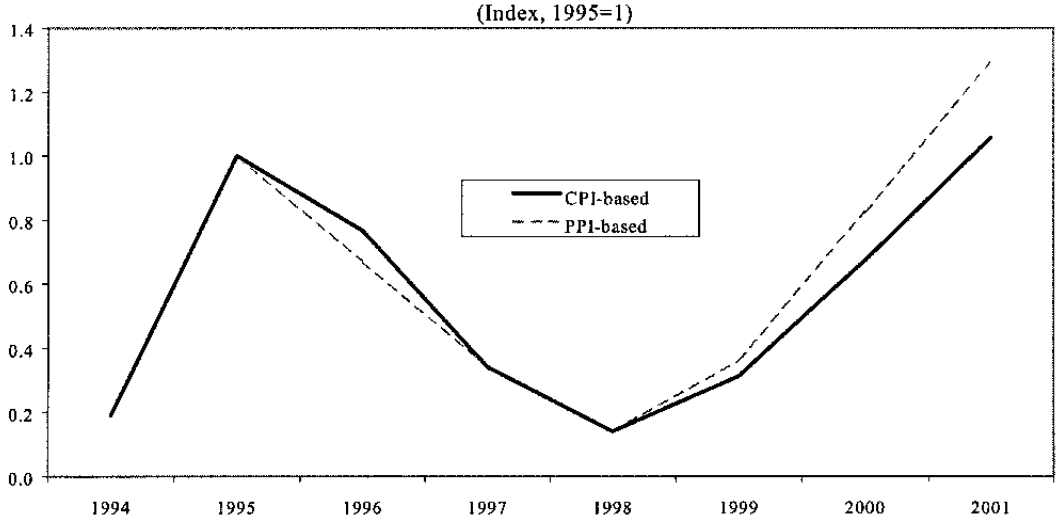
Table 3. Belarus: Internal Real Exchange Rate (RER), 1994-2001
(Index, 1995=100)

	Producer Prices (PP)					Exchange Rates per U.S. Dollar						U.S. Dollar PP 2/	Rbl/$	BLR Average CPI	**Internal RER (CPI-based)**	BLR Average PPI	**Internal RER (PPI-based)**
	FRA	GER	JAP	UK	US	FRA	GER	JAP	UK	US	BLR 1/						
1994	94.2	98.3	100.9	96.1	96.5	111.2	113.2	108.7	103.1	100.0	70.6	92.2	70.6	12.4	**0.2**	17.8	**0.3**
1995	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	**1.0**	100.0	**1.0**
1996	97.4	99.6	100.1	102.6	102.3	102.5	105.0	115.6	101.2	100.0	205.9	97.0	205.9	153.0	**0.8**	133.6	**0.7**
1997	96.7	100.7	101.6	103.6	102.3	116.9	121.0	128.6	96.4	100.0	794.1	92.5	794.1	250.9	**0.3**	251.2	**0.3**
1998	95.9	100.3	100.0	104.2	99.7	118.2	122.8	139.2	95.3	100.0	3,429.4	89.9	3,429.4	434.1	**0.1**	432.0	**0.1**
1999	94.6	99.3	96.7	105.4	100.6	123.3	128.1	121.1	97.5	100.0	6,047.1	90.2	6,047.1	1,710.3	**0.3**	1,969.1	**0.4**
2000	98.8	102.5	96.6	108.1	106.4	142.6	148.1	114.6	104.3	100.0	7,570.6	90.2	7,570.6	4,600.8	**0.7**	5,623.7	**0.8**
2001	99.8	102.9	97.0	110.9	107.6	141.8	144.5	126.1	108.4	100.0	8,000.0	89.7	8,000.0	7,591.3	**1.1**	9,279.2	**1.3**

Sources: Belarusian authorities; Fund staff estimates and projections; and WEO database.

1/ Using the parallel market exchange rate.
2/ SDR-weighted average. During the period January 1, 1996 - January 1, 1999, the weights in the SDR basket were: 39 percent for the U.S. dollar, 21 percent for the German mark, 18 percent for the Japanese yen, and 11 percent each for the French franc and the pound sterling.

Figure 6. Belarus: Internal Real Exchange Rate using World Market Producer Prices, 1995-2001 (est.) 1/
(Index, 1995=1)



Source: Belarusian authorities; and Fund staff estimates.
1/ An increase indicates an appreciation.

Labor costs

23. If one were to look at movements in **wages in dollar terms** as a first approximation to assessing changes in the country's external competitiveness on a cost basis, a loss of competitiveness is found (Table 4). Together with Lithuania, Belarus is the only country in the sample of Table 2 where wages in dollar terms more than tripled during 1994–2000. Furthermore, although wages in dollar terms were initially lower in Belarus than in Russia and in Ukraine, they have exceeded wages in Russia since 1999, and in Ukraine since 1995. Using the parallel market exchange rate, the rise in labor costs is less pronounced but still very significant. While dollar wages in Russia fell by almost 20 percent during 1993–2000, they rose by more than 130 percent in Belarus (more than 230 percent when using the official exchange rate). Therefore, the evolution of wages in dollar terms seems to support a loss in competitiveness in recent years. Labor and/or total factor productivity are not likely to have increased sufficiently to support such large wage increases. Belarus's external competitiveness is likely to have suffered further in 2001, an electoral year. The President promised to raise average wages by end-year to $100 economy-wide. In the public sector, they reached $88 in September, while they rose to $97 economy-wide at the same time. This reflects an increase in wages in dollar terms of almost 30 percent compared to December 2000.

24. **Unit labor cost** is one of the preferred indicators of competitiveness and is measured by dividing wages by output. Accurate calculations of unit labor cost for Belarus are difficult because of data shortcomings. Staff estimates indicate that the unit labor cost index for Belarus rose by almost 20 percent during 1994–2000 (Table 5)—only Latvia and Turkey

Table 4. Belarus: Average Monthly Wage, 1993-2000
(In U.S. dollars; unless otherwise indicated)

	1993	1994	1995	1996	1997	1998	1999	2000	2000 1/
Belarus 2/	...	26.8	65.5	90.0	85.0	102.0	77.0	89.0	...
percentage change	...	...	144.5	37.4	-5.6	20.0	-24.5	15.6	232.2
Russia	58.2	99.1	106.5	156.9	166.5	137.7	63.8	80.2	...
percentage change	117.7	70.4	7.4	47.3	6.2	-17.3	-53.6	25.6	-19.1
Germany	910.2	941.4	1,101.2	1,060.1	918.1	921.6	906.9	811.1	...
percentage change	-3.0	3.4	17.0	-3.7	-13.4	0.4	-1.6	-10.6	-13.8
Ukraine	13.7	30.3	53.0	75.4	83.9	67.6	43.0	42.5	...
percentage change	-54.0	120.3	75.0	42.3	11.2	-19.4	-36.4	-1.2	40.2
Poland	225.5	248.8	310.3	353.1	351.4	385.3	377.8	382.9	...
percentage change	3.3	10.3	24.7	13.8	-0.5	9.6	-1.9	1.3	53.9
Latvia	69.9	128.4	169.6	179.3	206.6	226.0	240.9	246.5	...
percentage change	...	83.6	32.1	5.7	15.3	9.4	6.6	2.3	92.0
Lithuania	...	81.7	120.3	154.5	194.5	232.5	246.8	252.0	...
percentage change	...	...	47.2	28.5	25.9	19.5	6.1	2.1	208.4
Turkey	616.4	394.0	414.1	401.8	452.4	512.0	627.5	722.7	...
percentage change	...	-36.1	5.1	-3.0	12.6	13.2	22.6	15.2	83.4
Memorandum item									
Belarus 3/	...	26.8	65.5	70.1	63.6	35.0	33.0	62.1	...
percentage change	...	...	144.5	7.1	-9.3	-44.9	-5.8	88.0	131.7

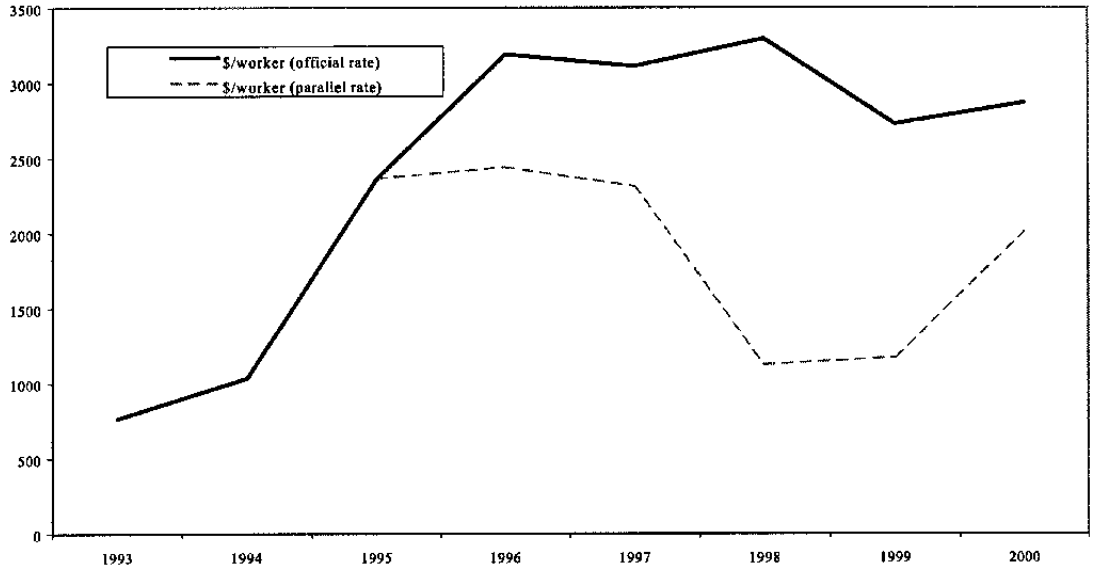
Source: WEO database; OECD database; and Fund staff estimates.

1/ Percentage change for 2000 over 1994.
2/ At the official exchange rate.
3/ At the parallel market exchange rate.

observed sharper increases. Russian unit labor cost, by contrast, fell by about 20 percent during the same period. The unit labor cost index for Belarus for 2001 is expected to rise by at least 20 percent compared to 2000. The second labor cost indicator therefore confirms the evidence of a loss of external competitiveness.

25. Detailed **productivity** data are not available for Belarus. Staff estimates of average productivity suggest that it has been rather volatile and below 1995-levels until 2000, in dollar terms and measured at the parallel exchange rate (Figure 7). The lowest level was reached in 1998. At the same time, quickly rising unit labor costs suggest that wages in Belarus have been growing faster in recent years than average productivity.

Figure 7. Belarus: Average Productivity, 1993-2000



Sources: WEO database; and Fund staff estimates.

D. Export Performance by Sector

26. Strong export growth in 2000–01 remains puzzling in light of evidence suggesting a loss of competitiveness. While the Russian recovery is likely to have contributed to Belarus's improved trade balance in 2000, disaggregation of trade data may provide further insights. A review of trade data for 2000–01 does not provide any evidence of external competitiveness gains. On the contrary, exports to CIS countries have not even managed to regain pre-crisis levels in traditional export industries.

Table 5. Belarus: Unit Labor Cost, 1993-2000
(Index numbers; unless otherwise indicated)

	1993	1994	1995	1996	1997	1998	1999	2000	2000 1/
Belarus	...	0.31	0.33	0.34	0.33	0.37	0.34	0.37	...
percentage change	...	...	7.0	1.8	-3.2	13.4	-8.8	9.9	19.8
Russia	0.27	0.31	0.26	0.30	0.30	0.37	0.25	0.25	...
percentage change	-0.3	14.8	-16.9	16.2	1.2	23.3	-31.8	-2.4	-19.9
Germany	0.21	0.20	0.20	0.20	0.19	0.19	0.19	0.20	...
percentage change	-1.3	-3.4	-0.3	-1.0	-2.6	-0.4	1.1	2.3	-1.0
Ukraine	0.28	0.35	0.52	0.49	0.52	0.43	0.36	0.37	...
percentage change	-32.8	22.1	48.6	-4.6	6.3	-17.0	-17.7	3.9	6.8
Poland	0.46	0.45	0.44	0.46	0.47	0.46	0.46	0.45	...
percentage change	-6.2	-2.8	-1.8	2.9	2.3	-0.9	-0.7	-2.9	-1.2
Latvia	0.03	0.05	0.07	0.08	0.08	0.09	0.09	0.09	...
percentage change	...	78.1	30.2	7.2	6.6	8.4	5.5	0.8	71.3
Lithuania	...	0.39	0.39	0.39	0.41	0.43	0.46	0.43	...
percentage change	...	...	1.9	-1.0	4.3	5.8	6.4	-5.9	11.5
Turkey	0.78	0.71	0.63	0.57	0.60	0.66	0.90	0.89	...
percentage change	...	-8.5	-11.8	-9.1	4.9	10.4	35.6	-0.6	25.3

Source: WEO database; OECD database; and Fund staff estimates.

1/ Percentage change for 2000 over 1994.

27. Trade data for 2000 are in line with results from the real exchange rate and labor cost analyses above; they do not provide evidence of competitiveness gains during that year. Non-oil exports to non-CIS countries stagnated,[6] while export growth to Russia and the CIS could be attributed mainly to a recovery in Russia. Furthermore, the recovery was limited to the country's traditional industries, where it continues to have a quasi-monopolistic position in the region (Table 6). While non-oil exports to non-CIS countries were affected by the Russian crisis *earlier* than exports to CIS countries, they recovered quickly to above-crisis levels in 1999. However, these exports remained flat in 2000. This suggests that Belarus may initially have gained some external competitiveness from the steep devaluation of the Belarusian rubel during the crisis period. However, the level of exports could at best be maintained throughout 2000, in line with preliminary results from section C above. With respect to non-oil exports to CIS countries, Belarusian exports to the region fell significantly short of pre-crisis levels. Furthermore, growth mainly results from sales of the textiles (fibers), machinery (refrigerators and TV sets), vehicles (tractors and tucks), and—to a lesser extent—cement industries, the pillars of the old Soviet production system in Belarus. Therefore, trade data do not support the view that Belarus became more competitive relative to regional trading partners in 2000.

28. Trade **data for 2001** confirm this picture (Table 7). Export growth is explained by intensifying trade with CIS countries and is again restricted to Belarus's traditional export sectors, while exports to non-CIS countries dropped compared to 2000. More importantly, growth seems to be slowing down in those sectors that face increasing competition from abroad, particularly durable consumer goods and textiles. Furthermore, most of the export growth in the first quarter is reportedly explained by a small number of large and exceptional export transactions.

E. Summary and Conclusion

29. Cost-based measures of external competitiveness indicate that Belarus's economy has been losing ground against its main competitors in recent years. While wages in dollar terms were below the levels in Russia and Ukraine in the first half of the 1990s, accelerated wage increases eroded any initial advantage, and are likely to have contributed to a substantial weakening of Belarus's external position since the late 1990s. A basic estimate of average productivity suggests that there is little room for (further) real appreciation. On the contrary, a real depreciation seems to be warranted against the background of rising wages, although the demand for Belarus's traditional export goods remains relatively price-inelastic, limiting potentially damaging effects of a less flexible exchange rate policy.

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[6] About 60 percent of Belarus's crude oil imports are re-exported as refined products.

Table 6. Belarus: Exports by Sector, 1997-2000
(In millions of U.S. dollars, unless otherwise indicated)

	1997				1998				1999				2000			
	Total	Russia	CIS	Non-CIS	Total	Russia	CIS	Non-CIS	Total	Russia	CIS	Non-CIS	Total	Russia	CIS	Non-CIS
Total	**7,301**	**4,780**	**5,379**	**1,922**	**7,070**	**4,608**	**5,160**	**1,910**	**5,909**	**3,222**	**3,622**	**2,287**	**7,331**	**3,716**	**4,405**	**2,926**
o/w: mineral products	691	473	508	182	594	318	369	225	562	58	163	399	1,482	79	473	1,009
Total, excluding mineral products	**6,611**	**4,307**	**4,871**	**1,740**	**6,476**	**4,291**	**4,791**	**1,685**	**5,347**	**3,164**	**3,459**	**1,889**	**5,849**	**3,637**	**3,932**	**1,918**
o/w: Live animals and animal products	198	185	186	12	227	214	217	10	153	141	143	10	187	152	153	34
Vegetable products	105	78	83	21	94	64	70	24	68	57	59	10	71	54	56	15
Prepared foodstuffs	306	284	295	12	274	256	261	14	219	191	197	22	235	187	203	32
Products of the chemical or allied industries	819	250	296	523	880	343	377	503	799	193	222	577	809	186	215	594
Plastics and articles thereof; rubber and articles thereof	463	356	416	47	398	295	353	45	307	230	258	49	340	265	285	55
Wood and articles of wood	146	50	75	72	159	50	72	87	154	35	44	110	179	43	50	129
Pulp of wood; apper, paperboard and articles thereof, recovered (waste and scrap) paper and paperboard	101	75	94	6	115	95	110	5	106	87	100	7	136	113	129	6
Textiles and textile products	811	387	455	355	824	395	470	353	658	336	362	296	774	447	474	300
Footwear, headgear, umbrellas, parts thereof	118	112	114	4	135	127	130	5	103	97	99	4	95	92	92	2
Articles of stone, plaster or cement	159	120	133	25	173	130	144	29	134	90	103	31	180	131	145	35
Base metals and articles thereof	655	407	454	200	646	398	437	209	468	232	250	218	530	253	273	257
Machinery, equipment and mechanical appliances	989	781	896	94	900	690	783	116	696	540	595	101	799	642	689	110
Vehicles and aircrafts	1,282	866	1,004	278	1,145	850	967	178	1,056	664	744	312	958	740	827	132
Miscellaneous manufactured goods	281	259	265	16	231	204	213	18	161	127	133	27	178	142	147	31

Source: Belarusian authorities.

Table 7. Belarus: Exports by Type of Product, 2000-01
(In millions of U.S. dollars, unless otherwise indicated)

	2000 (Jan-Aug)		2001 (Jan-Aug)		Change	
	CIS	Non-CIS	CIS	Non-CIS	CIS	Non-CIS
Total	**2,803**	**2,011**	**2,968**	**2,027**	**165**	**16**
o/w: mineral products	326	692	217	755	-109	63
Total, excluding mineral products	**2,478**	**1,319**	**2,751**	**1,272**	**273**	**-47**
o/w: Live animals and animal products	89	23	180	25	91	2
Vegetable products	39	0	38	0	-1	0
Prepared foodstuffs	140	21	143	27	3	6
Products of the chemical or allied industries	141	406	129	428	-12	22
Plastics and articles thereof; rubber and articles thereof	193	35	198	30	5	-5
Wood and articles of wood	31	92	36	81	4	-12
Pulp of wood; apper, paperboard and articles thereof, recovered (waste and scrap) paper and paperboard	87	5	94	3	7	-2
Textiles and textile products	302	201	299	193	-3	-8
Footwear, headgear, umbrellas, parts thereof	61	2	53	2	-8	0
Articles of stone, plaster or cement	91	23	109	27	17	4
Base metals and articles thereof	177	170	224	180	47	10
Machinery, equipment and mechanical appliances	441	76	511	78	71	2
Vehicles and aircrafts	478	96	537	84	59	-12
Miscellaneous manufactured goods	92	20	102	23	10	3

Source: Belarusian authorities.

Indicators of external competitiveness based on price data point strongly in the same direction, when using the parallel market exchange rate. In that case, both external and internal real exchange rate measures signal a significant appreciation during 2000–01. Trade data support this outcome. Favorable export performance during 2000–01 seems to be exceptional (and partly related to the end of the Russian crisis). Furthermore, Belarus's exports typically benefit from Russia's growth performance only in those industries where the country has a quasi-monopolistic share in the markets of Russia and other CIS countries.

30. In contrast, competitiveness indicators based on price data point to a moderate improvement of Belarus's external position when using the official exchange rate or domestic prices only. However, the latter is likely to result from distorted price and exchange rate data, reflecting extensive price and exchange controls.

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III. Wage Policy[1]

A. Introduction

1. Belarus is in the early stages of transition, characterized by still high (albeit declining) inflation, rigid labor markets, the virtual absence of open unemployment, and predominant state ownership. It also has one of the largest governments and budgetary wage bills in the CIS. In this environment, prudent wage policy is particularly important because it affects competitiveness, financial discipline, as well as the government's ability to impose hard budget constraints on state enterprises and contain the fiscal deficit.[2]

2. In recent years, real wages in Belarus have increased significantly, despite a substantial slowdown in growth. As discussed in the previous chapter, wage increases have contributed to a loss of competitiveness vis-à-vis Belarus's major trading partners, notably Russia (Table 1 and Figures 1 and 2). Wage policy, especially in 2001, also has contributed to the worsening fiscal situation, declining enterprise profitability, and growing arrears.

Table 1. Belarus: Wages, Prices, and Output 1997-2001

	1997	1998	1999	2000	Oct. 2001
	(annual percentage changes unless otherwise indicated)				
Wages 1/					
Real average monthly wage (1996=100)	114	138	144	163	207
Average monthly wage (in U.S. dollars)	64	50	33	57	86
Consumer Prices					
Average	64	73	294	169	68
End-of-period	63	182	251	108	33
Output					
Gross domestic product (in millions of U.S. dollars)	14,006	15,116	12,099	12,742	8,737
Real GDP	11.4	8.4	3.4	5.9	3.0
Industrial production	18.8	12.4	10.3	7.8	4.4

Source: Data provided by the Belarusian authorities and Fund staff

1/ The 2001 data refer to January-September.

3. This chapter provides an overview of current wage policy and its macroeconomic effects (Section B), and discusses wage indexation (Section C). Section D offers some concluding remarks.

[1] Prepared by Željko Bogetić.

[2] Bosworth (1991), Coricelli and Lane (1993), Layard (1991), and Bogeti and Fox (1993) provide detailed analyses of wage policy issues during transition.

Figure 1: Belarus: The Growth of Real Wages, Labor Productivity, and GDP, 1996-2001

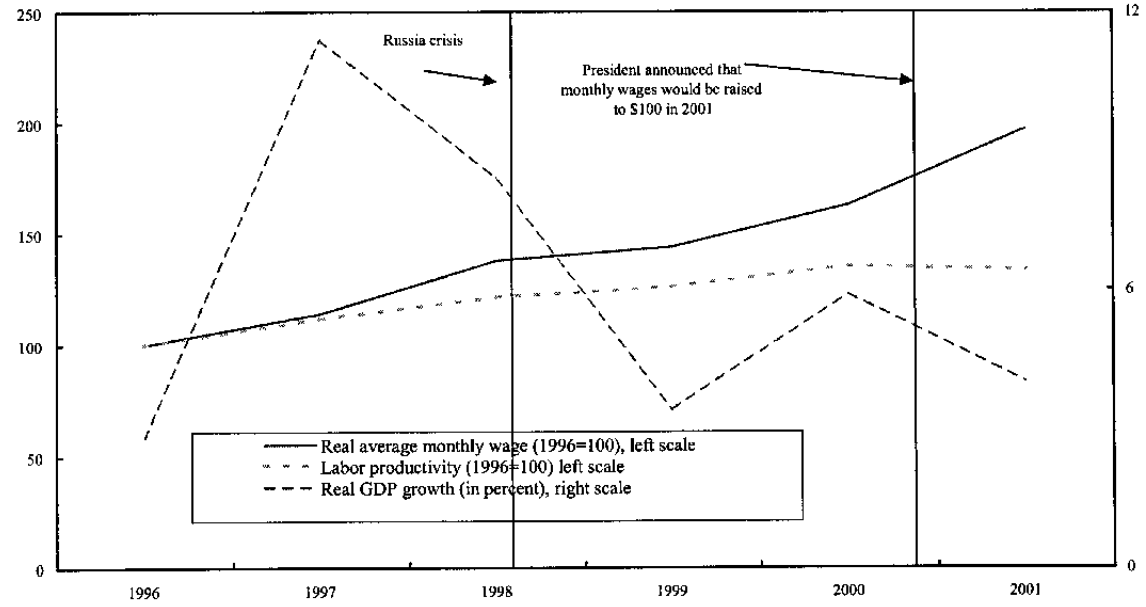
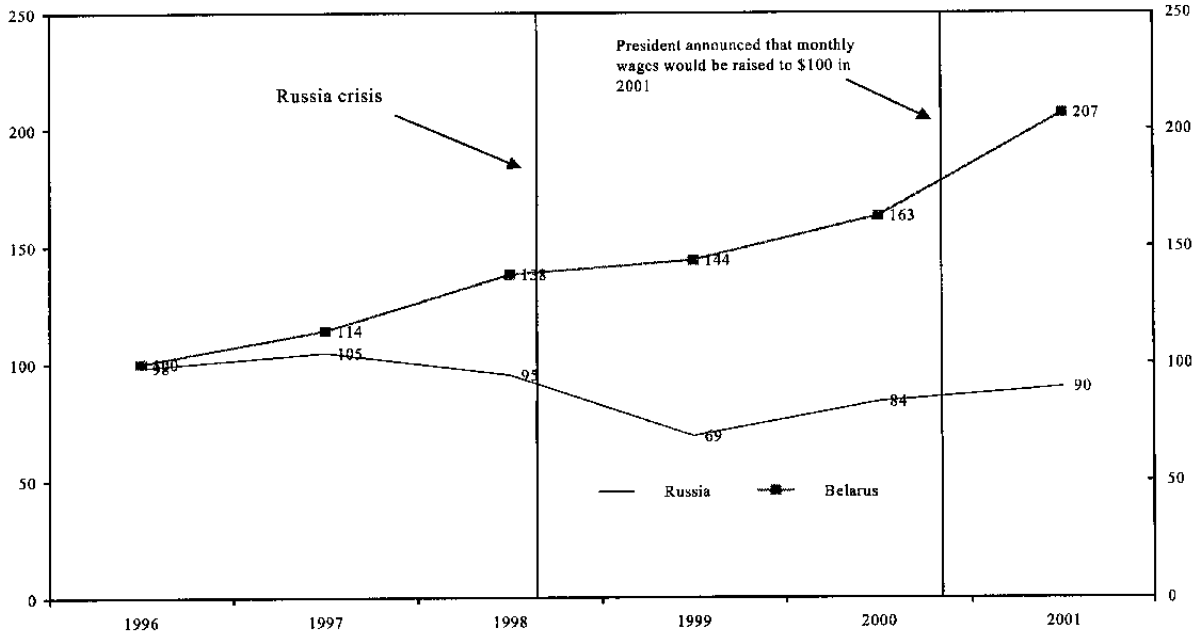


Figure 2: Belarus and Russia: Real Average Monthly Wage, 1996-2001 (Index 1996=100)



Source: Belarusian authorities and Fund staff estimates.

B. Wage Policy and Recent Wage Developments

Wage policy

4. Wage policy in Belarus determines the levels, changes, and the structure of wages in a large part of the budgetary sector. In the social and cultural sphere of the budgetary sector,[3] wages are determined by a complex wage grid with different coefficients for agency and seniority. This grid determines the structure of wages of some 1 million government employees, of which about 700,000 work for central and local governments. It consists of 28 categories, with each category defined as a multiple of the *first-grade wage*, ranging from 1 to 8.39. Changes in the first-grade wage are determined by discretionary considerations and by indexation and automatically affect other grade levels. Recently, discretionary wage adjustments have dominated the rise in wages, especially during the 2001 election year. As of July 1, 2001, the first grade wage was set at Rbl 14,500 (about $10). On December 1, it was raised to Rbl 19,500 (about $13) (Table 2).[4] Since March 1, 2001, the structure of wages and wage adjustments in the remaining ministries and agencies—"power ministries" and state administration—has been determined separately from the budgetary sector wage grid, effectively delinking changes in these wages from changes in the first-grade wage and the minimum wage.

Table 2. Belarus: Minimum Wage and First-Grade Wage (monthly), 2000-2001

	2000		2001		
	May 1	October 1	March 1	July 1	December 1
Minimum wage					
in rubels	2,600	3,600	5,700	7,500	10,000
in dollars 1/	2.7	3.5	4.6	5.4	6.5
First grade wage					
in rubels	5,200	7,200	11,500	14,500	19,500
in dollars 1/	5.4	7.0	9.3	10.5	12.7

Source: Belarusian authorities.

1/ Converted at the same period exchange rate.

5. The structure of public sector wages is rigid, distorting work incentives and reducing motivation in the civil service. This rigidity leads to wage compression under conditions of high inflation because indexation is lower at higher grade levels. In addition, discretionary

[3] The "social and cultural sphere" encompasses budget sector workers, excluding so-called power ministries (defense, security, police and associated organizations such as border guards) and the state administration.

[4] There are two main reference wages in Belarus: the minimum wage and the first-grade wage. The minimum wage is used for calculating various social assistance payments and pensions. The first-grade wage determines the grade levels and structure of the public sector wage grid. Even though these are, in principle, separate instruments of wage policy, they have typically been adjusted in parallel. Since January 2000, the ratio between the first-grade wage and the minimum wage has remained roughly constant, around 2:1.

wage increases tend to decline with grade levels. The wage compression, in turn, adversely affects incentives for work, especially at the upper echelons of the public sector. This problem was mitigated when the power ministries and state administration were delinked from the public sector wage grid in March 2001, but it still affects the rest of the public sector.

6. In addition, public employees receive various fringe benefits that compromise the role of the basic wage as well as fiscal transparency. For example, in the mid-levels of the wage grid (grades 15–17), total monthly cash fringe benefits exceed the basic wage by 65–75 percent. Fringe benefits may be universal (such as years-of-service allowance and performance bonuses), or specific to certain categories of workers (such as special bonuses for teachers) as shown in Figure 3. In this environment, the basic wage structure does not provide accurate information on the extent of full employee compensation. It also creates adverse incentives for additional and/or higher fringe benefits to compensate for the inadequate basic wage.

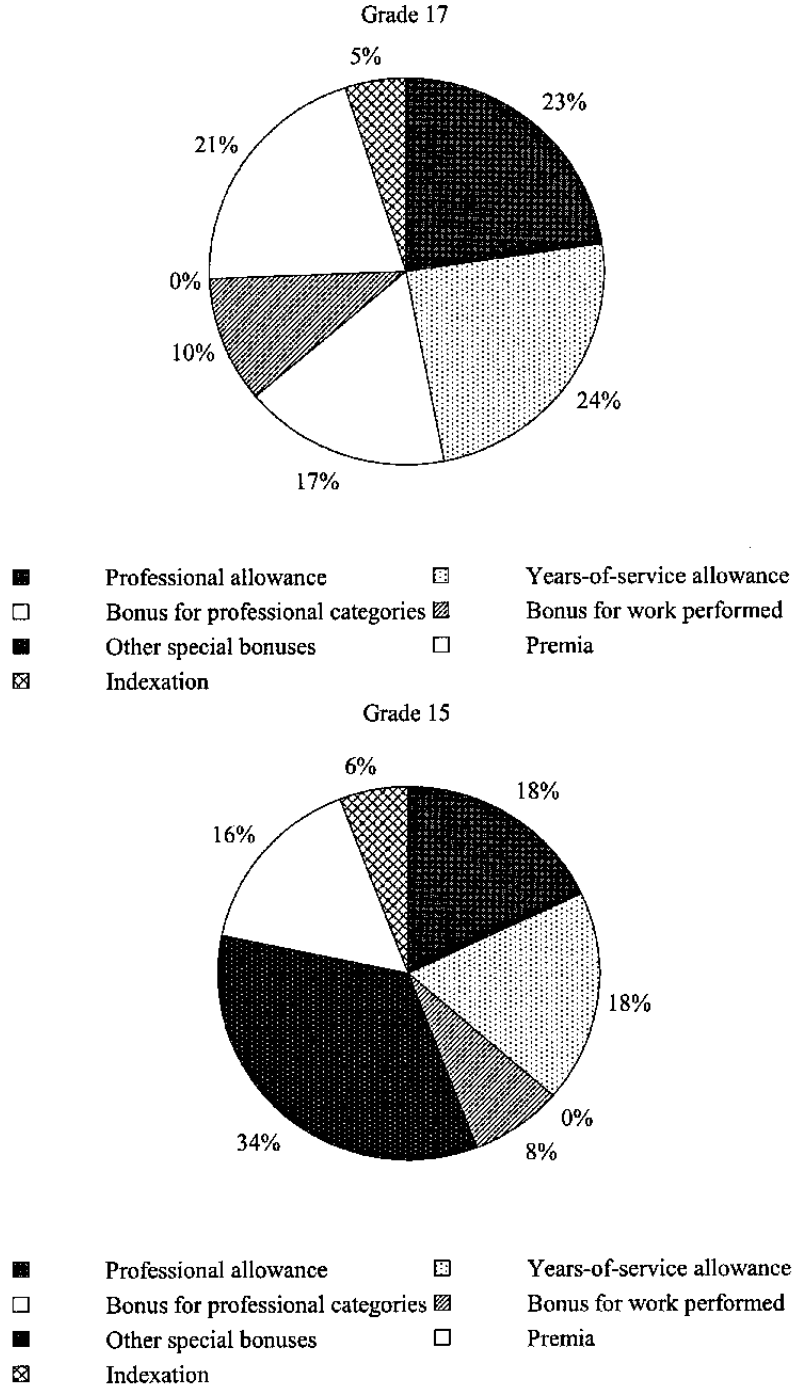
7. Wage policy in 2001 was driven largely by the President's pledge to raise monthly wages to $100. In the event, wages were increased significantly, in four steps. On March 1, wages in the "social and cultural sphere" of the budgetary sector were increased by an average of 36 percent. On May 1, wages for power ministries and state administration employees were raised by an average of 20–23 percent. The "social and cultural sphere" wages were again raised by between 20–30 percent on July 1 and by about 30 percent on December 1. The main mechanism for wage increases in the social and cultural sphere was the change in the minimum wage and the first-grade wage, which triggered automatic adjustments in the remainder of the wage grid. During January–November 2001, the minimum wage and the first-grade wage almost tripled compared with the levels prevailing at the end of 2000 (Table 2).

Macroeconomic effects of recent wage increases

8. The sharp increase in real wages has not been accompanied by similar gains in productivity. In recent years, labor productivity has lagged significantly real wage growth, especially in 2001, when labor productivity declined slightly, while the growth of real wages accelerated. These wage increases weakened the financial position of enterprises, as reflected in rising barter, piling inventories, shrinking profitability, and a growing number of loss-making enterprises. Higher wages also contributed to jeopardize the external competitiveness of Belarusian goods.[5]

[5] See Chapter II.

Figure 3. Belarus: The Structure of Fringe Benefits, March 2001



Source: Belarusian authorities.

9. In the budgetary sector, wage policy has complicated fiscal adjustment and contributed to a rise in the fiscal deficit, at a time when tight fiscal policy is needed to further reduce inflation. In 2001, the wage bill is expected to reach about 9 percent of GDP, compared with 6 percent of GDP the year before; this is one of the largest government wage bills in the CIS. To offset rising wage expenditures, the government has cut nonwage expenditures, especially capital expenditures, but not enough to prevent an increase in the budget deficit (Figures 4 and 5). Moreover, the measured deficit does not capture fully the deteriorating fiscal situation due to a rise in budgetary arrears, especially at the local government level.[6]

10. The "nongovernment" sector, consisting largely of state enterprises, generally follows wage increases set by the budgetary sector. The budgetary wage grid is not compulsory in the enterprise sector. It is only a loose guide for enterprises' wage setting decisions. In practice, however, enterprises tend to raise wages at the same time as the budgetary sector. Also, there seems to be some indication that "nongovernment" enterprises tend to raise wages when measured output levels justify the raise even if inventories pile up. However, since enterprises in practice cannot lay off workers, the recent wage increases have been "eating up" enterprises' profits and capital.

11. In principle, the increase in the wage bill in the budgetary sector and in the economy as a whole could have been offset by a reduction in implicit subsidies to households, which were estimated at 6–7 percent of GDP in 2000.[7] However, this has not happened in Belarus to any significant extent: real wages have been growing rapidly, while subsidies have declined only gradually and from very high levels. While large subsidies to enterprises through preferential exchange rates under the multiple currency system were eliminated with exchange rate unification in September 2000, the reduction of consumer subsidies and the associated price liberalization has been slow.

12. The sharp increase in wages in 2001 has put pressure on enterprises, banks, and the foreign exchange market. Wage policy has led to rising inter-enterprise arrears, stepped up interventions of the National Bank of Belarus (NBB) in the foreign exchange market, and increased bank borrowing by enterprises to finance higher wages. This has been happening against the backdrop of increasing external competition and tighter liquidity conditions, making it difficult for enterprises to absorb higher wages, especially since some prices are still controlled. Since the NBB has not fully accommodated these wage pressures and import prices have turned out to be lower than anticipated, the impact on measured inflation has been limited, but inflationary pressures have started to emerge. Without a change in wage policy, these pressures are likely to intensify and could potentially lead to a combination of new arrears, monetization, inflation, and a change in exchange rate depreciation.

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[6] The consolidated fiscal deficit on a cash basis, shown in Figure 4, encompasses the republican budget, budgetary funds and local government funds, and the Social Protection Fund.

[7] See Chapter IV.

Figure 4: Belarus: Wage Bill, Non-Wage Expenditures, and Fiscal Deficit, 1999-2001
(As a percentage of GDP)

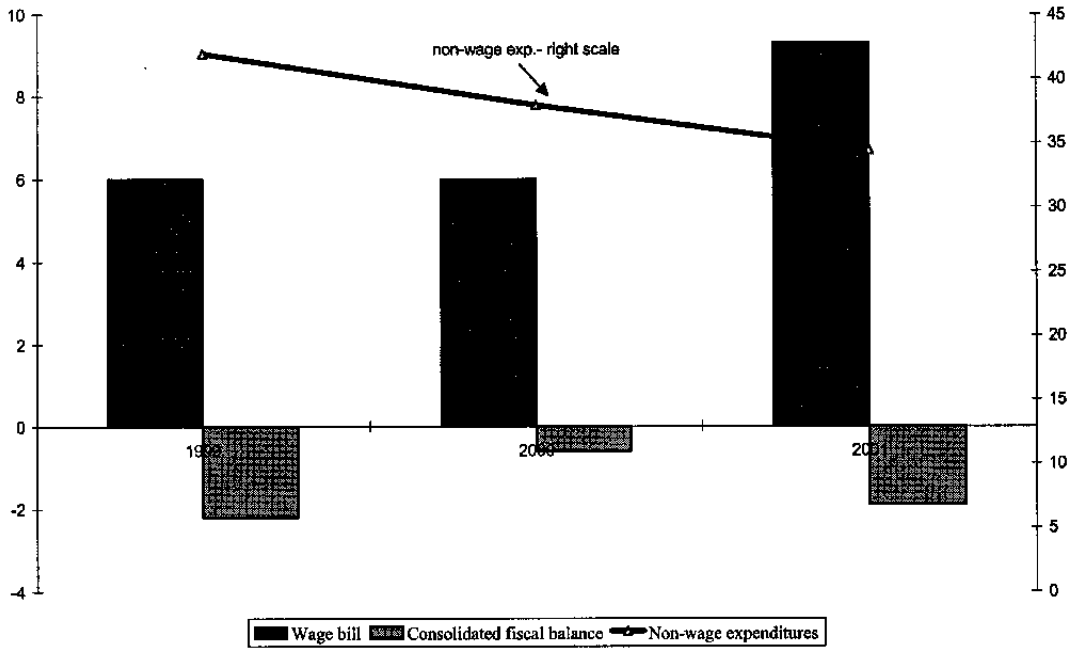
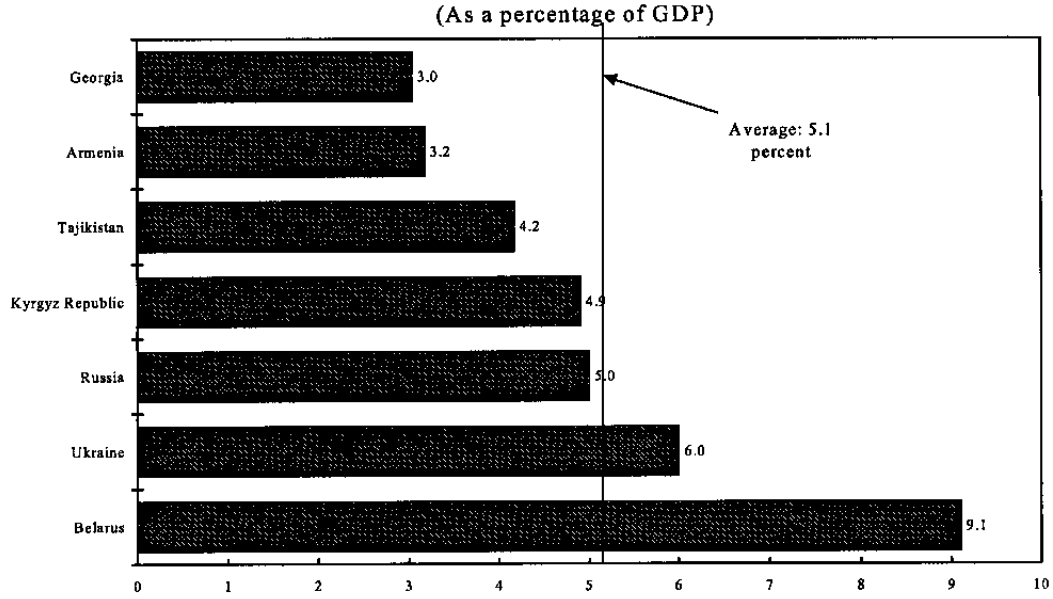


Figure 5: Belarus: Wage Bill in Belarus and Selected CIS Countries, 2001
(As a percentage of GDP)



Source: Country authorities and Fund staff estimates.
Note: Estimates are based on the latest available data for 2001, mostly for the period January-September.

C. Wage Indexation

13. The current wage setting and wage adjustment in Belarus include: (1) discretionary, *ad hoc* wage increases; and (2) an automatic component based on a formula for wage adjustment. The *ad hoc* adjustment of wages is implemented in periodic, discretionary wage increases for specific or all categories of workers in the budgetary sector. In practice, the system has resulted in substantial real wage increases, independent of the automatic adjustment formula. As discussed above, the discretionary component of wage policy with large wage increases has tended to undermine the government's broader fiscal policy and macroeconomic adjustment efforts. Making wage policy consistent with these efforts will, therefore, require a scaling down of the discretionary wage increases in the future and/or a greater reliance on a more realistic, automatic wage adjustment than has been the case so far.

14. The automatic adjustment, codified in the Law on Indexation (1991) is designed to provide limited wage indexation (50 percent) to past inflation, only when monthly inflation exceeds the threshold level of 5 percent.[8] It provides no protection to wage earners when monthly inflation falls below this threshold. Since January 2001, with monthly inflation rates below this level, the indexation mechanism has been inoperative in practice.

15. Despite these drawbacks, suitably adjusted automatic, rules-based wage adjustments may be advantageous when compared with very large discretionary wage increases. For this reason, it is useful to examine the automatic formula, evaluate its potential effects, and consider possible modifications. However, any such modifications leading to a greater reliance on automatic wage adjustments would have to be accompanied by an appropriate reduction in (and possibly a complete elimination of) discretionary wage increases.

16. The indexation formula in Belarus has three main problems: high threshold, low indexation coefficient, and backward-looking basis. This results in a low degree of compensation for high inflation and in pressures to raise wages in a discretionary manner, while introducing inertia in the inflation process.[9] These drawbacks could be resolved with appropriate modifications aimed at providing a realistic compensation to wage earners while basing indexation on *projected* inflation. Such a system would be more predictable and transparent, and less prone to periodic political pressures for large, unsustainable wage

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[8] According to the 1991 Law on indexation, 50 percent of the *subsistence income* is indexed to inflation if monthly inflation exceeds 5 percent. Wages, scholarships and grants, benefits, and other social payments are indexed in this way, while old-age pensions are indexed indirectly via their link to wages. Similarly, social pensions are indexed indirectly via their link to subsistence income. Specifically, the basis for wage indexation is the subsistence income defined by the government; hence "wage indexation" refers to the indexation of this subsistence level of income. As of July 2001, the subsistence income was Rbl 55,300 per person per quarter, 3.5 and 7 times the first-grade wage and minimum wage, respectively.

[9] The formula ties present wage levels to past inflation, thereby increasing inertia and raising the costs of disinflation. Generally, forward-looking indexation based on projected inflation is preferable to reduce inflation in the presence of significant inertia and, possibly, one-time increases in prices due to liberalization. Bulgaria, Czechoslovakia, and Hungary used forward-looking indexation in their stabilization programs in the early 1990s. Poland, by contrast, used indexation based on current inflation.

increases. Specifically, if the formula is to be made operative at currently prevailing rates of inflation of about 2–3 percent per month, the threshold parameter before triggering indexation would need to be reduced and the indexation coefficient suitably increased.

D. Concluding Remarks

17. The authorities have taken steps to reform the wage setting mechanism in the budgetary sector, including by delinking part of the budgetary sector from the wage grid. However, the practice of large, *ad hoc* wage increases (especially setting an arbitrary dollar wage target) and the automatic indexation formula require reform. The challenge for the authorities is to devise a less discretionary, more transparent, and sustainable wage policy, which would be consistent with efforts to promote macroeconomic stabilization and structural reform.

18. Against that background, it is possible to draw the following tentative conclusions. First, the Belarusian wage setting mechanism is essentially discretionary, since large, *ad hoc* wage increases are the most important part of the wage adjustment process. Recently, these increases have put considerable pressure on the budget and the foreign exchange market, complicated the conduct of monetary policy, and threatened to unwind the hard-won gains in macroeconomic stability. Second, the automatic indexation formula, while having a backward-looking basis and, therefore, potentially contributing to inflation inertia, has been much less important in influencing wage adjustments. Third, given the magnitude of recent wage hikes and their adverse effects, a shift to a much more modest and infrequent wage adjustments in line with productivity growth and/or a more rules-based, automatic wage adjustment formula that is suitably modified may provide alternatives to the present system. Developing flexible labor markets and allowing market discipline to play a role in wage determination would help alleviate this problem.

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IV. Subsidies—An Overview[1]

A. Background

1. Belarus continues to operate a complex system of direct and implicit subsidies aimed at achieving social objectives, such as alleviating poverty and reducing inequality, as well as controlling inflation. While the system's objectives have not changed, recently the authorities have introduced gradual changes in its operation. In September 2000, the authorities unified exchange rates, ending the multiple currency practice that had been in place since January 1996. In doing so, they also reduced sharply the overall subsidization of the economy. In 1998–99, the subsidies implicit in the multiple exchange rate system were the largest single type of subsidy in Belarus, amounting to 6–8 percent of GDP. After the exchange rate unification, they were eliminated. The Belarusian authorities have also improved the transparency of the process of granting direct subsidized credit to priority sectors. Since 2000, these credits (mainly for construction) have been provided by the budget instead of by the National Bank of Belarus (NBB). Despite recent improvements, Belarus still maintains an extensive system of explicit and implicit subsidies as well as cross-subsidies (Table 1).

Table 1. Belarus: Explicit and Implicit Subsidies, 1997–2000

(As a percentage of GDP)

	997	1998	1999	2000
Total Subsidies	11.5	17.9	15.0	10.0
State budget	3.9	5.4	4.2	2.0
Agriculture 1/	1.0	1.0	0.9	0.4
Manufacturing and services 1/	1.9	2.1	1.9	0.2
Industry, energy and construction	0.3	0.4	0.3	0.2
Transport, road, communications	0.7	0.7	0.4	...
Housing and communal services	0.9	1.0	1.2	...
Others 2/	1.0	2.3	1.4	1.4
Social assistance	0.1	0.1	0.1	0.1
Other state budget subsidies	0.3	0.3	0.2	0.1
Budgetary funds	0.6	1.9	1.1	1.2
Off-budget subsidies	7.6	12.5	10.8	8.0
Due to directed credit	0.7	1.1	0.6	1.4
Cross-subsidies housing and communal services	4.3	3.7	3.9 3/	3.5
Foreign exchange subsidies	2.6	7.7	6.3	3.1

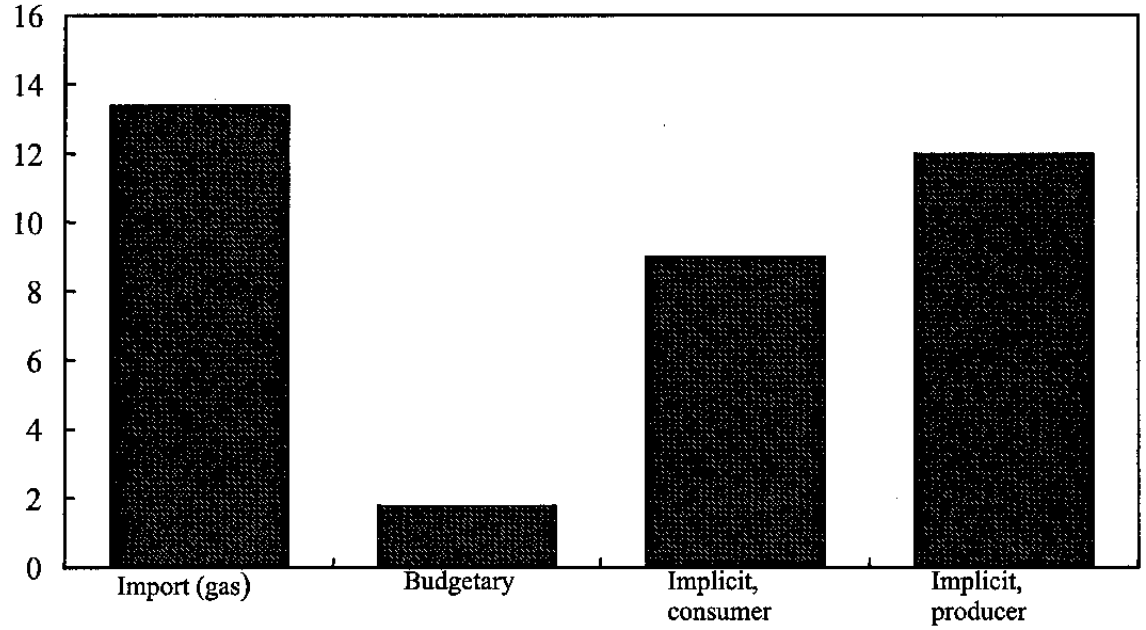
Sources: Ministry of Economics, Ministry of Housing and Communal Services and IMF staff estimates.
Note: Data for 1999 are the authorities' estimates.

1/ Excluding budgetary funds.
2/ Including budgetary funds.
3/ For gas, electricity and heating. There are also cross-subsidies for water supply, drainage, and waste removal, which are not captured here.

[1] Prepared by Željko Bogetić and Jean-Jacques Hallaert.

2. This chapter discusses the nature, size and impact of four broad groups of subsidies: budgetary subsidies, implicit import subsidies, consumer subsidies, and producer subsidies

Figure 1. Belarus: Main Subsidies 1/
(As a percentage of GDP)



(Figure 1).

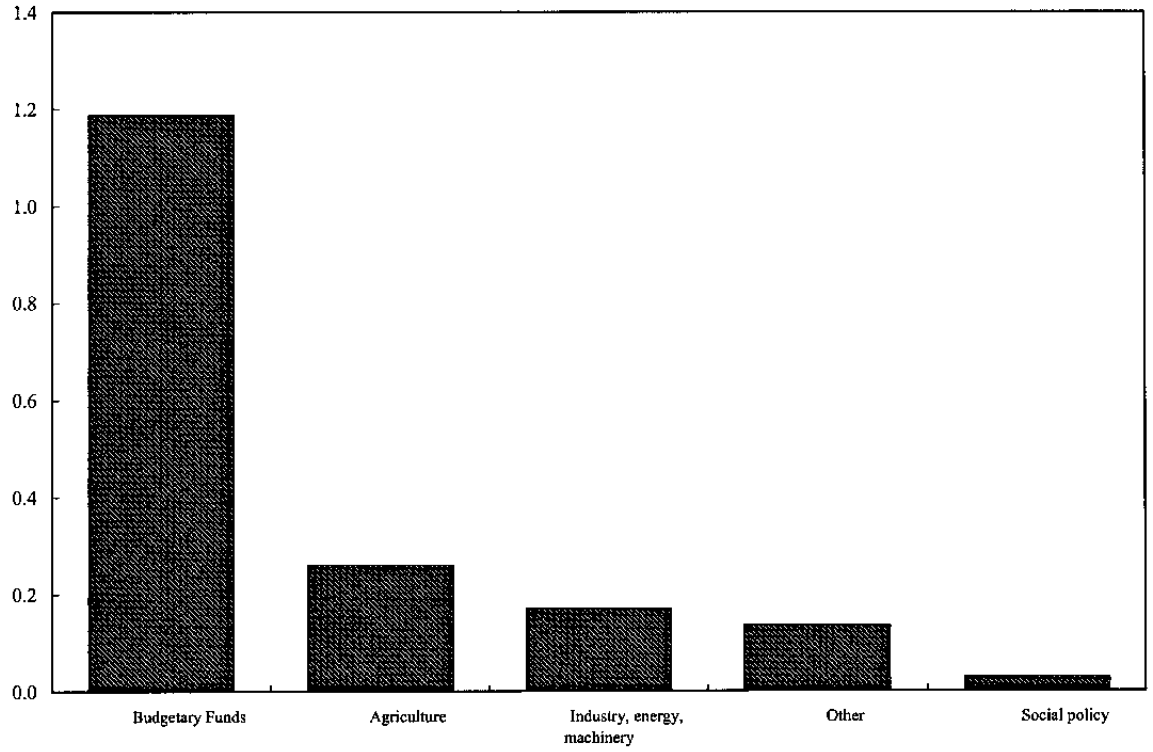
1/ Estimates of the cost of different groups of subsidies are not additive. For example, the gas import subsidy is reflected in domestic consumer subsidies on electricity, gas, and heating, and some producer subsidies have cross-subsidizing elements, reflected in the corresponding consumer subsidies.

B. Budgetary Subsidies

3. Direct budgetary subsidies in the Republican budget amount to close to 2 percent of GDP (Figure 2). They encompass the following: (1) subsidies to state enterprises and various government organizations; and (2) special purpose subsidies (e.g., subsidies to various budgetary funds, agriculture, industry, and social assistance programs that account for almost 90 percent of the total).

4. Direct subsidies financed from the Republican budget capture only a part of total subsidies in Belarus. Numerous other explicit and implicit subsidy schemes distort the allocation of resources and put pressure on the budget, while failing to effectively target the truly needy. These include tax breaks, free provision of communal services to large categories of the population, and exemptions of customs duties granted to selected firms or sectors. These subsidies are more difficult to quantify.

Figure 2. Belarus: Largest Sector Recipients of Direct Republican Budget Subsidies, 2000
(As a percentage of GDP)



C. Implicit Import Subsidies

5. Belarus receives large implicit import subsidies from Russia, mostly in the form of low prices for natural gas, a vitally important input for domestic electricity and heating. In 2000, Russia supplied natural gas to Belarus at a lower price than to other CIS importers—$30 per 1,000 m3, about a third of the world market price of about $103 per 1,000 m3 (Table 2).[2] With annual imports of about 16 billion m3, the resulting gross gas import subsidy is estimated at about $1.2 billion, including transit fees paid by Russia to Belarus.[3] Belarusian gas importing and distribution companies, as well as consumers, benefit from this subsidy. The Belarusian energy company captures a part of the subsidy, as it distributes gas to domestic consumers at $60 per 1,000 cubic meters, still substantially below the world market price. Consumer and other producers, in turn, benefit from the import subsidy because it allows Belarus to sustain lower electricity and heating prices, higher level of industrial output, and higher levels of heating and energy-related household consumption than would

[2] This price has been in effect since January 1999. Previously, the price was about $50 per thousand cubic meters. Since early December 2001 Belarus has been negotiating with Russia on a new price for natural gas.

[3] Due to the lack of reliable data on transit fees, estimates of these transit fees vary widely from 0.4 to 3.7 percent of GDP.

otherwise be possible. It also has allowed Belarus to limit the buildup of internal energy arrears that has plagued some of the other CIS countries.

Table 2. Belarus: The Price of Russian Gas Paid by Some Importing Baltic and CIS Countries

(in dollars per 1,000 cubic meters)

Belarus	Ukraine	Moldova	Lithuania	Tajikistan
30	50–80	79	80	48

Source: Fund staff estimates.

Note: Russian average export price for 2000 was $98 per thousand cubic meters. Prices exclude transit fees that vary from country to country.

D. Consumer Subsidies [4]

6. Consumer subsidies can be classified into three major categories. These are the subsides arising from: (1) various types of price controls; (2) underpricing of rent and utility services; and (3) cross-subsidies.

7. Large subsidies are implicitly provided to consumers through the imposition of price controls, reflecting the priority given to social objectives. While they are being gradually relaxed, price controls remain substantial. By the end of 2001, the share of controlled prices in the CPI basket had declined to about 20–22 percent from 50 percent in 1998.[5]

8. Price controls have proved ineffective, both as a mechanism for containing inflation and for assisting the poor. Despite extensive controls, inflation has remained high, averaging 179 percent per year in the 1998–2000 period. Moreover, price controls tend to benefit disproportionately the more wealthy since they spend more on goods and services under price controls.[6] Also, price controls have reduced the supply and variety of goods and

[4] *Consumer subsidies* are defined as government assistance that results in purchases of goods and services at prices below cost, after a normal rate of return to producers. *Producer subsidies* are defined as government assistance resulting in producers receiving higher income than what would otherwise be dictated by competitive market outcome (Schwartz and Clements, 1998; see also Kopits and Craig 1998, and IMF 1998). Less explicitly, producer subsidies are also designed with an eye toward maintaining employment in targeted industries and enterprises (Gupta and others, 2000).

[5] At the beginning of 2001, there were four main categories of goods and services under price controls: socially important goods, a large list of goods under "ministerial price controls," goods produced by 25 "strategic" enterprises, and indicative ceilings on price increases. The first three imply direct price controls. The indicative ceilings were removed in 2001 under the Staff-Monitored Program (SMP). As part of the SMP, the list of 23 socially important goods and services was reduced by 10 items, and the ceilings on the mark-up on imported goods and services were removed.

[6] For example, in 2000, the highest household quintile, measured by disposable income, spent about Rbl 3,000 of its disposable income on rent and utilities that are subject to price controls, compared with Rbl 2,000 paid by the lowest quintile.

services, leading to sporadic shortages of specific goods, and have encouraged smuggling to neighboring countries.

9. Utility tariffs are also set largely with regard to social objectives. As a result, tariffs are systematically underpriced, providing a substantial subsidy to all households. Household expenditures on main utilities are limited to 15 percent of their income, a mandated ceiling designed to make utility bills affordable.[7]

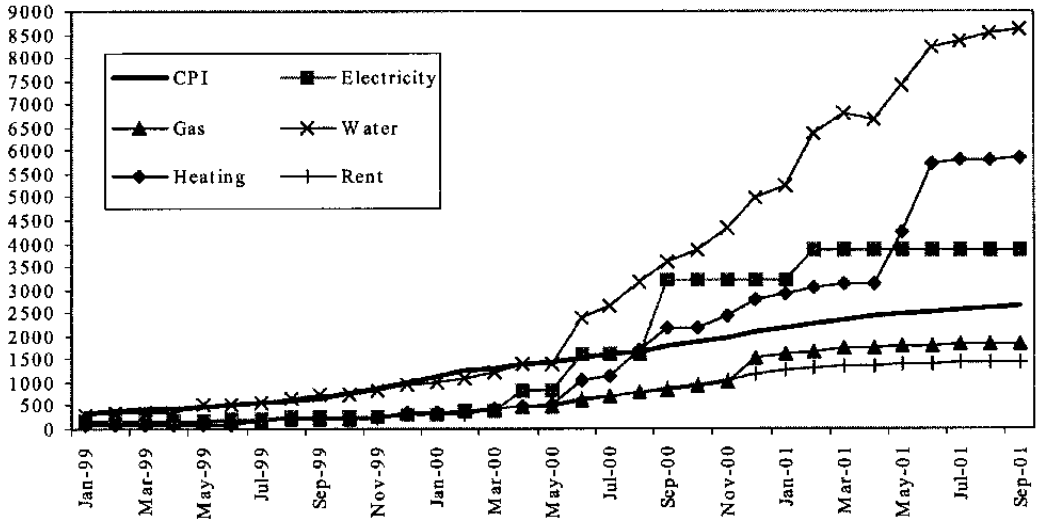
10. Recent increases in rents and tariffs for communal and transport services have reduced the implicit subsidy granted to the population; at the same time, households' utility bill arrears have increased. In 2000 and 2001, tariffs of communal services and transport services were adjusted at a faster pace than inflation. However, with the exception of heating, electricity and water, those adjustments were not sufficient to catch up with CPI inflation: since end-1997 the increase in the price index of consumer goods subject to price controls has been below that of the overall CPI (Figures 3 and 4). This is particularly the case for gas, rents, communication and local bus services. Despite the low prices, about 10 percent of all households incurred debts for utilities and other housing services. Households' debt for housing services, while small, is increasing, reaching about $3 million in mid-2001.

11. Despite recent increases in utility tariffs, the authorities' objective of reaching full cost-recovery for gas and electricity and a cost-recovery ratio of 40 percent for heating by end-2000 was not accomplished.[8] On the contrary, between 1996 and 2000 cost recovery declined for most services (Table 3). The decline was particularly dramatic in 1999 and early 2000, reaching 20 percent or less for electricity, rent, heating and hot water. The tariff increases of 2000 and 2001 allowed a reversal of this trend, with an improvement in the average cost recovery rates for most services from 15 percent at the end of 2000 to almost 26 percent as of November 1, 2001 (Figure 3). Apart from low tariffs, another reason for low cost recovery lies in the exemptions granted to some categories of the population. For example, people living in state-owned apartments do not pay rent. In 1997, 12 categories of people (from veterans and disabled to heroes of the former Soviet Union) representing 6 percent of the population and 16 percent of households were exempt from payments for

[7] Cost recovery in key utilities is affected by discretionary changes in tariffs, and by indexation. Utilities that are not affected by discretionary changes are subject to automatic indexation. Since 1999, the authorities announced and ostensibly pursued a strategy of raising cost recovery by way of discretionary tariff adjustments in those utilities where initial cost recovery was the lowest (heating, hot water, rents), while other utility tariffs have been automatically indexed to the industrial production index.

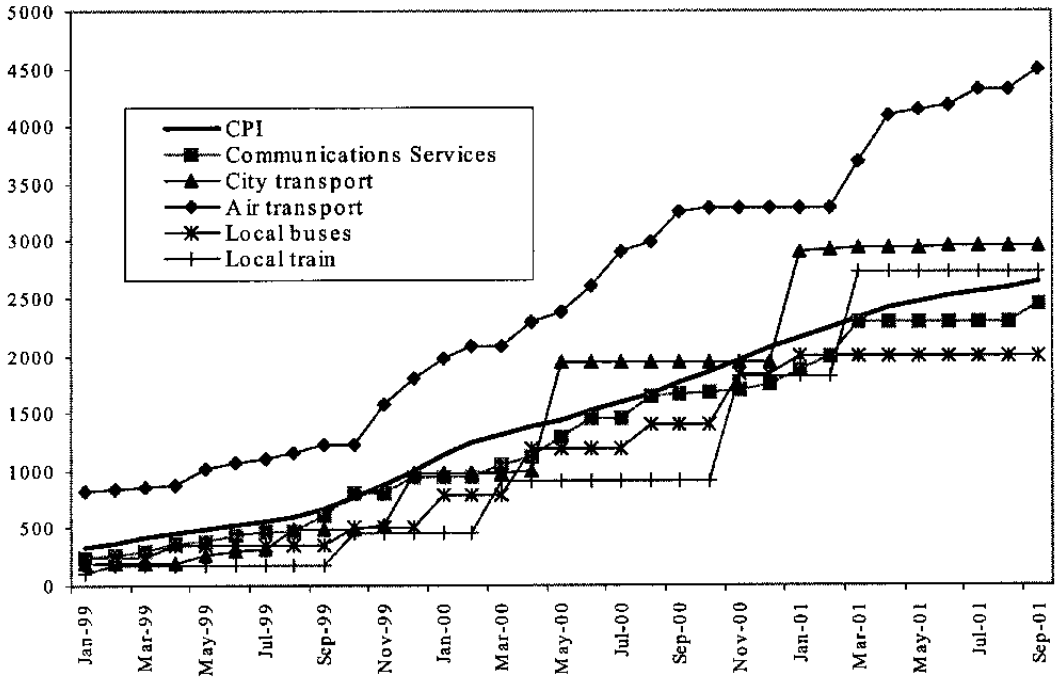
[8] That target was part of a Program adopted in 1999 on "reduction of cross-subsidizing energy consumers." The earlier target for end-1999 had also been missed.

Figure 3. Belarus: Changes in the CPI and in Utility Tariffs
(Dec. 1997=100)



Source: Ministry of Statistics and Analysis.

Figure 4. Belarus: Changes in the CPI, and in Communication and
Transportation Services Tariffs (Dec. 1997=100)



housing the communal services. At the end of 2000, most of these privileges remained in place.[9]

Table 3. Belarus: Cost Recovery for Households (1995–2001) 1/
(in percent)

End-period	Rent	Heating	Water	Sewage	Hot water	Gas	Electricity
1994	2	4	2	2	9	9	26
1995	36	68	28	32	57	54	73
1996	47	61	33	40	51	72	52
1997	31	45	22	29	25	69	46
1998	35	39	100	100	22	11	17
1999	15	19	60	67	11	30	18
2000	11	17	29	29	10	30	38
2001 Nov.	11	25	34	36	14	41	51

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

1/ Cost-recovery represents the share of the cost of utilities consumed by households that is paid by households.

12. At the same time, the number of households benefiting from rent and communal services subsidy[10] declined sharply from 1997 to 2000, but increased in the first half of 2001. As a result, the total cost of the rent communal services subsidy increased substantially in 2001, after declining by 80 percent over 1997–99 (Table 4). This subsidy is poorly targeted. For example, subsidies for rent and utilities are provided to practically *all* households, while only about half of all households are classified as poor.

13. Budgetary subsidies and cross-subsidies compensate for the low cost-recovery from households. The 2001 budget projected that the population would pay for 20 percent of its utility consumption. The remaining 80 percent would be financed from direct transfers from the Republican and local budgets, extra budgetary funds, cross-subsidies, and income from the leasing of state facilities.

[9] These exemptions were estimated to amount 0.03 percent of GDP in 1997, but they are likely to be larger due to the use of controlled rents and tariffs in the calculation.

[10] This is an implicit subsidy that arises from the limit on household cash payments on rent and communal services (15 percent of household income). Households receive an implicit subsidy equivalent to the difference between the cash payment to service providers and the actual cost of the service.

Table 4. Rent and Communal Services Subsidy (by region, 1997–June 2001) 1/

Region	Number of Households					Average Benefits (in thousands of rubels)				
	1997	1998	1999	2000	2001H1	1997	1998	1999	2000	2001 H1
Brest	62,651	12,476	2,585	1,773	3,271	0.11	0.12	0.28	3.0	5.9
Vitebsk	33,064	9,969	3,833	2,687	2,660	0.09	0.11	0.29	1.9	4.2
Gommel	62,141	18,886	5,908	5,219	4,939	0.10	0.12	0.27	1.8	4.2
Grodno	54,429	10,928	2,377	1,198	1,282	0.11	0.10	0.25	1.8	3.6
Minsk	36,591	8,570	2,309	1,322	1,462	0.99	0.11	0.22	1.6	3.5
Mogilev	40,252	14,820	4,791	2,010	4,410	0.11	0.11	0.22	1.5	3.5
Minsk City	50,682	13,513	4,564	2,180	2,285	0.97	0.11	0.31	2.0	4.1
Total	339,810	89,162	26,367	16,389	20,309	0.10	0.11	0.27	1.9	4.3
Total cost of benefits (in millions of rubels)						34.8	10.0	7.0	31.1	87.0

Sources: Ministry of Housing and Communal services.

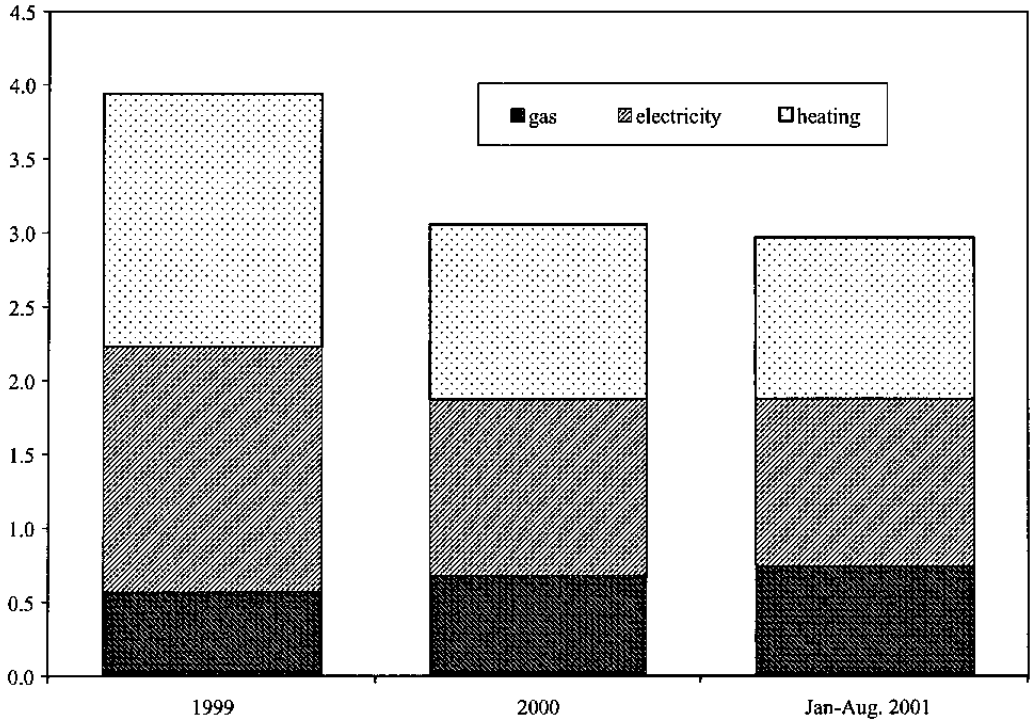
1/ Data have been revised backward to reflect the redenomination of the ruble on January 1, 2000 which removed three zeros from the currency.

14. Cross-subsidies, originally introduced during the soviet times, are used to transfer resources from enterprises to the population. Enterprises currently pay for their consumption plus an additional charge aimed at partly offsetting the low tariffs paid by the population. For example, while electricity costs about 3.5 cents per kWh, households pay between 1.3 and 1.5 cents per kWh, while industrial enterprises pay 4.1 cents. In 2000, cross-subsidies represented 3.5 percent of GDP, of which about 90 percent was accounted for by gas, electricity and heating (Figure 5). For water supply, cross-subsidies covered about 52 percent of cost, while budget subsidies paid for 6 percent. For sewerage, those shares were respectively 41 percent and 7 percent.

15. The Belarusian authorities have stated their intention to gradually reduce cross-subsidies. As indicated in the authorities' 1999 program, the aim was to increase tariffs over time so as to achieve 100 percent cost recovery by the end of 2000, paving the way for reducing cross-subsidies. That target was not met, but the objective has remained the same. In 2001, a new program was designed to raise average cost recovery from about 15 percent on January 1, 2001, to 80 percent by the end of 2004, in order to reduce the burden of cross-subsidies on enterprises.[11] As a result of the increase in cost recovery from October 2001, few enterprises benefited from the recent cut in energy prices.

[11] In the draft 2002 budget, it is envisaged that household cost recovery on housing and utilities would be raised to 40 percent from 20 percent in 2001.

Figure 5. Belarus: Cross-Subsidies on Gas, Electricity and Heating, 1999-2001
(In percentage of GDP)



Source: Ministry of Economy.

E. Producer Subsidies

16. Producers also benefit from various types of subsidies that are granted to selected enterprises or sectors, and, as a result, lead to major distortions. Producer subsidies are granted both at central (e.g., agriculture) and local (e.g., communal services) levels to support privileged sectors or enterprises. During the harvest campaign, for example, farms receive free fuel and implicit subsidies on various other inputs, such as fertilizers.

17. Tax preferences and preferential custom procedures have also been granted to selected producers. In 2000, tax exemptions granted on the basis of individual decisions of the President reached about 1 percent of GDP, of which customs duty exemptions were equivalent to 0.2 percent of GDP and VAT exemptions to 0.1 percent of GDP. These *ad hoc* exemptions do not include more extensive tax privileges for specific sectors and enterprises. For example, the total value of the main exemptions on the value-added tax is estimated to

have reached about 1 percent of GDP in 2000. Another estimated 1–2 percent of GDP in exemptions is hidden in the system of import duties, excises and profit taxes.[12]

18. Until recently, the NBB also granted interest subsidies on directed credits for housing construction (frequently at 2 percent per year), agriculture and selected manufacturers (at half of the refinancing rate or less). This type of subsidy has been reduced substantially. Indeed, in 2000, the NBB shifted to a more transparent system whereby it lends to the government, who, in turn lends to priority sectors. Also, until April 2001, commercial banks continued to be instructed to provide subsidized credit to priority sectors. Since then, the government publicly committed to discontinue this practice.

19. Despite the subsidies, energy payment arrears are accumulating. The stock of domestic electricity and heating arrears reached about 3 percent of GDP and gas arrears totaled about 4½ percent of GDP at the end of 2000. Agricultural enterprises were the largest debtors, followed by housing and communal services, construction, and education entities. Domestic energy arrears increased further in 2001. As of end-October, the stock of electricity and heat arrears grew to about 4 percent of period GDP, while gas arrears remained at about 4½ percent of GDP.

20. The accumulation of domestic arrears has led, in turn, to the buildup of external energy arrears, despite the low prices paid on energy imports. These arrears may also be viewed as an implicit subsidy for Belarusian energy importers. At the end of 2000, Belarus's external arrears amounted to $433 million (about 3½ percent of GDP). Of this, the largest part as accumulated arrears for energy, most of it related to imports of Russian gas ($139 million) and electricity ($80 million). External electricity and gas arrears stood at $274 million by end-October 2001.

21. Other contingent liabilities such as government guarantees on bank credits to agriculture, housing and other priority sectors and privileged enterprises represent another form of implicit producer subsidies. For example, annual budgets include a special budgetary fund earmarked for the government's payment of called guarantees. In 2001, these resources amounted to Rbl 862 million, equivalent to 0.01 percent of GDP.

22. In sum, Belarus continues to maintain a large net of subsidies and cross subsidies. While some progress has been made, more remains to be done to further reduce the remaining subsidies and ensure their greater transparency and better targeting.

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[12] Although not strictly classified as subsidies, as of September 2001, *tax arrears* owed by enterprises amounted to about 0.6 percent of 2001 GDP. These arrears also act as a subsidy to those enterprises, especially when the underlying tax liability is deferred for an extended period or cancelled. Moreover, as of July, 2001, wage arrears amounted to 16 billion rubels ($11.5 million or about 4.3 percent of monthly payroll), of which about 80 percent were accumulated by the agro-industrial sector. Insofar as a comparable private enterprise facing competitive market conditions would normally be forced to shut down when unable to pay wages to its workers, these arrears represent a forced subsidy by wage earners to state enterprises, implicitly in return for job security.

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V. Belarus-Russia Monetary Union [1]

A. Background

1. The intention to establish a monetary union between Russia and Belarus preceded the recent debate about the optimal exchange rate system and is also motivated by noneconomic considerations. Already in 1993—shortly after the breakup of the Soviet Union—the two countries drew up an agreement to establish a joint monetary system. According to the draft, Belarus would adopt the Russian ruble as legal tender. While disagreement over the conversion exchange rate postponed the implementation of these plans, Russia and Belarus continued to express their intentions to integrate economically and to lay the foundation for a monetary union. At the end of 1999, the two countries agreed to create a union state, providing, *inter alia*, for the adoption of common tax and customs policies. At the end of 2000, as a step toward this monetary union, Belarus and Russia agreed to introduce a common currency and to adopt measures to create the appropriate conditions for the single currency (see Table 1 for a chronological review of the integration efforts). These agreements were ratified by the parliaments of Russia and Belarus in March and May 2001, respectively. However, there is still no agreement on the procedure for the issuance of the common currency.

2. According to the current timetable, the monetary union would be established in several steps. As a first step, Belarus adopted a crawling peg vis-à-vis the Russian ruble from the beginning of 2001.[2] In 2005, Belarus would adopt the Russian ruble as legal tender. From 2008, the two countries would introduce a new joint currency. As part of these agreements, during the transition period the Central Bank of Russia (CBR) would provide support to stabilize the Blr/Rub exchange rate.[3]

3. This chapter reviews the economic aspects of the monetary union from the point of view of Belarus. Section B analyzes the key benefits and costs of the monetary union. Section C addresses some of the transitional issues in light of European country experiences during the run-up to the EMU. Section D discusses the choice of an appropriate anchor in Belarus. The chapter concludes with a summary.

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[1] Prepared by Alfred Schipke.

[2] The system is in fact a crawling band; the original band (2 percent) has been recently widened to 5 percent.

[3] The terms of the stabilization loans are covered under separate agreements. In July 2001, the CBR disbursed the first tranche (Rub 1.5 billion) of a Rub 4.5 billion stabilization fund to the National Bank of Belarus (NBB). As a precondition, Belarus had—among other things—to unify its official exchange rates and remove restrictions on settlements in national currencies between residents of the two countries. An agreement for releasing the second tranche, in the same amount, was signed on November 30, 2001.

Table 1. Russia-Belarus: Chronology of Monetary and Economic Integration Process

Date	Action	Objective/Description
May 1992–May 1994	Separation of the monetary system between Russia and Belarus.	To gain control over monetary policy.
January 1, 1993	Bilateral protocol on a technical credit of the Bank of Russia to the NBB ($300 million).	To improve the trade relationships between Russia and Belarus.
During 1993	Draft agreement for the creation of a joint monetary system.	To create a common monetary system, with the Russian ruble as the common currency. This was postponed due to disagreements over the conversion exchange rate.
April 2, 1996	Agreement on the creation of a political and economic community.	To create a single market, allowing for free movement of goods, services, capital, and labor. The agreement also laid the basis for the establishment of institutions for the new union state and for the creation of the conditions for a monetary union by harmonizing rules and laws, and by coordinating and synchronizing economic reforms.
April 2, 1997	Conversion of the political and economic community into a political and economic union.	This entailed the expansion of the April 1996 Treaty. Despite the formal deepening of economic ties and the agreement to coordinate custom tariffs, national economic policies started to diverge.
End-1998	Agreement on the creation of equal conditions for commercial entities.	The two countries set up a timetable to revitalize the integration process and level the playing field for legal entities and persons in the two countries.
December 8, 1999	Agreement on the creation of a union state.	
November 30, 2000	Agreement on introducing a common currency and establishing a single issuing center for the union state as well as agreement on the necessary measures to create the conditions for such a union.	These agreements were ratified by the Russian Duma in March, 2001 and by the Belarusian Parliament in May, 2001.

B. Economic Costs and Benefits of the Union for Belarus

Impact on trade and income

4. The introduction of a common currency is associated with a reduction in trading costs, which is expected to lead to higher levels of trade, income, and consumption. A number of studies have attempted to quantify the economic impact of a monetary union. For example, based on data covering economic and geographic variables for more than 200 countries and regions, Frankel and Rose (2000) suggest that the creation of a monetary union could boost trade with the country whose currency is adopted by a factor of three, without diverting trade away from other trading partners. They estimated that an increase in trade by one percent relative to GDP would be associated with an increase in income per capita by

one third of a percent of GDP over a 20-year period. [4] The positive impact on trade and output from a monetary union between Russia and Belarus is likely to be substantially less than suggested by these numbers. In contrast to cases where a union is newly established, trade relationships between the two countries still reflect "old" trade ties stemming from the Soviet Union times. Because Belarus and Russia are natural trading partners due to the geographic closeness, common language, and historical, cultural and economic ties, the current direction of trade flows is skewed toward Russia. Finally, Belarus currently receives direct and indirect subsidies from Russia in the context of barter arrangements, arrears' financing (especially in the energy sector), and trade financing. While the establishment of a monetary union would reduce trading costs, some of the subsidies could be eliminated as a result of further progress in Russia to reform and privatize enterprises companies in the energy sector, which would lead to profit-maximizing behavior.

Asymmetric shocks and flexibility of labor markets

5. The literature on optimal currency areas suggests that countries that are subject to asymmetric shocks and that lack flexible factor markets are not good candidates for a common currency (for example, Mundell, 1961). This is indeed the case for Belarus.

6. Supply shocks are likely to affect the two economies in very different ways. Belarus's economy relies heavily on agriculture. In 2000, agriculture and fishery accounted for 15 percent of GDP and total employment. While Belarus is not a significant producer of fossil fuels, Russia's economy depends heavily on the production of petroleum and gas. In 2000, fuel and gas production accounted for 5 percent of Russian GDP (and almost 16 percent of industrial production) while the contribution of agriculture was limited to 7 percent of GDP. Adverse weather conditions and a bad harvest can affect Belarus significantly while having a relatively small impact on Russia. [5] Russia, in turn, is vulnerable to large and sustained changes in international oil and gas prices.

7. Economic developments in Russia since the beginning of 1999 illustrate the challenges faced by policymakers in a country subject to "Dutch disease." In the case of a union, Belarus would be directly confronted by these challenges as well. Largely as a result of a surge in oil and gas prices, Russia experienced a substantial improvement in its terms-of-trade (the external current account turned from a deficit of about 1 percent of GDP in 1998 to a surplus of 18 percent of GDP in 2000). Despite a continued high level of capital flight, the CBR was able to increase the import coverage of reserves from less than 2 months in 1998 to 5½ months in 2000. The CBR intervened heavily to offset pressures for a nominal

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[4] If this were to hold for Belarus, GDP per capita could rise on average by more than 5 percent per year. The total impact on GDP per capita for the 20 year period can be calculated on the basis of the following formula: $\%\Delta GDP(per\_capita) = \left[(\alpha - 1)\frac{X + IM}{GDP}\beta\lambda\right]$ where α = trade factor; β = share of trade to Russia, λ = elasticity of trade impact on output per capita.

[5] Bad harvests, for example, adversely affected output in Belarus in 1998 and 1999.

appreciation. However, since these interventions were only partially sterilized, the real exchange rate appreciated somewhat (Figure 1). As a result, profit margins in the nonenergy sector have decreased, reducing growth prospects for the sector.[6]

8. By joining the monetary union, Belarus would import Russia's policy challenges without profiting from high world market prices for oil and gas. Despite a loss in competitiveness in the non-oil and nongas sectors, Russian citizens have benefited from the improvement in the terms of trade. [7] In the absence of a fiscal transfer mechanism from the Union, the Belarusian economy would import oil and gas-related supply shocks. As a result, exporters would lose competitiveness but Belarusian citizens would not profit from the improvement in the terms of trade. [8] In addition, these supply shocks could undermine the credibility of the crawling peg arrangement envisaged during the run-up to monetary union.

9. The literature on optimal currency areas also emphasizes that factor mobility should be a key determinant in the decision to adopt a single currency. In the case of the Belarus-Russia monetary union this would require, for example, flexible labor markets. While labor markets both in Russia and Belarus reflect the legacy of state ownership and lifetime employment, developments in both countries have diverged over the past ten years. [9] Russia has moved forward with the rationalization of labor markets (for example, by bringing hidden unemployment into the open during the privatization process), while the Belarusian economy continues to be dominated by public employment and state ownership. In effect, functioning labor markets are largely absent in Belarus. As Figure 2 shows, in Belarus changes in output have almost no impact on unemployment. This contrasts with Russia, where changes in demand have been associated with substantial changes in unemployment.

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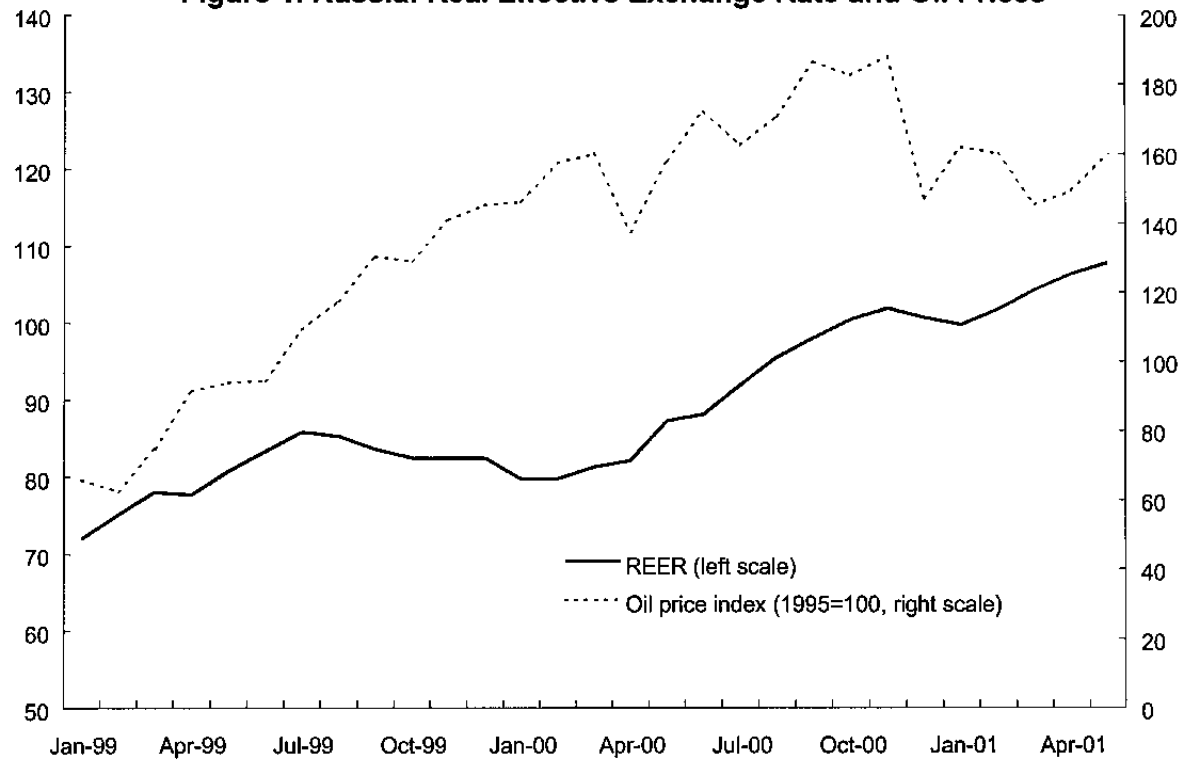
[6] Given that the real exchange rate is still below its pre-crisis level, the growth performance in the nonenergy sector has remained relatively strong.

[7] In addition, at least theoretically, the Russian government had the option of partly subsidizing nonenergy export sectors to offset some of the adverse impact of high energy prices. The Norwegian government, for example, avoided some of the adverse implications of "Dutch disease" after the country discovered its oil resources in the North Sea by subsidizing the export of manufacturing products.

[8] The current framework for a future monetary and economic union does not envisage any fiscal transfers.

[9] Other macroeconomic indicators also suggest that Belarus and Russia have diverged substantially since the breakup of the former Soviet Union (see Kallaur (2001)).

Figure 1. Russia: Real Effective Exchange Rate and Oil Prices



An increase in the REER index implies a real appreciation.

Seigniorage

10. A major disadvantage for any country in giving up its currency is the loss of seigniorage. According to the current legal framework for the Belarus-Russia monetary union, no provisions for the sharing of seigniorage have been made. With the planned adoption of the Russian ruble in 2005 and a single emission center located in Russia, Belarus would forego the seigniorage. The net present value of this loss would depend ultimately on future average inflation and discount rate in Belarus, but could be significant. [10]

[10] On the basis of an annual inflation rate of 7 percent and a discount rate of 10 percent in 2005, the NPV of seigniorage loss could amount to about 10 percent of GDP.

Figure 2a. Belarus: GDP growth and unemployment, 1993-2000 1/

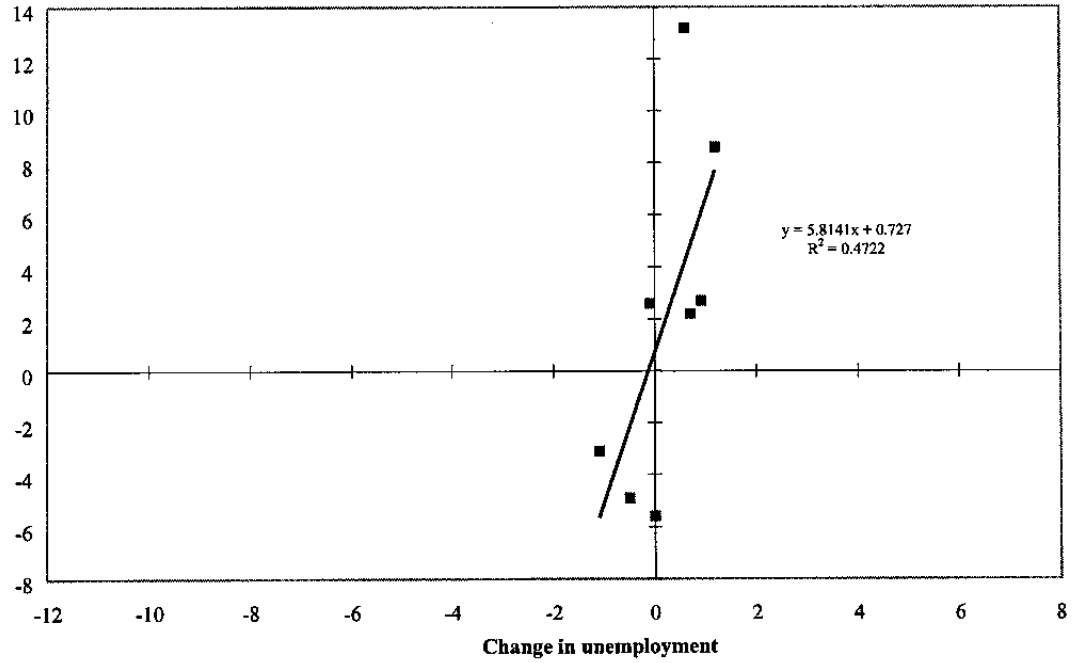
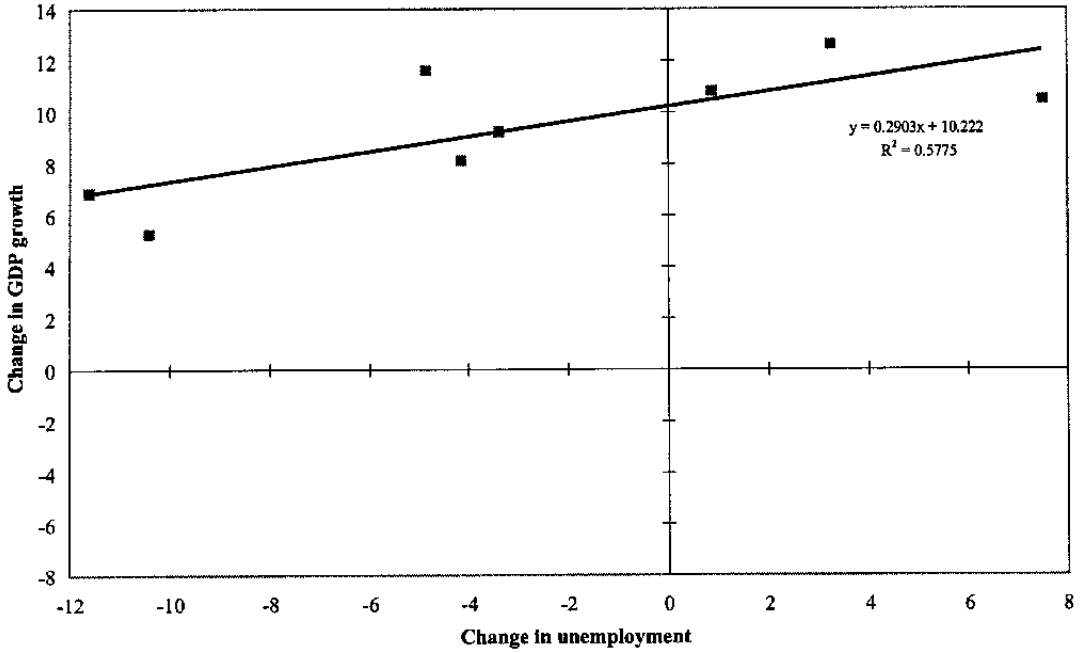


Figure 2b. Russia: GDP growth and unemployment, 1993-2000



1/ Each data point represents one year in the 1993–2000 period.

Monetary policy implementation

11. The monetary policy of the Union is likely to be driven by Russia rather than by Belarus; especially if Russia issues the common currency, but also due to the relative size of the two countries. The implication is that interest rates and monetary targets would be determined by Russia. This could lead to volatility of money supply in Belarus, especially given the likelihood of asymmetric shocks, as elaborated above.

Financial intermediation and financial market integration

12. The high level of taxation and government spending in Belarus demonstrate that the government continues to be heavily involved in the allocation of resources. Furthermore, the ownership of banks by the government (either fully or partially), the virtual absence of foreign banks, and the "hands-on" relationship between the government and bank management imply that market-based resource allocation is still very limited. Financial intermediation through the banking system is very low—total bank assets amounted to less than 30 percent of GDP in 2000. The past tendencies by the authorities to encourage and, in the case of some sectors like agriculture, to direct credits to nonprofitable industries, have contributed to a large share of nonperforming loans and a weakening of banks' financial position.

13. The envisaged move toward a monetary union is likely to affect the banking system in a number of ways. The authorities' current intermediate exchange rate system before the introduction of the common currency, i.e., the crawling peg, is likely to put too much emphasis on monetary policy. Without supporting fiscal policy and an acceleration of structural reforms, there is likely to be a bias toward monetary policy tightness in order to maintain the credibility of exchange rate policy. This reliance on tight monetary policy would tend to put pressure on banks, contributing to a further weakening of the sector and, potentially, to a liquidity crisis. To minimize this problem, an effort to restructure the sector would need to be made during the transition period.

14. Once the common currency has been adopted, the ability of the National Bank of Belarus (NBB) to provide liquidity support to the banking system would be reduced, since any future participation in the decision-making process of the joint central bank would be subject to Russia's interests as well. However, the introduction of a common currency could increase competition among Belarusian banks. The use of a single currency would reduce information costs and reveal more clearly existing inefficiencies in the banking system by allowing savers and borrowers to compare lending and deposits rates with those offered by Russian banks. While this would increase the ability of Belarusian enterprises and banks to borrow funds in Russia and therefore alleviate the shortage of funds for viable Belarusian enterprises, it could contribute to a further weakening of the Belarusian banking system.

15. Under these circumstances, a well-functioning capital market could act as a safety valve and as an alternative means, especially for the private sector, to raise funds. For the time being, however, the market for bonds is extremely underdeveloped. Currently, the

government is the only issuer of securities, which are limited mostly to short-term instruments, i.e., GKOs with a maturity of up to one year. Moreover, a corporate debt market does not exist, since under current legislation only open, joint-stock companies are allowed to trade at the Belarusian Currency and Stock Exchange (BCSE). Given that most large enterprises are still publicly-owned and not incorporated, the debt market will only develop once enterprises are privatized. The same applies to the equities market—there are currently no actively traded companies listed on the BCSE.

16. The introduction of a common currency is likely to have a positive impact on the development of capital markets in Belarus. It would also facilitate borrowing in international capital markets. The development of bond and equity markets between the two countries would help establish capital markets in Belarus and contribute to its integration with Russia. Private enterprises and the Belarusian government would be able to obtain resources at lower cost. This in turn would foster growth and allow the government to lower the level of taxation. After the introduction of a unified currency and elimination of exchange rate risk, securities issued by both the public and the private sectors in Russia and Belarus would become closer substitutes. The potential for a rapid integration of these markets is rather large, given their historical links and the lack of language barriers. Of course, the harmonization of accounting standards, shareholder's rights and the respective corporate tax systems would be required for the corporate bond and equity market in Belarus to fully take advantage of the lack of exchange rate risk and for investors to be indifferent between investing in Russia and Belarus.

C. Credibility Problems During the Transition

17. According to the current framework and timetable, Belarus would move toward a monetary union by first pursuing a crawling peg. Therefore, during the transition period Russia and Belarus would be faced with an incomplete union. To some degree, this transition period is similar to the European Exchange Rate Mechanism (ERM) in the run-up to the Economic and Monetary Union (EMU).[13] The recent experience with soft pegs and the ERM suggests that a relatively flexible system should be pursued, focusing on the adoption of policies that lead to convergence in macroeconomic aggregates, institutions, and factor markets. The greater the convergence in these areas, the smoother the transition to a monetary union.

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[13] The ERM was part of the European Monetary System (EMS), which was set up in 1979 in order to reduce exchange rate volatility. During the 1980s the system was relatively stable and free of major shocks because: (i) countries with relatively high inflation rates, such as Italy, used wide bands (of 6 percent around the central rate); and (ii) a number of key countries, such as France and Italy, continued to have capital controls in place. Both factors ensured that speculative attacks were limited. After the remaining capital controls were eliminated at the beginning of the 1990s, the robustness of the exchange rate system was reduced. Combined with inconsistent macroeconomic policies in some member countries, this led to a number of speculative attacks. The EMS crises in the early 1990s illustrate how—as a result of asymmetric shocks—market participants rendered monetary policy unsustainable and forced a disruptive devaluation. For a discussion of the EMS experience, see DeGrauwe (2000).

18. Credibility problems may arise during the transition period. While the government has announced a crawling peg system, market participants may question whether the authorities will be willing or able to implement the financial policies and structural reforms needed to make the peg viable. If the potential political cost of a devaluation is perceived to be less than the political cost of pursuing tight policies, market participants would have an incentive to speculate against the currency, with an adverse impact on inflation, economic growth, and employment.

D. The Question of the Anchor

19. The choice of an optimal anchor in Belarus is complicated by a number of factors. As noted earlier, Belarus's natural trading partner is Russia, for geographical and historical reasons. This is reflected in the large share of trade with Russia—65 percent of imports and 51 percent of exports in 2000. Since Belarus is a very open economy (the ratio of exports and imports was as high as 125 percent of GDP during the same year), trade with Russia is crucial for economic performance. At the same time, however, Belarus shares a border with Poland and Lithuania, which are in the process of joining the European Union. The geographical closeness to the European Union could imply more trade opportunities with Central and Western Europe in the future and therefore an increased role for the euro. More importantly in the short run, however, is the fact that market participants in Belarus focus on the Rbl/$ exchange rate rather than the Rbl/Rub rate. As a result of high and variable inflation rates over the past ten years, the dollar is widely used as a store of value. A large share of financial assets is held in dollars—at the end of September 2001, 68 percent of all banking deposits were denominated in foreign exchange (mostly in dollars). Despite the large share of trade with Russia, an estimated 50 percent of all import transactions are valued in dollars rather than in Russian rubles. In addition, barter trade continues to play a major role in transactions with Russia.

20. The downside risks of prematurely pegging the Belarusian currency to the Russian ruble in such an environment are high. The announcement of a peg vis-à-vis the Russian ruble would not fully be credible as long as the dollar continues to be the key exchange rate in Belarus. In case of substantial movements of the Russian ruble vis-à-vis the dollar—for example, as a result of changes in international energy prices—the Belarusian authorities would face a dilemma. To keep exchange rate stability, they might be forced to maintain a peg vis-à-vis the dollar rather than to the Russian ruble. However, by doing so the crawling peg system could lose credibility, which in turn would jeopardize the government's objective to move toward a monetary union with Russia. The dilemma could be resolved by using a monetary anchor during the transition period in order to gain and maintain macroeconomic stability, instead of relying on an exchange rate anchor. As inflation declines and macroeconomic stability takes hold, the role of the dollar would diminish and the economy would experience re-monetization. At the same time, structural reforms leading to improvements in competitiveness would have started to show results. Pegging the Belarusian rubel to the Russian currency at that stage would be credible.

E. Summary

21. Belarus is currently confronted with the double challenge of stabilizing its economy and creating an environment that would foster sustainable long-term economic growth. In this context, questions related to the benefits and costs of creating a monetary union, which currency to adopt, and what path the country should embark on to get there, become relevant. While the ultimate decision to join Russia in a monetary union is also driven by geo-political considerations—as was the case in the establishment of a monetary union in Europe—it is important to analyze both the benefits and costs of such an arrangement in order to encourage reforms. Even if the monetary union objective is taken as a given, it is important to determine the best way to get there.

22. Regarding benefits, the potential boost of income and trade for Belarus is likely to be substantially less than suggested by the recent literature on currency unions because the two countries already enjoy longstanding trade relations. Benefits are likely to arise from the reduction in barter trade and the elimination of exchange rate risk—which should reduce the cost of borrowing and encourage the development of capital markets in Belarus. This in turn would contribute to a better allocation of resources and increased opportunities to tap into Russia's capital markets. On the negative side, the biggest challenges originate from the marked differences in economic structure in the two countries. While convergence in the institutional framework could minimize the impact of demand shocks, Russia's strong reliance on oil and gas exports and the price volatility in such markets would make Belarus extremely vulnerable to exogenous supply shocks. Such policy challenges could be reduced through structural reforms in Belarus, notably efforts to reduce state ownership and improve labor market flexibility. In addition, in principle adverse implications for Belarus could be minimized if the union were to allow for fiscal transfers. However, the current framework does not envisage such arrangements.

23. If Belarus and Russia pursue their plans to adopt a monetary union, EMU experience would suggest that Belarus should avoid pegging its currency prematurely to the Russian ruble and instead focus on the convergence of macroeconomic indicators. That is, during the transition period, Belarus should allow for a rather flexible exchange rate in form of either a free float or a peg with sufficiently wide bands around the central parity. Flexibility during the transition period is even more warranted in view of the fact that for the time being market participants continue to focus on the Rbl/$ rather than the Rbl/Rub exchange rate. A peg vis-à-vis the Russian ruble could therefore create a policy dilemma and undermine the credibility of the economic policy.

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STATUS OF THE TAX SYSTEM[1]

As of July 1, 2001

A. Individual Income Tax

1. Taxable income includes cash income in domestic and foreign currencies and in-kind income earned in Belarus and abroad. There are several types of income which are not taxed, such as the following: (i) certain gifts (material incentives) received from an enterprise in an amount of 30 monthly minimum wages (MMW) per year; (ii) free or discounted health resort treatment, and other support of social protection nature; (iii) all forms of social benefits (pensions, benefits under state social insurance and state social welfare (except temporary disability benefits), benefits paid by the state to citizens who suffered from the Chernobyl accident, and scholarships for students; (iv) proceeds from the sale of private property (once every five years for real estate and once a year for vehicles); (v) income from sale of products from private plots; (vi) interest and gains on deposits with banking institutions and on government securities; (vii) income received by inheritance and income received as a result of a gift from close relatives, regardless of the amount; and (viii) income received as a result of a gift from other individuals whose permanent residence is located on the territory of Belarus, up to two hundred times the MMW per gift, but not to exceed five hundred times MMW in a year.

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

Monthly Taxable Income (Y)	Marginal Tax Rate (in percent)
Y < 240 MMW	9
240 MMW < Y < 600 MMW	15[2]
600 MMW < Y < 840 MMW	20[3]
840 MMW < Y < 1,080 MMW	25[4]
1,080 < Y MMW	30[5]

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

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[1] Prepared by Željko Bogetić based on the updates provided by the authorities.

[2] 21.6 MMW plus marginal tax rate.

[3] 75.6 MMW plus marginal tax rate.

[4] 123.6 MMW plus marginal tax rate.

[5] 183.6 MMW plus marginal tax rate.

4. Deductions for children and dependents are:

- 2 MMW per child up to age of 18 and for each dependent.

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

- persons who fell ill and suffered radiation sickness from the consequences of the Chernobyl disaster, and persons who participated in disaster recovery efforts;
- veterans of various wars; and
- categories I and II of disabled persons with all types of disability.

B. Tax on Income and Profit

6. The income and profit tax is levied on legal entities, including enterprises with foreign investments, foreign legal entities, subsidiaries, representative offices, branch offices, and other structural subdivisions possessing an independent (separate) balance sheet and a settlement (current) account, as well as parties to a joint operating agreement, who have been assigned responsibility for overall management of these operations.

7. The income tax is paid on dividends and income treated as dividends under the law; the tax rate is 15 percent.

8. The profit tax is paid on balance-sheet profit. Balance-sheet profit is defined as the total profit from sale of products, goods (work, services) and other assets (including fixed assets, commodity stocks, intangibles, and securities) and income from operations unrelated to sales, less the expenses of these operations. Profit from the sale of products and goods (work, services) is defined as the difference between total receipts and the costs of business and commercial activity. The tax rate is 30 percent. 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 100 people; in construction and other productive sectors—up to 50 people; in nonproductive sectors—up to 25 people.

9. The profit of enterprises, scientific associations, and other organizations of the agro industrial complex received from production, technical, transportation, and scientific services, material and technical support, and repair and manufacture of equipment, as well as 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.

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

11. Tax concessions with reduced rates are defined legislatively. They include: (i) profits used for disaster recovery at Chernobyl in accordance with the republican program; (ii) profits used for environmental and fire protection, scientific research, experimental design, and experimental engineering; and (iii) other uses of profits in selected enterprises and sectors, as defined by law.

12. Profit-tax exemptions are granted to six categories of enterprises including: (i) enterprises employing certain percentage of disabled workers and retiree-age workers in their workforces; (ii) enterprises with foreign investments in which the share of foreign investment is more than 30 percent of the authorized capital; and (iii) other exemptions, as specified by law.

C. Value-Added Tax

13. Effective from January 1, 2000, 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, participating parties in joint ventures, enterprises and physical persons that engage in transit of goods via the territory of Belarus in accordance with the customs regulations of Belarus, and individual entrepreneurs if their turnover of goods and services exceeds 3,000 MMW in the last accounting period.

14. As of January 1, 2000, in accordance with the Law on changes and additions to the value added tax (Law No. 324-3), the authorities implemented the invoice method of calculating the VAT. Taxpayers' VAT liability (T) is calculated as the product between the tax base (B) and the tax rate (t). The tax liability is determined as the difference between the total tax liability and any tax credits calculated for a given tax period. If the latter exceeds the former, the tax payer is not obliged to pay VAT and the difference is carried over without penalty and deducted from tax liability in the next period or refunded to the taxpayer.

15. In accordance with current legislation, VAT is not levied on the following categories of goods and services: (i) goods and services used by foreign diplomatic missions and associated representative offices and for personal use of their diplomatic and administrative personnel and their immediate family members living in the same households. This exemption takes the form of a tax return to diplomatic missions and representative offices; (ii) receipts of certain authorized organizations performing certain services (customs, all forms of licensing, registration, patents, fee collected by government agencies, including local governments and other authorized agencies), payments for the use of natural resources, tax earmarked for the environmental protection fund, forestry tax, other payments to the

budget, budgetary and extrabudgetary funds; (iii) property of enterprises in the form of deposits in the statutory fund in certain proportions; (iv) value added on primary sale of government securities; and (v) budgetary revenues from privatization and rentals of government enterprises.

16. Value added tax is levied at the following rates:

- Zero (0) percent on exports of goods; labor and services of transit, loading, shipment and transshipment and other similar labor and services directly related to the sale of exported goods; exports of construction goods, transport services, and services arising in the production of raw materials; and goods and services directly related to the transit via the territory of Belarus.

- Ten (10) percent on value added of enterprises and individual entrepreneurs in farming (excluding flowers and decorative plants), animal breeding (excluding fur animals), fishery and honey bee production; enterprises producing goods for children according to a list determined by the Council of Ministers; producing enterprises using new and high technologies according to a list determined by the Ministry of Finance; household services; and imports of consumer goods for children according to a list determined by the Council of Ministers.

- Twenty (20) percent on other goods and services not listed above. In addition, the law determined the rates of 9.09 and 16.67 percent, respectively, which are levied on goods and services subject to regulated prices (tariffs).

17. A number of goods and services are exempted, including medicine, medical equipment, tools and machines, medical and veterinary services (excluding cosmetic services), services for sick, handicapped and elderly, services for pre-school childcare, child education in local, music, and sport schools and facilities, education services, culture and arts services, financial and insurance services, communication and media services etc.

18. In accordance with current legislation, the VAT is levied on the basis of the destination principle in foreign trade relations with the following Commonwealth of Independent States (CIS): Ukraine, Kazakhstan, Moldova, Kyrgyz Republic, Tajikistan, Uzbekistan, Armenia, and Azerbaijan and in trade with non-CIS countries. That is, the VAT is collected when goods are imported from CIS countries, while goods exported to CIS countries (except Russia, Turkmenistan, and Georgia) are not taxed. Belarus maintains country-of-origin principle with Russia, Turkmenistan and Georgia.

19. According to the Resolution No. 842 of the Council of Ministers of June 6, 2001 "On some particulars of payment to the budget of the value added tax," the VAT is calculated by the taxpayer, and paid to the budget on due dates depending on the amount of the tax: (i) every five days when the amount of the tax for the preceding month was over 5,000

MMW; and (ii) every 10 days when the amount of the tax for the preceding month was from 3,000 to 5,000 MMW.

D. Excises

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

21. 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.

22. 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). Excise rates are set by the Council of Ministers in coordination with the President.

23. 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.

24. The list of excisable goods may be redefined by the National Assembly at the request of the President.

25. As of June 2001, excise rates apply according to the schedule in the table below:

Table 1. Belarus: Excise Rates (as of June 2001) 1/

Excise Goods	Excise Rates
Alcohol products(*) (except for liquor and vodka products with the ethyl spirits share up to 28 percent; cognacs, brandy, calvados; wines and wine drinks ethyl spirits share of which doesn't exceed 20 percent; wines based on food concentrates and natural raw material, as well as alcohol drinks (ethyl sprits share not more than 7 percent); solutions containing spirits(**), except for those containing denatured additives, medicinal, preventive and diagnostic products, perfume and cosmetic products registered under the acting order.	6 euros per liter of 100 percent ethyl spirits contained in a finished product.
Cognac	3 euros per liter of 100 percent ethyl spirit contained in a finished product.
Liquor and vodka products with up to 28 percent of ethyl spirits share.	4.0 euros per liter of 100 percent ethyl spirits contained in a finished product.
Brandy, calvados, and cognac drinks.	1.7 euros per liter of 100 percent ethyl spirits contained in a finished product.
Wines:	
Vermouths and wines, except for natural, sparkling and fizzy wines and champagne.	0.5 euros per liter of 100 percent ethyl spirits contained in a finished products.
Natural grape and fruit wines, sparkling and fizzy wines	0.06 euros per liter.
Sparkling wines and champagne.	0.7 euros per liter.
Drinks:	
Alcohol drinks with ethyl spirits content of up to 7 percent.	0.9 euros per liter of 100 percent ethyl spirits contained in a finished product.
Wine-type drinks based on food concentrates and natural materials (except for imported ones).	1.5 euros per liter of 100 percent ethyl spirits contained in a finished product.
Wine-type drinks with ethyl spirits content of up to 20 percent (made of fruit and grape)	3 euros per liter of 100 percent ethyl spirits contained in a finished product.
Beer.	0.07 euros per liter.

Excise Goods	Excise Rates
Spirits:	
Ethyl spirits from food materials.	1.8 euros per liter of 100 percent ethyl spirits.
Raw spirits from food materials provided to Belarusian enterprises for further rectification.	0 euros per liter of 100 percent ethyl spirits.
Rectified spirits provided by Belarusian enterprises for alcohol production (fermented spirit-containing fruit-and-berry drinks, vinegars).	0 euros per liter of 100 percent ethyl spirits.
Hydrolytic spirits for technical purposes.	0.1 euros per liter.
Spirits-containing solutions (infusions, extracts, aromatic spirits), provided by Belarusian enterprises for nonalcoholic (soft) drink production.	0 euros per liter.
Tobaccos:	
Pipe tobacco Smoking tobacco, except for one used as a raw material for tobacco products manufacturing.	17.5 euros per kg. 8.8 euros per kg.
Cigars:	0.5 euros per one cigar.
Cigarillos Cigarettes with filter	3.5 euros per 1,000 cigarillos. 1.8 euros per 1,000 cigarettes
Cigarettes without filter	0.8 euros per 1,000 cigarettes.
Cigarettes (with a cardboard holder).	0.5 euros per 1,000 units.
Jewelry (including those with diamonds).	5 per cent.
Mini-buses and cars including those re-equipped into trucks(***) (8702, 8703, and 8704 CIS nomenclature codes), except for cars used for prevention and rehabilitation purposes for disabled:	
Having engine power up to 67.5 kwt (90 hp)	0 euros per 0.75 kwt.
Having engine power from 67.5 (90 hp) to 112.5 kwt (150 hp)	0.4 euros per 0.75 kwt.
Engine power of more than 112 kwt (150 hp)	4 euros per 0.75 kwt.

Excise Goods	Excise Rates
Crude oil except for crude oil imported to Belarus and produced in Belarus and delivered by "Belarusneftj" and "Belgeologiya" production amalgamations for refining.	16.5 euros per ton.
Gasoline:	
Gasoline (except for Octane types АИ-91, A-92, АИ-93, АИ-95, A-96, A-98).	80+15 euros per ton.
АИ-91, A-92, АИ-93 type gasoline.	100+20 euros per ton.
АИ-95, A-96, A-98 type gasoline.	115+20 euros per ton.
Commodity diesel fuel.	50+10 euro per ton.

(*) Except for wine materials and cognac spirits.
(**) Except for spirit-containing solutions with ethyl spirits share up to 12 percent.
(***) Mini-buses include vehicles for carrying not more than 17 people (including a driver), as well as trucks with capacity of no more than 1.25 tons, including those re-equipped from mini-buses.

E. Import Duties

26. 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 almost completely the same.

27. 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 Belarus. 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.

28. When articles entering Belarus 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[6]

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

30. Tax exemptions are granted to 17 types of assets including social and cultural facilities, productive assets of organizations belonging to societies for the disabled, facilities used for environmental protection, privatized apartments in apartment houses, dwellings and buildings belonging to old-age pensioners and certain categories of disabled persons etc.

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

G. Land Tax

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

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

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

35. Pursuant to articles 8 Law of Belarus "On the Budget of the Republic of Belarus for 2001," in 2001, land charges are credited in their entirety to the budgets of the oblasts and the city of Minsk.

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[6] It should be noted that legislation of Belarus uses the term "real estate tax," not "property tax."

36. In 2001, in accordance with Article 8 Law of Belarus "On the Budget of the Republic of Belarus for 2001," local governments have the right to increase (decrease) rates, grant concessions, and set and change the land tax payment due dates.

37. Land tax on plots of land for temporary use, plots of land not returned on time, and illegally occupied land, as well as land plots exceeding the space norms established and in effect since January 2001 is levied at the rate 10 times higher than the standard rate.

H. Tax on the Use of Natural Resources

38. The tax is paid by legal entities, including enterprises with foreign investments and foreign legal entities, their subsidiaries, representative offices, and other structural subdivisions of entities with separate (individual) balance sheet and settlement (current) account, partners in a joint-venture agreement who are authorized to conduct joint business or who received a gain from said venture prior to its allocation, and individual entrepreneurs.

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

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

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

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

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

I. Contributions to Social Security

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

45. The following mandatory payments of social security contributions from the wage bill were established for employers and for cooperatives, enterprises, and companies under a collective form of ownership paying mandatory contributions on behalf of employees working under a labor contract:

- for public associations of disabled persons and pensioners, and for enterprises holding full title to such public associations—4.7 percent; for residential, housing construction, and garage construction cooperatives not deriving income from their activity, and from gardening partnerships—5 percent;
- for the bar association—5 percent;
- for employers for whom disabled persons account for not less than 50 percent of the average listed number of employees—20.4 percent;
- for economic agents engaging predominantly in agricultural production—30 percent; and
- for all other employers (including with foreign investments and for citizens of Belarus)—35 percent.

46. Mandatory contributions are set in the following amounts for individuals and legal entities:

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

J. Payroll Contributions to the Chernobyl Fund

47. The emergency tax for recovery from the Chernobyl accident has been collected since 1991. The tax is of a temporary nature and is established by laws of Belarus on the budget for each calendar year. Since 1992, the base for the tax has been the payroll fund. In the Law

on the Budget of Belarus for 2001, the emergency tax and mandatory contributions to the Employment fund were unified into a single tax at the rate of 5 percent of the wage bills with a single schedule of exemptions.

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

49. Eight categories of enterprises and organizations are fully exempt (and three groups of organizations are partially exempt) from the payment of the emergency tax and mandatory contributions to the State Employment Fund. These include enterprises and organizations of certain categories of disabled citizens, collective farms, state farms, peasant (owner-operated) farms, interfarm enterprises and organizations, agricultural cooperatives, general-education schools, social and cultural enterprises and institutions, etc.

K. The Road Fund

50. The following are earmarked for the road fund:

- the tax on the acquisition of motor vehicles, which are subject to mandatory registration;
- user fees for motor highways;
- deductions from profits from the operation of motor vehicles;
- travel charges for heavy and oversized transportation vehicles on public-use highways;
- tolls collected on the M1/E30 highway Brest—Minsk—border of the Russian Federation; and
- unrequited capital receipts.

51. In accordance with the Article 23 of the Law on the Budget of Belarus for 2001, legal entities and their affiliations and subdivisions that have separate balance sheets, current accounts or an account abroad, participants in joint ventures that realized gross revenues from their operations are obliged to pay a single tax for the agricultural support fund and the road fund at the rate of 2 percent of sales of goods, labor and services (in the case of banks, non-bank financial organizations, excluding the National Bank of Belarus, this tax is on income net of expenditures on interests and fees and other banking expenses; in the case of trading, catering and service companies, the tax is paid on gross income, while insurance and

reinsurance companies pay this tax on balance sheet profits). Each of the two funds receives 50 percent of collected revenues from this single tax.

52. Fees on income from operating motor transportation are paid by motor transportation enterprises and organizations regardless of form of ownership and business conditions, and by enterprises and organizations (except agricultural enterprises) possessing automotive departments and lease motor vehicles, in an amount of 2 percent of income from operating motor vehicle transportation.

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

L. Fund for the Support of Agricultural Producers

54. The Republican Extrabudgetary Fund for Support of Agricultural and Food Producers has been in operation since 1995. Since 1998, the fund has been a state earmarked budgetary fund. The income of the fund is formed by deductions made by all legal entities of Belarus and their structural subdivisions, regardless of the form of ownership, that have distinct (separate) balance sheets, settlement (current) accounts and other accounts, and certain parties to joint venture contracts in the amount of one percent of the proceeds from sales of products, work, and services. Budgetary appropriations for the payment of subsidies and price differentials are not taken into account when the amount of deductions to the above fund is determined. As mentioned above in the section on the road fund, the 2001 Law on the budget merged taxes for the road fund and the agricultural support fund into a single tax at the rate of 2 percent.

55. Several groups of organizations are exempt from paying the single tax earmarked for the road fund and agricultural support fund. These include budgetary organizations, housing organizations, and enterprises engaging in construction, repairs, and maintenance of public-use highways.

M. Earmarked Budgetary Funds of Local Governments Used to Fund the Expenses of Maintaining Departmental Housing

56. On January 1, 1998, earmarked budgetary funds were created by local soviets of peoples' deputies to fund the expenses of maintaining public housing. As of January 1, 2001, according to the Law on the budget (Article 11), the tax earmarked for this purpose was unified with fees for earmarked budgetary funds of local governments for the stabilization of agricultural production, as well as the fees for the maintenance and repair of the housing fund. The unified tax was levied on 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. The tax was levied at the single rate of 2.5 percent of the sale of products, work, and services.

57. Collections from this fund are distributed as follows:

- 40 percent to the earmarked local funds for the stabilization of agricultural production;
- 20 percent to the earmarked local housing-investment funds; and
- 20 percent earmarked fee for maintenance and repair of public housing.

58. Exemptions and preferences on this tax are analogous to the aforementioned single tax earmarked for Republican budget funds—the road fund and the agricultural support fund—levied at the rate of 2 percent on sales of goods, labor and services.

59. In accordance with the Decree No. 19 of the President of the Republic from July 19 to December 31, 2001, foreign legal entities carrying our entrepreneurial activity on the territory of Belarus are also subject to the taxes earmarked for the republican road fund and agriculture support fund, and local earmarked tax for local housing investment funds, maintenance and repair of public housing and local funds for stabilization of agricultural production.

N. Other Funds

60. 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 1. Belarus: Gross Domestic Product by Sector, 1997-2001 (Q2) 1/

	1997	1998	1999	2000	2001	
					Q1	Q2
			(In millions of rubels)			
GDP at market prices	366,830	702,161	3,026,064	9,125,600	3,134,200	3,893,900
GDP at factor cost	320,076	610,524	2,624,809	7,818,900	2,703,600	3,350,200
Industry	109,825	203,709	836,333	2,354,900	1,028,800	1,140,700
Agriculture and forestry	49,221	84,693	384,327	1,197,500	103,300	218,100
Construction	20,275	40,922	175,734	516,300	148,300	236,800
Transportion/communications	39,261	69,474	345,885	1,078,100	402,400	466,600
Trade and catering	26,401	66,148	289,679	844,100	290,900	354,700
Material supply and procurement	5,422	10,423	48,447	143,800	38,100	52,000
Housing and public utilities	19,976	37,984	127,758	427,000	195,000	172,500
Health care	11,523	21,678	93,608	294,400	104,600	149,400
Education, culture, and science	18,840	37,642	165,663	474,700	192,500	273,400
Other	19,332	37,851	157,375	488,100	199,700	286,000
			(In percent of nominal GDP at factor cost)			
Industry	34.3	33.4	31.9	30.1	38.1	34.0
Agriculture and forestry	15.4	13.9	14.6	15.3	3.8	6.5
Construction	6.3	6.7	6.7	6.6	5.5	7.1
Transportion/communications	12.3	11.4	13.2	13.8	14.9	13.9
Trade and catering	8.3	10.8	11.0	10.8	10.7	10.6
Material supply and procurement	1.7	1.7	1.8	1.8	1.4	1.5
Housing and public utilities	6.2	6.2	4.9	5.5	7.2	5.2
Health care	3.6	3.5	3.6	3.8	3.9	4.5
Education, culture and science	5.9	6.2	6.3	6.1	7.1	8.2
Other	6.0	6.2	6.0	6.2	7.4	8.5
Total	100.0	100.0	100.0	100.0	100.0	100.0

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

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

Table 2. Belarus: Gross Domestic Product by Expenditure, 1997-2001 (Q2)

(At current prices)

	1997	1998	1999	2000	2001	
					Q1	Q2
			(In millions of rubels)			
GDP at market prices	366,830	702,161	3,026,064	9,125,600	3,134,200	3,893,900
Consumption of goods and services	283,860	545,659	2,364,776	6,982,800	2,437,600	3,026,800
Household consumption	200,146	389,247	1,714,506	5,013,700	1,688,500	2,147,500
Public consumption	83,714	156,412	650,270	1,969,100	749,100	879300
General government	74,547	139,482	590,193	1,780,200	667,400	806,600
Public organizations	9,167	16,930	60,078	188,900	81,700	72,700
Gross capital formation	98,446	187,561	717,382	2,079,600	526,400	845,700
Gross fixed capital formation 1/	92,555	182,103	796,671	2,067,400	528,400	808,200
Changes in inventories	5,891	5,458	-79,289	12,200	-2,000	37,500
Trade balance 2/	-21,263	-34,093	-73,485	-140,000	236,200	-25,900
Statistical discrepancy	5,788	3,034	17,391	203,200	-66,000	47,300
			(In percent of nominal GDP at market prices)			
Consumption of goods and services	77.4	77.7	78.1	76.5	77.8	77.7
Household consumption	54.6	55.4	56.6	54.9	53.9	55.1
Public consumption	22.8	22.3	21.5	21.6	23.9	22.6
General government	20.3	19.9	19.5	19.5	21.3	20.7
Public organizations	2.5	2.4	2.0	2.1	2.6	1.9
Gross capital formation	26.8	26.7	23.7	22.8	16.8	21.7
Gross fixed capital formation 1/	25.2	25.9	26.3	22.7	16.9	20.7
Changes in inventories	1.6	0.8	-2.6	0.1	-0.1	1.0
Trade balance 2/	-5.8	-4.8	-2.4	-1.5	7.5	-0.6
Statistical discrepancy	1.6	0.4	0.6	2.2	-2.1	1.2

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

1/ Includes residential investment.

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

Table 3. Belarus: Growth of Gross Domestic Product by Expenditure, 1997-2001 (Q2)
(At comparable prices) 1/

	1997	1998	1999	2000	2001	
					Q1	Q2
			(Percentage change)			
Gross domestic product	11.4	8.4	3.4	5.8	2.2	4.8
Total consumption of goods and services	10.0	11.8	8.4	7.7	5.5	12.5
Household consumption	11.4	14.1	9.5	8.0	7.4	15.9
Public consumption	6.8	6.3	5.5	6.8	0.5	4.0
General government	7.1	6.8	5.8	7.2	0.5	4.1
Consumption of public organizations	4.5	2.3	3.3	3.6	1.1	2.3
Gross capital formation	15.9	6.9	-16.0	5.5	7.4	-5.0
Gross fixed capital formation 2/	21.7	10.1	-4.0	-5.6	-4.0	-2.3
Changes in inventories	-5.8	-3.2	-12.0	11.1	11.4	-2.7
Balance of exports and imports 3/	212.2	51.9	143.4	...	...	...
			(Contribution to growth)			
Total consumption of goods and services	7.7	9.2	6.6	5.9	4.3	9.7
Household consumption	6.2	7.8	5.4	4.4	4.0	8.8
Public consumption	1.6	1.4	1.2	1.5	0.1	0.9
General government	1.4	1.4	1.1	1.4	0.1	0.8
Consumption of public organizations	0.1	0.1	0.1	0.1	0.0	0.0
Gross capital formation	4.3	1.8	-3.8	1.3	1.2	-0.5
Gross fixed capital formation 2/	5.5	2.6	-1.1	-1.3	-0.7	-0.6
Balance of exports and imports 3/	0.12	0.01	0.02	...	...	...

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

1/ The use of comparable prices denotes the comparison of output of the current period with output for the previous period based on prices for the previous period.

2/ Includes residential investment.

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

Table 4. Belarus: Growth of Gross Domestic Product by Sector, 1995-2001 (Q2)
(At comparable prices) 1/

	1995	1996	1997	1998	1999	2000	2001	
							Q1	Q2
				(Percentage change)				
GDP at market prices	-10.4	2.8	11.4	8.4	3.4	5.8	2.2	4.8
Industry	-10.3	4.7	17.7	10.6	8.8	7.3	1.1	5.6
Agriculture	-2.4	1.5	-5.4	-1.7	-7.0	8.5	3.3	8.2
Forestry	-5.1	2.1	-9.4	13.9	-17.9	3.7	11.2	-8.2
Construction	-33.2	-7.6	21.4	13.8	-2.4	-5.3	-2.8	-8.3
Transport	-9.4	-2.1	5.3	2.3	1.5	2.0	-6.3	-1.2
Communications	-13.3	-1.0	13.6	4.6	6.3	9.4	7.8	6.2
Trade and catering	-24.0	21.2	18.4	26.2	8.2	8.1	18.6	20.9
Material supply	-19.5	-7.2	8.9	12.8	0.4	5.0	-2.3	3.1
Procurement	-22.7	-1.3	4.3	-0.3	-11.4	4.9	4.6	8.9
Housing	1.5	0.1	2.1	1.7	1.1	0.6	1.8	1.8
Public utilities	-5.6	-3.7	-1.3	-2.3	0.9	-1.5	-2.3	-2.7
Health care	-0.6	1.8	15.3	7.2	9.7	10.0	3.3	6.9
Education	-1.5	2.8	14.7	5.9	6.8	6.4	3.2	2.8
Culture and science	-9.2	1.8	-3.5	3.0	5.9	-1.3	1.2	2.1
Banks and insurance	17.0	2.0	1.9	6.1	7.1	5.7	0.6	3.1
Public administration and defense	-2.9	-3.4	8.6	3.6	2.4	9.0	0.5	1.6
				(Contribution to growth)				
Industry	-3.1	1.5	6.1	3.5	2.8	2.2	0.4	1.9
Agriculture	-0.4	0.2	-0.8	-0.2	-1.0	1.3	0.1	0.5
Construction	-2.0	-0.4	1.3	0.9	-0.2	-0.3	-0.2	-0.6
Transport	-1.1	-0.2	0.6	0.2	0.2	0.2	-0.8	-0.1
Trade and catering	-2.0	1.8	1.5	2.8	0.9	0.9	2.0	2.2

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

1/ The use of comparable prices denotes the comparison of output of the current period with output for the previous period based on prices for the previ period.

Table 5. Belarus: Capital Investment by Sector, 1995-2000 1/
(In comparable prices)

	1995	1996	1997	1998	1999	2000
			(Index, 1990=100)			
Total	39.2	37.3	44.6	55.6	51.2	52.2
Industry	47.7	47.7	56.6	79.7	58.4	64.8
Agriculture	11.6	9.8	9.8	13.2	11.3	12.2
Transport and communication	85.1	99.6	108.6	98.9	107.8	95.1
Construction	21.6	14.6	17.9	25.6	30.1	22.9
Residential construction	40.0	38.1	54.0	68.3	66.9	69.4
Other	56.4	45.6	53.3	65.2	70.0	69.5
			(Share of total)			
Industry	29.7	31.2	30.9	35.0	27.8	30.2
Agriculture	8.5	7.5	6.4	6.6	6.4	6.8
Transport and communication	16.0	19.7	17.9	12.9	15.5	13.4
Construction	1.7	1.2	1.3	1.9	1.9	1.4
Residential construction	20.0	20.1	23.7	23.3	25.7	26.1
Other	24.1	20.3	19.8	20.3	22.7	22.1
Of which						
Trade and catering	1.6	2.0	2.0	3.7	3.0	2.6
Total	100.0	100.0	100.0	100.0	100.0	100.0
Memorandum items:						
Real gross investment (Index, 1990=100) 2/	45.6	48.9	56.7	60.6	50.9	53.7
Gross investment (in percent of GDP) 2/	24.8	23.5	26.8	26.8	23.8	22.8

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

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

2/ According to national accounts data.

Table 6. Belarus: Industrial Production, 1996-2001 (Q2)

(Percentage change in comparable prices)

	1996	1997	1998	1999	2000	2001 1/	
						Q1	Q2
Total	3.5	18.8	12.4	10.3	7.8	2.2	6.1
Of which:							
Power generation	-1.6	5.6	-7.4	5.4	-2.7	-4.9	-1.2
Refineries	-5.5	-1.0	0.7	1.9	15.9	3.1	6.7
Chemicals and petrochemicals	7.2	19.4	7.7	7.0	2.7	-0.8	10.9
Ferrous metallurgy	23.4	35.1	14.9	0.0	10.0	17.2	3.4
Machine building	1.6	25.7	15.5	16.2	15.4	14.3	8.9
Wood and paper	14.2	34.7	21.7	16.0	6.1	-1.5	4.9
Construction materials	-4.0	26.1	15.2	1.5	-2.0	3.0	2.5
Light industry	11.9	27.1	22.8	10.8	5.1	-8.0	-3.0
Food-processing industries	5.5	21.0	19.2	14.4	6.7	5.6	12.1

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

1/ Compared to the same quarter of 2000.

Table 7. Belarus: Inventories of Final Products in the Warehouses of Industrial Enterprises by Subsector, 1996-2001 (Q2) 1/ 2/

	1996	1997	1998	1999	2000	2001	
						Q1	Q2
			(In millions of rubels)				
Total	9,514	16,453	46,971	135,733	402,369	629,980	742,825
Of which:							
Fuel	76	164	1,376	5,755	4,205	21,764	21,072
Ferrous metallurgy	66	199	1,354	1,920	8,834	7,609	9,836
Nonferrous metallurgy	10	25	90	86	206	215	271
Chemicals and petrochemicals	1,063	2,065	8,318	18,520	52,655	79,006	88,892
Machine building and metal-working	5,446	9,180	20,896	59,580	162,288	277,361	341,486
Forestry, wood, and paper products	451	646	2,655	7,743	27,206	42,025	47,950
Construction materials industry	329	553	1,238	4,023	15,781	21,474	25,804
Light industry	783	1,361	5,952	17,460	59,177	81,331	94,379
Food processing industries	739	1,449	3,498	14,911	42,160	66,450	82,369
			(As a percent of current month's output)				
Total	69.4	55.9	85.9	54.7	62.8	60.3	67.9
Of which:							
Fuel	13.2	14.4	63.0	56.4	9.9	28.3	23.7
Ferrous metallurgy	16.4	19.5	67.7	23.5	36.0	17.0	22.3
Nonferrous metallurgy	83.3	75.8	160.5	40.2	24.8	22.9	22.0
Chemicals and petrochemicals	54.5	48.5	103.2	47.6	55.1	49.6	53.5
Machine building and metal-working	157.8	122.6	145.7	93.9	104.2	102.7	122.8
Forestry, wood, and paper products	59.9	39.1	79.9	51.4	82.0	79.3	87.7
Construction materials industry	67.7	48.3	59.4	44.7	72.3	74.2	74.7
Light industry	69.7	54.7	110.8	71.5	101.5	99.3	114.6
Food-processing industries	29.7	29.2	36.6	34.9	36.3	43.1	45.7

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

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

Table 8. Belarus: Agricultural Production, 1995-2001 (Q2)

	1995	1996	1997	1998	1999	2000	2001	
							Q1	Q2
	(In thousands of metric tons, unless otherwise indicated)							
Grain	5,502	5,792	6,420	4,831	3645	4856	...	...
Potatoes	9,504	10,881	6,942	7,574	7491	8718	...	...
Flax	60	49	26	36	21	37	...	...
Sugar beets	1,172	1,011	1,262	1,428	1186	1474	...	...
Meat	995	937	941	981	949	854	232	189
Milk	5,070	4,908	5,133	5,232	4741	4490	829	1508
Eggs	3,373	3,403	3,459	3,481	3395	3288	710	891
Live animals (1,000 head) 1/								
Cattle	5,054	4,855	4,802	4,686	4326	4221	4522	4555
Pigs	3,895	3,715	3,686	3,698	3566	3431	3214	3393
Sheep	204	155	127	106	92	89	210	212
Horses	229	232	233	229	221	217	99	101
	(Percentage change from previous year)							
Grain	-9.7	5.3	10.8	-24.8	-24.5	33.2	...	...
Potatoes	15.3	14.5	-36.2	9.1	-1.1	16.4	...	...
Flax	22.4	-18.3	-46.9	38.5	-41.7	76.2	...	...
Sugar beets	8.7	-13.7	24.8	13.1	-16.9	24.3	...	...
Meat	-12.6	-5.8	0.4	4.2	-3.2	-10.0	-72.8	-18.5
Milk	-8.0	-3.2	4.6	1.9	-9.4	-5.3	-81.5	81.9
Eggs	-0.8	0.9	1.7	0.6	-2.5	-3.2	-78.4	25.5
Livestock 1/								
Cattle	-6.5	-3.9	-1.1	-2.4	-7.7	-2.4	7.1	0.7
Pigs	-2.7	-4.6	-0.8	0.3	-3.6	-3.8	-6.3	5.6
Sheep	-11.3	-24.0	-18.1	-16.5	-13.2	-3.3	136.0	1.0
Horses	4.1	1.3	0.4	-1.7	-3.5	-1.8	-54.4	2.0
	(Yield per hectare)							
Grain	21.1	22.0	23.9	19.1	15	19.4	...	...
Potatoes	132.0	152.0	100.0	114.0	114	134	...	...
Flax	6.2	6.5	4.0	5.1	3.1	4.8	...	...
Sugar beets	218.0	225.0	273.0	292.0	227.0	292.0	...	...

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

1/ End-of-period stocks.

Table 9. Belarus: Production and Consumption of Energy, 1995-2001 (Q2)

	1995	1996	1997	1998	1999	2000	2001	
							Q1	Q2
Production								
Electricity (million kwh)	24,918	23,728	26,057	23,492	26,516	26,100	7,159	5,868
Natural gas (million cubic meters)	266	249	246	252	256	257	64	64
Crude oil (thousand tons)	1,932	1,860	1,822	1,830	1,840	1,851	457	467
Gasoline (thousand tons)	1,849	1,816	1,954	1,907	1,685	1,964	512	468
Diesel (thousand tons)	3,465	3,170	3,115	3,318	3,398	3,847	935	1,033
Heavy fuel oil (thousand tons)	5,592	4,812	4,524	4,253	4,305	4,627	1,253	972
Imports								
Electricity (million kwh)	10,066	11,144	10,308	12,747	10,192	9,975	...	...
Natural gas (million cubic meters)	13,531	14,345	16,241	16,004	16,565	17,115	5,324	3,662
Crude oil (thousand tons)	11,555	10,645	10,461	10,055	9,900	12,010	2,716	3,087
Gasoline (thousand tons)	53	72	56	21	55	38	2	3
Diesel (thousand tons)	24	18	33	83	90	236	35	12
Heavy fuel oil (thousand tons)	36	16	27	38	354	440	23	28
Exports								
Electricity (million kwh)	2,907	2,601	2,688	2,073	3,029	2,764	...	...
Crude oil (thousand tons)	200	300	400	382	350	351	100	100
Gasoline (thousand tons)	666	683	666	688	629	1,026	248	282
Diesel (thousand tons)	1,711	1,470	990	1,609	1,761	2,339	535	592
Heavy fuel oil (thousand tons)	233	901	713	723	2,006	3,076	705	739
Change in stocks								
Natural gas (million cubic meters)	43	-7	110	22	6	-197	137	-87
Crude oil (thousand tons)	-25	250	-95	-47	48	-53	63	-26
Gasoline (thousand tons)	-82	100	-97	33	16	11	-90	40
Diesel (thousand tons)	27	182	-242	163	97	20	-147	23
Heavy fuel oil (thousand tons)	-217	189	-133	-164	194	73	153	39
Consumption								
Electricity (million kwh)	22,018	21,136	33,677	34,166	33,679	33,311	9,271	7,389
Of which:								
Industrial sector (million kwh)	13,383	13,456	15,321	15,714	15,668	16,324	...	...
Natural gas (million cubic meters)	13,840	14,587	16,597	16,278	16,827	17,175	5,525	3,639
Of which:								
For production of heating and electricity (million meters)	9,903	10,748	12,449	11,422	12,096	12,886	4,335	2,509
Crude oil (thousand tons)	1,719	1,821	11,788	11,456	11,438	13,457	3,136	3,428
Gasoline (thousand tons)	1,154	1,305	1,247	1,273	1,127	987	176	229
Diesel (thousand tons)	1,805	1,900	1,916	1,955	1,824	1,764	288	476
Heavy fuel oil (thousand tons)	5,178	4,711	3,705	3,404	2,847	2,064	724	300
Of which:								
For production of heating and electricity (million meters)	4,238	4,073	2,759	2,612	2,335	1,630	654	212
Losses in distribution								
Electricity (million kwh)	3,636	3,757	3,801	3,796	3,544	3,412	...	...
Natural gas (million cubic meters)	139	155	135	133	103	229	...	...

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

Table 10. Belarus: Change in Consumer and Producer Prices 1997-2001 (November)

	Consumer Prices: CPI 1/		Producer Prices: IPPI 2/	
	Monthly percentage change	Year-on-year percentage change	Monthly percentage change	Year-on-year percentage change
1997				
January	13.3	49	18.5	50
February	6.6	53	14.3	70
March	2.3	54	5.3	77
April	4.3	58	6.8	86
May	5.0	65	6.0	97
June	4.5	68	3.1	98
July	1.4	67	2.7	100
August	1.0	67	1.4	95
September	5.0	72	2.1	95
October	3.2	75	2.2	96
November	1.8	71	2.2	96
December	2.3	63	2.3	89
1998				
January	3.9	50	4.1	66
February	3.1	45	3.8	51
March	3.3	46	3.0	48
April	3.8	45	2.5	42
May	3.4	43	2.5	37
June	2.7	41	3.4	37
July	2.8	43	5.0	40
August	3.8	47	6.3	47
September	17.6	65	12.1	61
October	21.0	93	16.0	83
November	25.0	137	21.7	118
December	21.7	182	40.7	200
1999				
January	16.6	216	29.1	272
February	13.7	249	18.2	324
March	12.1	279	15.0	374
April	7.4	292	6.2	391
May	8.9	312	6.7	412
June	7.1	330	5.1	420
July	6.0	343	5.3	421
August	7.1	357	7.8	429
September	12.1	336	7.5	407
October	14.2	311	9.5	378
November	14.3	276	10.4	334
December	13.6	251	11.9	245
2000				
January	14.1	244	11.6	198
February	9.3	230	10.3	178
March	5.8	212	10.3	167
April	5.1	205	6.4	167
May	4.7	193	9.7	175
June	6.1	190	10.1	188
July	4.7	187	8.6	197
August	3.6	178	9.3	201
September	6.8	164	8.9	205
October	5.2	143	6.6	197
November	5.4	124	5.6	184
December	5.1	108	5.6	168
2001				
January	4.8	91	3.7	149
February	3.9	81	3.4	134
March	3.9	78	3.4	119
April	3.3	75	3.1	112
May	2.6	72	0.8	95
June	2.1	65	1.3	80
July	1.6	60	1.2	67
August	0.8	56	1.9	56
September	2.1	49	2.5	47
October	3.6	47	3.7	43
November	4.6	46	...	...
Average				
1992	26.4	971	34.1	1,939
1993	28.9	1,190	30.4	1,536
1994	28.7	2,221	28.2	2,171
1995	10.8	709	6.9	462
1996	2.8	53	2.3	34
1997	4.2	64	5.5	88
1998	9.0	73	9.6	72
1999	11.0	294	10.9	356
2000	6.3	169	8.6	186

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

1/ The Consumer Price Index (CPI) uses weights from the previous year's Household Expenditure Survey.
2/ Industrial Production Price Index (IPPI) data are based on a corrected index formula (Laspeyres) using the weights derived from the structure of output of products by branches of industry in 1993.

Table 11. Belarus: Changes in Administered Prices of Household Services, 2000-2001 (June)
(Percentage change)

	Dec 97/ Dec 96	Dec 98/ Dec 97	Dec 99/ Dec 98	Dec 00/ Dec 99	2000 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2001 Jan	Feb	Mar	Apr	May	Jun
Utilities																						
Rent	20.0	20.0	144.1	304.5	8.4	2.1	35.1	11.6	30.0	10.9	11.9	8.0	9.7	10.5	7.6	6.8	5.1	3.5	4.0	0	3.3	0.8
Water	58.7	484.7	221.9	173.0	8.6	1.9	11.7	11.7	5.9	10.9	11.9	8.0	9.7	10.5	7.6	6.8	5.1	30.0	4.0	0	3.3	0.8
Sewage	58.7	484.7	174.4	173.0	8.6	1.9	11.7	11.7	5.9	10.9	11.9	8.0	9.7	10.5	7.6	6.8	5.1	30.0	4.0	0	3.3	0.8
Heating 1/	38.0	0	240.1	640.0	8.6	1.9	11.8	11.7	30.0	10.9	50.0	50.0	30.0	10.5	7.6	6.8	5.1	3.5	4.0	0	35.0	35.0
Hot water	38.0	0	240.1	640.0	8.6	1.9	11.7	11.7	30.0	10.9	50.0	50.0	30.0	10.5	7.6	6.8	5.1	3.5	4.0	0	35.0	35.0
Electricity																						
City dwellers	33.0	88.9	69.4	900.0	0	25.0	0	100.0	0	100.0	0	0	100.0	0	0	0	0	20.8	0	0	0	0
Rural dwellers	61.2	90.0	69.4	900.0	0	25.0	0	100.0	0	100.0	0	0	100.0	0	0	0	0	20.8	0	0	0	0
Transportation																						
Urban transport	33.3	50.0	567.0	100.0	0	0	0	0	100.0	0	0	0	0	0	0	0	50.0	0	0	0	0	0
Commuter transport	65.8	144.7	126.1	256.5	52.2	0	0	51.4	0.0	0	0	18.9	0	0	30.0	0	8.5	0	0	0	0	0
Energy																						
Crude oil	87.2	85.2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Natural gas (for cooking) 2/	151.2	68.0	...	...	8.0	1.8	11.7	11.7	31.0	10.9	...	...	...	...	...	...	...	...	...	...	...	...
Gasoline 3/ 4/																						
Unleaded AI-76 4/	87.2	117.7	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Leaded AI-93 4/	87.2	261.2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Diesel fuel 3/ 4/	0.0	117.4	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Fuel oil 3/ 4/	0.0	67.3	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Electricity (industrial tariff)				...																		
Use above 750 Kwh	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Use below 750 Kwh	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Memorandum item:																						
CPI (percentage change)	63.1	181.7	251.3	107.9	14.1	9.3	5.8	5.1	4.7	6.1	4.7	3.6	6.8	5.2	5.4	5.1	4.8	3.9	3.9	3.3	2.6	2.1

Sources: Ministry of Economy; and Fund staff estimates.

1/ Payment for heating is calculated on the basis of living space; after September 1,1999 the definition was broadened.
2/ Domestic resale.
3/ For preferred users.
4/ Oil product prices for households are not regulated.

Table 12. Belarus: Tariffs and Cost Coverage for Households, 1999-2001 (July) 1/

	January 1, 1999			January 1, 2000			January 1, 2001			July 1, 2001		
	Unit Tariff 2/ (In rubels)	Representative Household Expenditure 3/ (In rubels)	Cost Coverage (In percent)	Unit Tariff 2/ (In rubels)	Representative Household Expenditure 3/ (In rubels)	Cost Coverage (In percent)	Unit Tariff 2/ (In rubels)	Representative Household Expenditure 3/ (In rubels)	Cost Coverage (In percent)	Unit Tariff 2/ (In rubels)	Representative Household Expenditure 3/ (In rubels)	Cost Coverage (In percent)
Rent	1.5	44.1	35.2	2.4	72.9	14.6	9.5	285.9	10.9	10.9	325.8	10.8
Heating	4.9	146.0	38.8	11.2	337.2	18.7	80.1	2,402.7	17.1	159.8	4,793.4	21.8
Water	4.2	112.3	100.0	11.6	314.0	59.9	30.7	829.4	28.7	44.0	1,187.7	32.9
Sewage	3.8	102.9	100.0	9.1	245.4	66.5	24.1	650.7	28.9	34.5	931.8	35.0
Hot water	14.6	43.8	21.8	53.9	161.8	10.5	386.2	1,158.7	9.7	770.6	2,311.7	12.3
Radio	6.4	6.4	50.0	60.0	60.0	52.7	116.0	116.0	36.3	139.0	139.0	41.7
Telephone	48.0	48.0	56.0	309.0	309.0	86.1	702.0	702.0	63.9	842.0	842.0	76.3
Television antenna	...	...	...	...	...	...	...	...	...	...	...	...
Gas	12.9	3.9	10.7	38.0	114.0	29.5	162.3	486.9	29.6	185.0	555.0	39.6
Electricity	0.9	145.7	17.1	1.4	247.0	18.3	14.4	2,469.0	37.6	17.4	2,983.0	50.6

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

1/ Data have been revised backward to reflect the redenomination of the rubel on January 1, 2000 which removed three zeros from the currency.
2/ Per square meter for rent and heating; per cubic meter for water and sewage; per person for hot water and gas; per kwh for electricity; and per household for radio, telephone, and TV antenna.
3/ A representative household consists of: 1) the area of a 30-square-meter, two-bedroom apartment; with 2) each person consuming 9 cubic meters of water and 50 kwh of electricity per month.

Table 13. Belarus: Average Monthly Wages, 1996-2001 (Q2)
(In thousands of rubels) 1/

	1996	1997	1998	1999	2000	2001 4/	
						Q1	Q2
				(Annual survey) 2/			
Average	1,212	2,270	4,635	19,581	58,916	91,063	115,162
(Excluding collective farms)	1,287	2,416	4,887	20,585	61,260	...	...
Good-producing sectors	1,174	2,222	4,518	19,489	57,666	89,475	113,364
Construction	1,474	2,852	5,796	25,238	74,660	116,293	147,025
Industry	1,366	2,689	5,630	23,865	70,905	111,665	136,413
Forestry	1,100	2,018	3,867	17,570	48,326	80,654	96,325
Agriculture 3/	758	1,329	2,777	11,282	36,774	49,289	73,692
Service-producing sectors	1,316	2,415	4,823	20,376	61,594	98,333	123,059
Banks and insurance	2,207	4,353	9,056	39,928	111,650	166,729	204,410
Administration	1,750	3,446	6,439	24,330	77,107	104,052	147,279
Information and computing services	1,513	2,709	5,842	24,222	71,129	134,215	156,065
Transport	1,463	2,553	4,903	21,240	63,858	102,110	128,031
Science	1,354	2,585	5,213	23,753	73,975	112,068	139,199
Communication	1,352	2,345	4,707	21,188	68,046	111,423	134,439
Housing and communal services	1,203	2,071	4,178	18,180	56,179	95,929	115,655
Health	1,118	1,958	3,649	15,290	45,898	74,700	95,920
Trade and catering	1,070	1,945	4,067	16,397	47,332	71,270	91,159
Education	1,015	1,874	3,646	14,577	44,869	75,449	93,309
Culture	893	1,596	3,122	12,775	38,542	66,120	82,138
Arts	859	1,545	3,061	12,634	40,542	65,932	89,099
Memorandum item:							
Collective farms	700	1,221	2,520	10,234	33,406	...	...
				(Percentage change from the previous year)			
Average	61	87	104	322	201	121	118
(Excluding collective farms)	60	88	102	321	198	...	...
Good-producing sectors	53	87	103	331	196	127	122
Construction	41	93	103	335	196	139	124
Industry	59	97	109	324	197	114	109
Forestry	51	83	92	354	175	133	123
Agriculture 3/	62	75	109	306	226	122	131
Service-producing sectors	61	82	99	321	204	123	122
Banks and insurance	37	97	108	341	180	116	106
Administration	47	97	87	278	217	88	118
Information and computing services	58	79	116	315	194	138	113
Transport	56	75	92	333	201	129	113
Science	66	91	102	356	211	119	122
Communication	47	74	101	350	221	138	129
Housing and communal services	60	72	102	335	209	118	125
Health	71	75	86	319	200	130	131
Trade and catering	76	82	109	303	189	108	105
Education	71	85	95	300	208	130	128
Culture	73	79	96	309	202	132	131
Arts	66	80	98	313	221	128	144
Memorandum items:							
Minimum wage (in thousands of rubels, end-of-period)	100	200	350	1450	3600	5700	5700
Real average monthly wage index (1991=100)	57	65	76	82	92	100	115

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

1/ Data have been revised backward to reflect the redenomination of the rubel on January 1, 2000 which removed three zeros from the currency.
2/ The average monthly wage of workers for 1996-98 are for the full range of enterprises and other entities.
3/ Including collective farms.
4/ Data for 2001 exclude non-public small enterprises.

Table 14. Belarus: Price and Wage Developments, 1996-2001 (Q3)
(Percentage change from previous period)

	1996	1997	1998	1999	2000	2001		
						Q1	Q2	Q3
Consumer prices (period average)	53	64	73	294	169	83	70	55
Change at end-of-period	39	63	182	251	108	78	65	49
Goods (period average)	50	65	76	304	162	74	63	50
Food	50	70	76	313	165	74	63	51
Nonfood	52	48	74	274	152	79	64	47
Services (period average)	67	56	56	212	255	193	148	100
Producer prices (period average)	34	88	72	356	186	133	95	56
Change at end-of-period	31	89	200	245	168	119	80	47
Industrial goods	26	95	216	220	192	132	86	48
Consumer goods	42	81	179	291	136	101	70	46
Minimum wage (end-of-period, year-on-year)	67	100	75	314	148	159	119	188
Average monthly wage	61	87	104	322	201	121	118	125
Real wage (period average, year-on-year)	5	14	18	7	12	21	28	45

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

Table 15. Belarus: Money Income and Expenditures of the Population, 1996-2001 (Q2)

	1996	1997	1998	1999	2000	2001 Q1	2001 Q2
			(In millions of rubels) 1/				
Money incomes	137	238	492	1,872	6,011	2,132	2,765
Salaries and wages of workers, and employees of collective farms	64	127	245	1,019	3,119	1,122	1,527
Revenues from sale of agricultural products	2	3	8	39	95	11	35
Pensions, benefits, and scholarships	23	42	83	335	1,079	435	516
Revenues from financial system 2/	2	8	18	53	...	...	...
Revenues of population from officially unaccounted business and other activities	47	57	138	426	1,718	564	687
Expenditures	135	233	485	1,842	5,935	2,128	2,706
Consumption of goods and payments for services	100	186	388	1,597	4,566	1,613	1,991
Taxes and other obligatory payments and voluntary contributions	8	23	43	165	522	183	218
Accumulation of savings in deposit accounts, securities, and foreign currency purchases	27	24	53	79	847	332	497
Unallocated income	2	5	7	30	76	4	59
			(As a percent of income)				
Salaries and wages of workers, and employees of collective farms	46.4	53.4	49.9	54.4	51.9	52.6	55.2
Revenues from sale of agricultural products	1.3	1.4	1.6	2.1	1.6	0.5	1.3
Pensions, benefits, and scholarships	16.9	17.7	16.8	17.9	18.0	20.4	18.7
Revenues from financial system 2/	1.2	3.5	3.6	2.8	...	...	...
Revenues of population from officially unaccounted business and other activities	34.3	24.1	28.1	22.8	28.6	26.5	24.8
Saving rate 3/	21	11	12	5	15	17	20

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

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

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

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

Table 16. Belarus: Labor Market Indicators, 1996-2001 (Q2)

	1996	1997	1998	1999	2000	2001 Q1	2001 Q2
				(In thousands of persons)			
Employment 1/	4,365	4,370	4,417	4,442	4,441	4,344	4,315
Job leavers	769	779	870	904	888	190	220
Jobs taken up	678	797	894	894	850	176	194
Number of unemployed at the end of the period 2/							
Officially recognized	183	126	106	95	96	105	99
Of which:							
Benefit recipients	85	49	41	36	38	42	38
Long-term unemployed 3/	28	31	20	16	12	...	12
Activity of the Employment Bureau							
Applications from job seekers	300	271	309	284	299	67	77
Placements	150	208	241	223	224	38	63
Vacancies	16	29	30	38	33	36	42
Unemployment rate (in percent) 4/	4.0	2.8	2.3	2.1	2.1	2.4	2.2
Of which:							
Benefit recipients (in percent)	1.9	1.1	0.9	0.8	0.8	0.9	0.9
Economically active population 5/	4,537	4,528	4,528	4,542	4,537	...	...
				(In percent)			
Memorandum items:							
Labor force participation rate 6/	44.7	44.8	45.0	45.3	45.3	...	...
Economically active population as share of working-age population	79.9	79.5	79.0	78.6	77.7	...	...
Share of women in the labor force 7/	51.7	51.7	51.8	52.4	52.6	...	...
Share of women in total number of unemployed	63.8	66.6	66.7	64.2	60.7	58.1	58.1

Sources: Belarusian authorities; and Fund staff estimates.

1/ Average employment during the year for annual data; end-of-period data for Q1 2000.
2/ Unemployed is any able-bodied person without a job other than: those engaged in business, those in education or training, or those serving in the armed forc The definition was widened in 1993.
3/ Unemployed for more than one year.
4/ Number of registered unemployed expressed as a percentage of the economically active population.
5/ Working-age population comprises all people able to work older than 16 years and below the retirement age. The economically active population excludes, among others, students, housewives, and members of the armed forces.
6/ Defined as the economically active population in percent of total population.
7/ Women on leave for maternity or caring for children under three years of age are exluded from the economically active population.

Table 17. Belarus: Average Monthly Employment by Sector, 1997-2001 (Q2)

	1997	1998	1999	2000	2001		1997	1998	1999	2000	2001	
					Q1	Q2					Q1	Q2
	(In thousands)						(Percentage change over previous period)					
Annual survey 1/	4,370	4,417	4,442	4,441	4,344	4,315	0.1	1.1	0.6	0.0	-1.0	-1.2
Monthly survey	3,708	3,738	3,745	3,667	3,599	3,635	0.6	0.8	0.2	-2.1	-1.1	-1.1
Good-producing sectors	2,063	2,036	1,993	1,929	1,843	1,890	-1.2	-2.1	-3.2	-4.5	-3.3	...
Industry	1,072	1,073	1,084	1,074	1,055	1,058	-0.8	0.1	1.0	-0.9	-1.5	-1.9
Agriculture 2/	738	698	646	607	553	590	-2.8	-5.4	-7.4	-6.0	-4.8	-4.5
Construction	253	265	263	248	235	242	2.0	4.7	-0.8	-5.7	-7.5	-4.1
Sevice-producing sectors	1,645	1,702	1,752	1,738	1,756	1,745	3.0	2.9	-0.8	1.0	0.2	...
Transport and communication	279	284	286	276	269	269	0.7	1.8	0.7	-3.5	-2.2	-2.8
Trade and related services	227	238	249	254	256	251	5.1	4.8	4.6	2.0	0.4	-0.3
Communal services	128	133	141	151	157	153	2.4	3.9	6.0	7.1	6.1	2.5
Health and social services	271	279	283	283	285	287	2.7	3.0	1.4	0.0	1.1	2.0
Education, culture, and science	489	506	521	528	540	537	3.8	3.5	3.0	1.3	2.1	2.7
Banks and insurance	46	49	52	55	56	56	2.2	6.5	6.1	5.8	5.7	2.6
Administration	75	78	82	80	82	82	0.0	4.0	5.1	-2.4	2.5	2.7
Other	130	135	138	111	111	110	4.8	3.8	2.2	-19.6	0.9	-1.1
	(Share in total)						(Percentage change of share in total)					
Good-producing sectors	55.7	54.5	53.1	52.7	51.2	51.9	-1.7	-2.6	-0.8	-2.8	-2.3	...
Industry	28.9	28.7	28.9	29.3	29.3	29.1	-1.3	0.7	1.4	0.0	-1.0	...
Agriculture 2/	19.9	18.7	17.2	16.6	15.4	16.2	-3.4	-8.0	-3.5	-7.2	1.3	...
Construction	6.8	7.1	7.0	6.8	6.5	6.6	1.5	-1.4	-2.9	-4.4	-5.7	...
Sevice-producing sectors	44.6	45.5	46.9	47.3	48.8	48.1	2.7	3.1	0.9	3.2	2.5	...
Transport and communication	7.5	7.6	7.6	7.5	7.5	7.4	0.2	0.0	-1.3	0.0	-1.3	...
Trade and related services	6.1	6.4	6.7	6.9	7.1	6.9	4.6	4.7	3.0	2.9	1.4	...
Communal services	3.5	3.5	3.8	4.1	4.4	4.2	-0.6	8.6	7.9	7.3	7.3	...
Health and social services	7.3	7.5	7.6	7.7	7.9	7.9	2.2	1.3	1.3	2.6	1.3	...
Education, culture, and science	13.2	13.5	13.9	14.4	15.0	14.8	3.3	3.0	3.6	4.2	3.4	...
Banks and insurance	1.3	1.3	1.4	1.5	1.5	1.5	1.7	7.7	7.1	0.0	0.0	...
Administration	2.0	2.1	2.2	2.2	2.3	2.3	-0.5	4.8	0.0	4.5	9.5	...
Other	3.5	3.6	3.7	3.0	3.1	3.1	10.0	2.8	-18.9	3.3	3.3	...

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

1/ Based on comprehensive annual survey data that include enterprises of all types of ownership (including small businesses) and individuals engaged in private enterprises.
2/ Approximately two thirds from collective farms.

Table 18. Belarus: Enterprise Profits and Losses, 1996-2001 (Q2)

	1996	1997	1998	1999	2000	2001	
						Q1	Q2
	(Profitability of enterprises) 1/						
Total economy	9.7	10.1	10.9	15.2	13.2	9.8	9.6
Industry	10.6	13.2	14.5	17.1	15.7	12.9	12.3
Of which:							
Power generation	2.7	4.0	2.8	3.9	2.1	10.2	8.9
Refineries	24.4	23.7	19.9	31.5	41.7	24.4	27.0
Ferrous metallurgy	12.0	14.4	16.9	13.5	22.6	7.8	6.5
Chemicals	10.4	14.5	20.9	27.1	26.3	14.4	13.9
Petrochemicals	9.4	10.8	8.8	10.0	0.2	-8.7	3.5
Machine building	9.1	15.4	15.6	17.9	14.4	15.5	14.1
Wood and paper	13.4	17.5	21.3	17.7	9.9	8.5	8.7
Construction materials	5.9	8.6	6.4	8.1	5.0	-1.8	2.0
Light industry	11.0	14.5	20.7	22.6	14.3	7.3	6.7
Food industry	12.8	12.7	12.9	13.4	9.0	7.6	8.3
Agriculture 2/	10.2	11.3	2.7	11.9	3.0	...	...
Collective farms	11.5	13.8	3.2	12.4	...	...	...
State farms	8.6	7.6	1.5	11.1	...	...	...
	(Number of loss-making enterprises)						
Total	1,737	1,351	1,815	1,935	2,670	4,592	4,194
Of which:							
Industry	324	264	246	209	449	830	798
Agriculture 2/	471	369	1,170	1,121	1,177	...	...
	(Share of loss-making enterprises per sector in percent)						
Total economy	18.4	12.3	16.2	16.9	23.4	40.1	35.8
Industry	17.6	11.8	10.5	8.8	18.8	33.6	32.0
Of which:							
Power generation	...	0.0	14.3	0.0	14.3	0.0	12.5
Refineries	...	0.0	0.0	0.0	0.0	0.0	0.0
Ferrous metallurgy	...	0.0	0.0	6.3	0.0	11.8	12.5
Chemicals	11.1	2.4	1.9	7.7	11.5	25.5	27.8
Petrochemicals	...	...	10.0	12.5	75.0	42.9	28.6
Machine building	13.4	8.2	8.0	7.4	16.5	25.8	24.8
Wood and paper	9.1	7.7	8.3	8.0	16.7	27.9	33.2
Construction materials	33.8	24.4	22.0	19.9	35.3	57.1	52.1
Light industry	39.0	22.2	15.5	13.1	28.6	48.2	49.0
Food industry	9.8	7.5	5.4	2.9	12.2	34.9	25.9

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

1/ Profitability is defined as profits from sales as percentage of cost of sold products. With the exception of power generation, enterprises in this sample are those with an exclusively positive profitability.
2/ Includes state and collective farms.

Table 19. Belarus: Interenterprise Arrears and the Barter Economy, 1998-2001 (Q2)
(End-of-period stocks in current prices)

	1998	1999	2000	2001		1998	1999	2000	2001	
				Q1	Jan-June				Q1	Jan-June
	(In billions of rubels)					(in percent of GDP)				
Overdue accounts receivable										
Total	110	419	1,658	2,015	2,412	15.6	13.9	18.2	64.3	34.3
Industry	41	199	843	1,038	1,288	5.9	6.6	9.2	33.1	18.3
Agriculture	1	6	22	28	32	0.2	0.2	0.2	0.9	0.5
Construction	3	9	39	46	65	0.4	0.3	0.4	1.5	0.9
Transport	40	95	331	363	398	5.7	3.1	3.6	11.6	5.7
Communications	0	1	3	4	6	0.0	0.0	0.0	0.1	0.1
Trade and public catering	1	3	14	26	31	0.1	0.1	0.2	0.8	0.4
Supply and sales	5	21	83	61	70	0.8	0.7	0.9	1.9	1.0
Housing and communal services	18	85	319	412	474	2.5	2.8	3.5	13.1	6.7
Overdue accounts payable 2/										
Total	156	555	2,043	2,457	2,855	23.1	18.3	22.4	78.4	40.6
Industry	76	311	1,198	1,345	1,537	10.8	10.3	13.1	42.9	21.9
Agriculture	14	63	235	334	434	2.0	2.1	2.6	10.7	6.2
Construction	3	8	32	39	50	0.4	0.2	0.4	1.2	0.7
Transport	29	66	176	239	259	4.1	2.2	1.9	7.6	3.7
Communications	1	3	12	11	11	0.1	0.1	0.1	0.4	0.2
Trade and public catering	3	14	70	88	95	0.5	0.4	0.8	2.8	1.4
Supply and sales	11	16	42	39	46	1.7	0.5	0.5	1.2	0.7
Housing and communal services	19	74	274	351	405	2.6	2.5	3.0	11.2	5.8
Barter transactions										
Total	254	1,088	3,650	1,479	3,210	36.2	35.9	40.0	47.2	45.7
Industry	217	930	2,936	1,214	2,605	30.9	30.7	32.2	38.7	37.1
Agriculture	12	49	185	54	133	1.7	1.6	2.0	1.7	1.9
Construction	8	35	92	35	96	1.1	1.1	1.0	1.1	1.4
Transport	2	10	27	10	20	0.3	0.3	0.3	0.3	0.3
Communications	1	2	7	3	7	0.1	0.1	0.1	0.1	0.1
Trade and public catering	3	11	90	29	72	0.5	0.4	1.0	0.9	1.0
Supply and sales	3	19	107	16	46	0.5	0.6	1.2	0.5	0.7
Storage										
Housing and communal services	7	28	189	101	180	1.0	0.9	2.1	3.2	2.6
Memorandum item:										
Gross domestic product	702	3,026	9,126	3,134	7,028	...	...	...	...	...

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

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

Table 20. Belarus: Sectoral Distribution of Energy Debts of Enterprises, 1998-2001 (Q2) 1/

	1998				1999				2000				As of July 1, 2001			
	Total	Gas	Oil	Electricity	Total	Gas	Oil	Electricity	Total	Gas	Oil	Electricity	Total	Gas	Oil	Electricity
	(In billions of rubels)															
Domestic debts	96.02	60.31	...	33.71	377.25	206.44	...	160.88	1,486.00	749.00	0.05	695.00	1,936.00	922.00	9.00	946.00
Industry	53.57	27.56	...	25.25	225.82	105.68	...	115.00	860.00	363.00	0.05	486.00	1076.00	437.00	...	628.00
Agriculture	9.05	1.63	...	7.15	46.04	7.03	...	38.20	212.00	33.00	...	175.00	322.00	47.00	...	266.00
Transportation, including pipelines	0.53	0.20	...	0.14	10.49	7.99	...	0.88	18.00	2.00	...	3.00	6.00	0.30	...	3.00
Communications	0.00	...	...	0.00	0.13	0.00	...	0.12	1.00	0.00	...	1.00	2.00	...	...	2.00
Construction	0.23	0.04	...	0.16	0.85	0.21	...	0.51	2.00	0.50	...	1.00	4.00	1.00	...	2.00
Trade and public catering	0.07	0.00	...	0.06	0.45	0.00	...	0.15	2.00	0.01	...	1.00	2.00	0.00	...	1.00
Supply and sale	0.58	0.00	...	0.05	0.86	0.00	...	0.28	8.00	0.00	...	1.00	8.00	0.00	...	1.00
Housing and communal services	31.93	30.87	...	0.86	92.40	85.48	...	5.60	383.00	351.00	...	26.00	494.00	436.00	...	43.00
Other	0.06	0.01	...	0.05	0.20	0.03	...	0.14	0.00	0.00	...	1.00	22.00	0.70	9.00	0.00
	(In millions of U.S. dollars)															
Foreign debts	0.37	0.24	0.01	0.13	...	...	...	...	...	...	...	...	...	...	...	...
Industry																
Agriculture	0.14	0.00	0.01	0.13	...	...	...	...	...	...	...	...	...	...	...	...
Transportation, including pipelines	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Communications	0.23	0.23	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Construction	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Trade and public catering	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Supply and sale	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Housing and communal services	0.00	0.00	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Other	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
	(In percent of domestic debt, total and by form of energy)															
Domestic debts by sector																
Industry	56	46	...	75	60	51	...	71	58	48	100	70	56	47	...	66
Agriculture	9	3	...	21	12	...	...	24	14	4	...	25	17	5	...	28
	(In percent of external debt, total and by form of energy)															
Foreign debts by sector																
Industry	37	1	100	100	36	...	55	100	36	1	29	96	31	1	19	100
Transportation, including pipelines	62	99	...	...	61	100	...	...	54	99	...	...	65	99	...	...
	(In percent of GDP)															
Memorandum items:																
Domestic energy debts	14	9	...	5	12	7	...	5	16	8	...	8	28	13	...	13
Foreign energy debts	6	4	...	2	3	2	...	1	3	2	...	1	5	3	...	1

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

1/ These debts are not necessarily overdue.
2/ Data have been revised backward to reflect the redenomination of the rubel on January 1, 2000 which removed three zeros from the currency.

Table 21. Belarus: General Government Operations, 1996-2001 (Q3)
(In millions of rubels) 1/

	1996	1997	1998	1999	2000	2001		
						Q1	Q2	Q3
Revenue and grants	75,199	159,896	304,012	1,332,105	4,067,810	1,538,632	1,749,018	1,947,226
Revenue (excluding extrabudgetary funds)	75,199	159,896	304,012	1,332,105	4,067,810	1,538,632	1,749,018	1,947,226
Current revenue	74,539	158,362	300,993	1,322,558	4,034,348	1,531,889	1,717,603	1,933,867
Tax revenue	68,707	150,038	280,539	1,231,549	3,728,886	1,358,435	1,612,234	1,810,027
Income, profits, capital gains	12,735	28,195	55,995	235,750	716,609	285,853	312,823	333,274
Social security contributions	15,796	31,639	61,394	262,858	816,569	302,257	363,606	443,659
Payroll taxes	4,870	7,794	10,803	47,232	73,092	28,180	34,111	42,237
Taxes on property	1,852	4,935	9,029	18,051	93,200	39,656	69,288	63,040
Domestic taxes on goods and services	29,258	66,153	123,664	587,652	1,814,759	617,065	734,187	829,978
Taxes on international trade and transactions	3,169	8,964	15,204	58,011	141,797	56,514	73,325	75,543
Other current revenue	...	...	4,451	21,996	72,860	28,910	24,894	22,297
Nontax revenue	5,833	8,325	20,454	91,009	305,463	173,454	105,369	123,840
Capital revenue	660	1,533	3,019	9,546	33,461	6,743	31,415	13,359
Grants	0	0	0	0	0	0	0	0
Fuctional classification								
Expenditure	78,654	164,312	307,725	1,385,001	4,039,848	1,467,720	1,807,882	2,023,967
General public services	3,721	8,727	15,266	59,800	169,567	49,249	77,731	81,697
Defense	2,264	6,080	9,837	38,741	115,248	39,491	48,296	71,567
Public order	2,979	4,985	8,501	41,795	131,166	50,546	62,632	70,772
Education	11,688	26,283	47,610	185,708	562,129	216,102	282,504	257,649
Health	9,013	19,913	32,218	142,702	422,567	155,253	177,593	221,622
Social security and welfare	19,872	36,592	70,887	286,161	926,407	356,617	461,694	523,916
Housing and communal amenities	4,041	10,563	17,163	81,388	248,631	92,546	97,940	127,742
Recreation and culture	1,629	4,292	7,719	28,581	95,158	30,843	42,780	46,241
Industry, construction, and energy sectors	556	1,078	2,904	17,076	27,622	8,485	7,178	13,938
Agriculture, forestry, fishing, and hunting	4,944	12,314	23,322	124,882	400,477	148,680	143,120	168,855
Mining, manufacturing, and construction	120	1,640	887	3,399	7,240	2,071	2,893	3,504
Transport and communications	4,352	11,663	22,416	103,210	270,789	101,747	113,223	127,349
Other economic affairs and services, including research	1,799	6,217	19,857	27,368	81,194	23,618	32,751	21,290
Other expenditure, including disasters and emergencies	11,678	13,964	29,138	244,190	581,652	192,473	257,548	287,826
Economic classification								
Expenditure and net lending	78,654	164,312	307,725	1,385,001	4,039,848	1,467,720	1,807,882	2,023,967
Expenditure	78,688	162,532	307,901	1,382,258	3,987,383	1,432,357	1,750,489	1,939,682
Current expenditure	64,923	130,214	248,346	1,059,185	3,225,455	1,210,881	1,498,018	1,653,679
Expenditure on goods and services	33,942	65,158	122,615	483,558	1,432,197	528,714	680,421	726,338
Wages and salaries	15,274	28,438	54,389	221,065	696,699	272,727	419,574	418,517
Goods and services	18,668	36,721	68,226	262,494	735,498	255,987	260,848	307,822
Interest payments	1,227	2,374	5,087	19,512	76,686	26,393	17,800	53,644
Subsidies and current transfers	29,754	62,682	120,644	556,115	1,716,571	655,774	799,797	873,697
Subsidies	7,821	16,898	37,218	195,002	547,793	195,740	200,505	216,893
Transfers to households	21,709	45,784	81,894	350,644	1,140,991	454,760	588,049	645,428
Transfers abroad	224	0	1,532	10,469	27,787	5,275	11,244	11,376
Capital expenditure	13,765	32,318	59,555	323,072	761,928	221,476	252,471	286,003
Net lending	-34	1,780	-176	2,744	52,465	35,364	57,392	84,284
Balance	-3,455	-4,416	-3,713	-52,897	27,962	70,912	-58,864	-76,741
Financing	3,455	4,416	3,713	52,897	-27,962	-70,912	58,864	76,741
Foreign	-223	1,609	-1,748	-24,432	-50,218	-8,280	-4,567	-18,631
Domestic	3,678	2,807	5,461	77,329	22,256	-62,632	63,431	95,371

Source: Belarusian authorities.

1/ Data have been revised backward to reflect the redenomination of the rubel on January 1, 2000 which removed three zeros from the currency. The data in this table are not strictly comparable to those in the staff report because this table includes item-by-item consolidations while fiscal tables in the staff report consolidate aggregate republican government budget, local budgets, budgetary funds, and Social Protection Fund.

Table 22. Belarus: General Government Operations, 1996-2001 (Q3) 1/

(In percent of GDP)

	1996	1997	1998	1999	2000	2001		
						Q1	Q2	Q3
Revenue and grants	39.2	43.6	43.3	44.0	44.6	49.1	44.9	41.4
Revenue	39.2	43.6	43.3	44.0	44.6	49.1	44.9	41.4
Current revenue	38.9	43.2	42.9	43.7	44.2	48.9	44.1	41.1
Tax revenue	35.8	40.9	40.0	40.7	40.9	43.3	41.4	38.4
Income, profits, and capital gains	6.6	7.7	8.0	7.8	7.9	9.1	8.0	7.1
Social security contributions	8.2	8.6	8.7	8.7	8.9	9.6	9.3	9.4
Payroll taxes	2.5	2.1	1.5	1.6	0.8	0.9	0.9	0.9
Taxes on property	1.0	1.3	1.3	0.6	1.0	1.3	1.8	1.3
Domestic taxes on goods and services	15.3	18.0	17.6	19.4	19.9	19.7	18.9	17.6
Taxes on international trade and transactions	1.7	2.4	2.2	1.9	1.6	1.8	1.9	1.6
Other current revenue	0.0	0.0	0.6	0.7	0.8	0.9	0.6	0.5
Nontax revenue	3.0	2.3	2.9	3.0	3.3	5.5	2.7	2.6
Capital revenue	0.3	0.4	0.4	0.3	0.4	0.2	0.8	0.3
Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fuctional classification								
Expenditure	41.0	44.8	43.8	45.8	44.3	46.8	46.4	43.0
General public services	1.9	2.4	2.2	2.0	1.9	1.6	2.0	1.7
Defense	1.2	1.7	1.4	1.3	1.3	1.3	1.2	1.5
Public order	1.6	1.4	1.2	1.4	1.4	1.6	1.6	1.5
Education	6.1	7.2	6.8	6.1	6.2	6.9	7.3	5.5
Health	4.7	5.4	4.6	4.7	4.6	5.0	4.6	4.7
Social security and welfare	10.4	10.0	10.1	9.5	10.2	11.4	11.9	11.1
Housing and communal amenities	2.1	2.9	2.4	2.7	2.7	3.0	2.5	2.7
Recreation and culture	0.8	1.2	1.1	0.9	1.0	1.0	1.1	1.0
Fuel and energy sectors	0.3	0.3	0.4	0.6	0.3	0.3	0.2	0.3
Agriculture, forestry, fishing, and hunting	2.6	3.4	3.3	4.1	4.4	4.7	3.7	3.6
Mining, manufacturing, and construction	0.1	0.4	0.1	0.1	0.1	0.1	0.1	0.1
Transport and communications	2.3	3.2	3.2	3.4	3.0	3.2	2.9	2.7
Other economic affairs and services, incl. research	0.9	1.7	2.8	0.9	0.9	0.8	0.8	0.5
Other expenditure, incl. disasters and emergencies	6.1	3.8	4.1	8.1	6.4	6.1	6.6	6.1
Economic classification								
Expenditure and net lending	41.0	44.8	43.8	45.8	44.3	46.8	46.4	43.0
Expenditure	41.0	44.3	43.9	45.7	43.7	45.7	45.0	41.2
Current expenditure	33.8	35.5	35.4	35.0	35.3	38.6	38.5	35.1
Expenditure on goods and services	17.7	17.8	17.5	16.0	15.7	16.9	17.5	15.4
Wages and salaries	8.0	7.8	7.7	7.3	7.6	8.7	10.8	8.9
Goods and services	9.7	10.0	9.7	8.7	8.1	8.2	6.7	6.5
Interest payments	0.6	0.6	0.7	0.6	0.8	0.8	0.5	1.1
Subsidies and current transfers	15.5	17.1	17.2	18.4	18.8	20.9	20.5	18.6
Subsidies	4.1	4.6	5.3	6.4	6.0	6.2	5.1	4.6
Transfers to households	11.3	12.5	11.7	11.6	12.5	14.5	15.1	13.7
Transfers abroad	0.1	0.0	0.2	0.3	0.3	0.2	0.3	0.2
Capital expenditure	7.2	8.8	8.5	10.7	8.3	7.1	6.5	6.1
Net lending	0.0	0.5	0.0	0.1	0.6	1.1	1.5	1.8
Balance	-1.8	-1.2	-0.5	-1.7	0.3	2.3	-1.5	-1.6
Financing	1.8	1.2	0.5	1.7	-0.3	-2.3	1.5	1.6
Foreign	-0.1	0.4	-0.2	-0.8	-0.6	-0.3	-0.1	-0.4
Domestic	1.9	0.8	0.8	2.6	0.2	-2.0	1.6	2.0

Source: Belarusian authorities.

1/ Includes Social Protection Fund. The data in this table are not strictly comparable with those in the staff report because this table includes item-by-item consolidations while fiscal tables in the staff report consolidate aggregate republican budget, local budgets, budgetary funds, and the Social Protection Fund.

Table 23. Belarus: Tax Arrears, 1995-2001 (Q2)
(In millions of rubels, unless otherwise indicated; end of period)

	1995	1996	1997	1998	1999	2000	2001	
							Q1	Q2
Total tax arrears	2,509	3,923	3,560	4,469	15,550	67,800	107,287	154,401
State budget tax arrears 1/	1,364	1,722	1,401	2,012	9,186	42,600	72,543	101,850
Taxes on income and profits	338	238	450	531	1,492	3,800	9,500	12,200
Personal income tax	2	7	5	24	28	100	100	200
Profit tax	329	230	439	500	1,460	3,700	9,200	11,900
Enterprise income tax	7	1	5	6	4	0	200	100
Chernobyl tax	226	215	102	135	429	1,600	3,100	4,800
Taxes on property	126	443	189	401	432	2,000	2,600	7,600
Real estate tax	92	79	75	188	126	1,400	1,900	6,300
Land tax	34	364	113	214	305	600	700	1,300
Domestic taxes on goods and services	674	826	661	945	6,023	29,600	47,300	61,900
Value-added tax	531	546	456	857	1,805	9,800	20,600	29,400
Excises	73	40	59	81	152	2,700	4,700	6,500
Fuel tax	10	10	0	0	0	0	0	0
Natural resource tax	15	75	47	6	9	100	0	0
Forestry tax and other taxes	45	155	99	1	4,059	17,000	22,000	26,000
Social Protection Fund	960	1,783	1,841	2,180	5,556	19,600	24,700	37,200
Fund for Support of Agricultural Producers	185	418	318	278	809	5,600	10,043	15,350
Memorandum items:								
Total tax arrears (In percent of GDP)	2.1	2.0	1.0	0.6	0.5	0.7	3.4	2.2
Deferred taxes 2/	1	1,419	3,873	5,668	7,530	6,100	5,600	6,100

Source: Belarusian authorities.

1/ Data are not available for arrears on custom duties and excises on imports.
2/ End-of-period outstanding stock.

Table 24. Belarus: General Government Debt, 1997-2001 (Q2)
(In millions of rubels, unless otherwise indicated; end-of-period)

	1997	1998	1999	2000	2001	
					Q 1	Q 2
Total debt, net	13,203	201,025	211,477	...	...	...
Domestic debt, net 1/	13,177	-9,307	-10,894	...	...	...
of which:						
Republican government 2/	15,646	34,668	159,481	382,215	484,467	561,765
Local government	-2,469	-2,638	-7,616	...	...	...
Foreign debt 2/	26	47	234	621	963	979
Memorandum items:						
Domestic debt (in percent of GDP)	3.8	-1.4	-0.4	...	...	...
Foreign debt (in millions of U.S. dollars) 2/	976	1,011	886	867	784	761
Exchange rate (in rubels per U.S. dollar)	26	46	264	716	1,228	1,286
Nominal GDP	351,043	662,370	2,725,000	9,125,636	3,071,496	3,956,504

Sources: Belarusian authorities; and Fund staff estimates.

1/ The data up to 1999 are derived from NBB balance sheets.
2/ As recorded in the balance of payments under public and publicly guaranteed debt, including IMF.

Table 25. Belarus: Monetary Survey, 1999-2001 (June)

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

	1999	2000				2001	
	December	March	June	September	December	March	June
Accounting exchange rate (in rubels per U.S. dollar) 1/	320	435	675	1,033	1,180	1,293	1,380
Net foreign assets	87,376	167,500	264,769	438,355	432,490	481,806	573,537
Net foreign assets (convertible)	79,900	158,018	250,069	407,425	389,289	463,561	560,340
Foreign assets	196,126	289,140	488,197	711,125	752,024	828,283	983,706
Foreign liabilities	-116,226	-131,122	-238,128	-303,700	-362,735	-364,722	-423,366
Net foreign assets (nonconvertible)	7,476	9,482	14,700	30,930	43,201	18,245	13,197
Foreign assets	10,045	19,725	30,043	45,586	61,041	45,312	87,797
Foreign liabilities	-2,569	-10,244	-15,344	-14,656	-17,841	-27,067	-74,599
Net domestic assets	418,066	492,457	688,496	1,000,648	1,181,224	1,265,063	1,490,701
Net domestic credit	601,732	776,596	1,033,329	1,473,729	1,749,981	1,947,924	2,219,425
Net credit to general government	148,115	193,181	241,260	242,959	260,906	207,552	227,296
Net claims on central government	147,757	192,282	239,702	241,752	260,091	206,176	226,368
Gross credit to local government	358	899	1,558	1,207	815	1,377	928
Claims on economy	453,617	583,414	792,069	1,230,770	1,489,075	1,740,372	1,992,130
Claims on nonfinancial public enterprises	170,598	237,409	340,145	559,953	677,736	750,430	883,586
Claims on private sector	281,741	344,756	450,451	669,236	810,029	987,724	1,104,943
Claims on nonbank financial institutions	1,278	1,250	1,473	1,580	1,310	2,217	3,601
Other items, net	-183,666	-284,139	-344,833	-473,081	-568,756	-682,861	-728,724
Capital	-172,005	-268,250	-294,862	-398,623	-561,096	-643,711	-663,660
Other assets, net	-11,661	-15,889	-49,971	-74,458	-7,660	-39,150	-65,064
Broad money	505,442	659,957	953,265	1,439,003	1,613,714	1,746,869	2,064,238
Rubel broad money	284,731	337,559	441,892	591,383	666,395	718,204	917,354
Currency outside banks	86,852	108,244	157,165	187,566	238,796	246,660	364,294
Domestic currency deposits	197,879	229,316	284,727	403,817	427,599	471,543	553,059
Foreign currency deposits	220,711	322,397	511,373	847,619	947,320	1,028,666	1,146,885

Source: National Bank of Belarus.

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

Table 26. Belarus: Accounts of the National Bank of Belarus, 1999-2001 (June)
(In millions of rubels; end-of-period)

	1999	2000				2001	
	December	March	June	September	December	March	June
Accounting exchange rate (in rubels per U.S. dollar) 1/	320	435	675	1,033	1,180	1,293	1,380
National Bank of Belarus							
Net foreign assets	16,633	32,287	68,902	125,183	159,223 #	236,610	341,717
Net foreign assets (convertible)	15,858	31,744	65,937	122,903	159,088 #	235,567	298,321
Foreign assets	97,502	128,015	247,576	338,500	377,027 #	480,650	570,829
Foreign liabilities	-81,644	-96,271	-181,639	-215,597	-217,939 #	-245,083	-272,508
Net foreign assets (nonconvertible)	775	543	2,965	2,280	136 #	1,042	43,395
Foreign assets	853	579	3,262	2,340	1,695 #	1,603	43,979
Foreign liabilities	-78	-36	-296	-60	-1,560 #	-561	-584
Net domestic assets	168,186	193,720	239,717	231,707	237,060	230,889	315,346
Net domestic credit	200,993	242,994	304,530	356,782	375,687	399,880	491,553
Net credit to general government	138,683	170,427	218,676	252,875	261,058	303,327	365,609
Claims on nonfinancial public enterprises	44	15	33	40	23	41	169
Claims on private sector	2,041	2,760	3,325	4,006	7,524	7,739	7,895
Claims on banks	60,226	69,792	82,495	99,860	107,082	88,773	117,880
Other items, net	-32,807	-49,274	-64,812	-125,075	-138,627	-168,991	-176,208
Reserve money	184,819	226,007	308,620	356,890	414,641	467,498	657,062
Currency issued outside banking system	86,852	108,244	157,165	187,566	238,796	246,660	364,294
Due to banks	91,979	109,332	140,581	159,804	165,505	214,969	288,688
Required reserves	49,563	55,550	86,544	105,405	120,610	159,639	187,988
Excess reserves	42,415	53,782	54,037	54,399	44,894	55,330	100,700
Deposits of other sectors (excluding central government)	5,988	8,431	10,873	9,520	10,341	5,869	4,080

Source: National Bank of Belarus.

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

Table 27. Belarus: Deposit Money Banks' Accounts, 1999-2001 (June) 1/

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

	1999	2000				2001	
	December	March	June	September	December	March	June
Net foreign assets	70,743	135,213	195,867	313,172	254,909	245,197	231,821
Net foreign assets (convertible)	64,042	126,274	184,132	284,522	214,019	227,994	262,019
Assets (convertible)	98,624	161,125	240,620	372,624	331,031	347,633	412,877
Liabilities (convertible)	-34,582	-34,851	-56,488	-88,102	-117,012	-119,639	-150,858
Net foreign assets (nonconvertible)	6,701	8,939	11,734	28,650	40,890	17,203	-30,198
Assets (nonconvertible)	9,192	19,147	26,782	43,246	58,474	43,709	43,818
Liabilities (nonconvertible)	-2,491	-10,208	-15,047	-14,596	-17,585	-26,506	-74,016
Net domestic assets	341,858	408,069	589,360	928,744	1,109,669	1,249,144	1,464,043
Net domestic credit	499,495	627,951	866,506	1,272,071	1,555,102	1,786,126	2,036,774
Net credit to general government	9,432	22,754	22,583	-9,916	-152	-95,775	-138,314
Net credit to central government	9,074	21,855	21,025	-11,123	-967	-97,152	-139,242
Claims on local government	358	899	1,558	1,207	815	1,377	928
Claims on nonfinancial public enterprises	170,553	237,393	340,112	559,913	677,713	750,389	883,417
Claims on private sector	279,701	341,996	447,155	665,230	802,505	979,986	1,097,047
Claims on nonbank financial institutions	1,278	1,250	1,473	1,580	1,310	2,217	3,601
Net claims on the National Bank	38,531	24,557	55,211	55,263	73,727	149,309	191,023
Other items, net	-157,636	-219,881	-277,146	-343,326	-445,433	-536,982	-572,731
Liabilities to nonfinancial institutions 2/	412,602	543,282	785,227	1,241,916	1,364,578	1,494,340	1,695,864
Demand deposits	140,714	155,817	184,886	257,436	259,602	273,924	321,992
Time and savings deposits	51,315	65,649	90,634	137,222	157,921	191,490	226,589
Foreign currency deposits	220,572	321,816	509,707	847,258	947,055	1,028,457	1,146,697

Source: National Bank of Belarus.

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

2/ Excluding central government.

Table 28. Belarus: National Bank's Directed Credits, 1999-2001 (Q2) 1/
(In millions of rubels; end-of-period)

	1999				2000				2001	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Directed credit	31,908	8,263	38,348	27,695	27,441	26,680	26,577	26,525	418	404
Agriculture	4,422	25	2,229	22	17	14	9	7	7	7
Trade	496	...	...	...	...	...	...	...	211	197
Industry	2,221	304	11,947	3,279	3,059	2,368	2,351	2,335	...	...
Housing	23,546	7,294	24,161	24,383	24,354	24,097	24,015	23,981	...	...
Other	1,223	11	11	11	11	202	202	202	200	200
Memorandum item:										
Purchase of securities	...	...	...	...	...	...	...	...	3,300	12,300

Source: National Bank of Belarus.

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

Table 29. Belarus: Composition of Bank Lending by Type of Credit and Sector, 1997-2001 (Q2)

	1997	1998	1999	2000	2001		1997	1998	1999	2000	2001	
					Q1	Q2					Q1	Q2
	(In millions of rubels)						(Share of total)					
Total bank credit	48,506	193,300	434,891	1,429,188	1,600,611	1,828,989	100.0	100.0	100.0	100.0	100.0	100.0
Type of credit												
Short-term credit	27,378	94,265	196,849	881,396	960,723	1,097,679	56.4	48.8	45.3	61.7	60.0	60.0
Industry	14,458	42,179	90,435	432,004	502,308	622,918	29.8	21.8	20.8	30.2	31.4	34.1
Agriculture	2,810	5,131	11,490	25,219	54,820	64,764	5.8	2.7	2.6	1.8	3.4	3.5
Construction	617	1,330	4,408	9,901	13,134	17,159	1.3	0.7	1.0	0.7	0.8	0.9
Trade and catering	4,341	22,887	45,155	113,489	118,737	115,853	8.9	11.8	10.4	7.9	7.4	6.3
Other	5,152	22,738	45,362	300,784	271,724	276,986	10.6	11.8	10.4	21.0	17.0	15.1
Long-term credit	21,128	99,035	238,042	547,791	639,888	731,310	43.6	51.2	54.7	38.3	40.0	40.0
Industry	6,961	48,188	77,825	259,323	293,754	279,159	14.4	24.9	17.9	18.1	18.4	15.3
Agriculture	639	6,548	39,473	86,638	113,461	136,296	1.3	3.4	9.1	6.1	7.1	7.5
Housing construction	8,987	24,861	86,246	200,838	...	294,362	18.5	12.9	19.8	14.1	...	16.1
Other	4,540	19,438	34,498	992	232,673	21,492	9.4	10.1	7.9	0.1	14.5	1.2
Type of borrower												
Short-term credit	27,378	94,265	196,849	881,396	960,723	1,097,679	56.4	48.8	45.3	61.7	60.0	60.0
State enterprises	11,575	41,922	66,632	437,858	458,807	548,606	23.9	21.7	15.3	30.6	28.7	30.0
Private sector	14,019	45,650	118,464	430,397	489,797	534,924	28.9	23.6	27.2	30.1	30.6	29.2
Households	861	3,707	8,521	12,000	11,284	12,215	1.8	1.9	2.0	0.8	0.7	0.7
Other	923	2,987	3,233	1,141	835	1,936	1.9	1.5	0.7	0.1	0.1	0.1
Long-term credit	21,128	99,035	238,042	547,791	639,888	731,310	43.6	51.2	54.7	38.3	40.0	40.0
State enterprises	5,217	32,488	83,303	206,434	239,126	275,889	10.8	16.8	19.2	14.4	14.9	15.1
Private sector	6,715	38,963	94,228	217,136	250,201	281,357	13.8	20.2	21.7	15.2	15.6	15.4
Households	8,017	21,256	58,020	124,212	150,456	174,063	16.5	11.0	13.3	8.7	9.4	9.5
Other	1,179	6,328	2,491	9	105	0	2.4	3.3	0.6	0.0	0.0	0.0

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

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

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

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

Table 31. Belarus: Minimum Reserve Requirements, 1996-2001 (November)
(In percent of eligible deposits; beginning of period)

	1996		1997		1998		1999		2000		2001
	May	July	May	September	July	August	April	December	March	December	November
Category of deposits:											
Domestic currency deposits											
Demand deposits	12	15	17	21	18	16	16	16	19	16	16
Time deposits with maturity of:											
less than one year 2/	12	15/10/5	17/13/5	21/17/5	18	16	16	16	19	16	16
between one and three years	12	5	...	...	18	16	16	16	19	16	16
greater than three years	12	5	...	...	18	16	16	16	19	16	16
Deposits of nonresident banks		...	...	...	54	46	46	...	...	...	...
Belarusbank 1/	12	15/10/5	17/13/5	21/17/5	18	16	...	...	...	...	...
Foreign exchange deposits	12	15/10/5	17/13/5	21/17/5	18	16	16	16	16	12	12

Source: National Bank of Belarus.

1/ Different rates apply to different maturities for Belarusbank: less than one year, between one and three years, more than three years.
2/ For July 1996 and 1997, there were three different reserve requirements: for maturity of less than a month; between a month and 90 days; and greater than 90 days. There was no reserve requiremen

Table 32. Belarus: Interest Rates of the National Bank of Belarus, 2000-2001 (July)
(In percent per annum; beginning of period)

	2000												2001						
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Required reserves																			
Commercial banks, excluding Belarusbank	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Belarusbank	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Basic Lombard rate																			
for period less than 14 days	150	150	180	180	160	160	160	160	160	160	170	170	170	170	170	160	165	155	135
for 15 to 30 days	160	160	190	190	170	170	170	170	170	170	180	180	180	180	180	170	175	165	145
Refinance rates																			
Basic rate	120	150	175	150	110	100	90	90	90	85	85	80	80	80	75	70	68	64	55
Average refinance rate	23	19	22	18	17	14	9	10	9	10	9	12	15	21	20	13	9	7	5
Special refinance rates																			
Belpromstroibank	5-122	5-152	5-177	5-132	5-112	5-102	5-92	5-92	5-92	5-87	5-85	5-85	5-80	80	75	70	68	64	55
Belagroprombank	2-119	2-149	2-174	2-129	2-109	2-99	2-89	2-89	2-89	2-84	2-84	2-84	2-79	...	...	...	...	...	...
Recapitalization of enterprises	4-122	4-152	4-177	4-132	4-112	4-102	4-92	4-92	4-87	4-87	4-87	4	...	...	...	...	...	...	...
Individual farmers	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Housing	2	2	2	2	2	2	2	2	2	2	2	2	...	...	...	...	...	...	...
Credit to government 2/	0/6.5/120	0/6.5/150	0/6.5/175	0/6.5/150	0/6.5/110	0/6.5/100	0/6.5/90	0/6.5/90	0/6.5/90	0/6.5/85	0/6.5/85	0/6.5/80	0/6.5/80	0/6.5/80	0/6.5/75	0/6.5/70	0/6.5/68	0/6.5/64	0/6.5/55

Source: National Bank of Belarus.

1/ Calculated at the average rate of the last Lombard auction of the previous month.
2/ The interest rate on credit to the government differed according type of credit: 0 percent - on credits, financing the budgetary expenditure on compensation of losses of deposits of the population, budgetary directed credits to the agro-industrial complex and housing construction; the refinance rate - on financing the budget deficit; 6.5 percent - on deficit financing of the previous years.

Table 33. Belarus: Interest Rates on Bank Deposits, 2000-01 (June)

(In percent per annum)

	2000												2001					
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Deposits with commercial banks 1/	32.9	36.1	38.4	43.1	41.6	40.1	36.3	35.8	35.6	35.4	36.2	39.1	44.6	42.3	40.4	38	36.1	34.1
Of which : Belarusbank	26.0	27.8	28.8	35.6	33.2	30.3	29.2	30.8	28.8	26.5	26.7	28.0	30.4	33.3	34.3	34.2	32.1	30.2
Belpromstroibank	22.1	28.6	30.0	40.2	40.6	43.0	40.3	38.6	40.5	43.2	44.5	44.2	41.9	39	37.4	34.7	34.8	35.9
Belagroprombank	36.9	38.6	40.0	38.8	39.5	37.8	35.2	34.1	34.4	36.8	37.1	44.4	63	49.3	46.6	40.5	36.7	34.7
New deposits 2/	86.9	103.4	88.1	96.9	91.9	85.0	81.5	78.6	78.4	77.6	75.6	84.5	85.6	78.6	70.3	64.2	64.1	55.1
Up to 1 month	99.1	113.5	87.0	103.4	92.8	90.0	84.5	80.2	79.0	79.0	76.3	90.5	83.5	72.9	66.7	628	59	52
1 to 3 months	90.4	112.6	111.2	108.5	110.0	104.7	99.3	94.4	95.9	92.7	94.4	96.3	94.6	92.1	82.4	78.1	73.7	65.4
3 to 6 months	94.9	112.5	117.6	107.7	113.4	102.3	94.3	89.6	95.5	96.7	97.5	100.7	104.8	104	99	90.6	88.3	75.5
6 to 12 months	83.2	113.9	75.8	80.4	91.7	99.3	96.7	99.2	106.6	106.5	85.3	106.6	116.6	112.3	106.6	100.4	96.8	85.7
1 to 3 years	112.0	123.8	137.3	141.2	138.4	127.1	100.5	121.1	116.8	118.2	108.4	110.1	125.9	125.9	118.7	110.4	110.4	97.3
More than 3 years	120.0	139.4	169.9	175.5	152.4	39.8	65.3	92.8	52.2	47.7	129.1	116.7	130	128.3	122.9	107.5	111.4	41.1

Source: National Bank of Belarus.

1/ Deposits received between the twenty-first day of the preceeding month and the twentieth day of the current month.

2/ Deposits received within the current month. The interest rates for deposits with up to one month maturity are the average ratio on deposits from eight days to one month; the overall average includes the rates on deposits for one week or less.

Table 34. Belarus: Interest Rates on Bank Credit, 2000-01 (June)

(In percent per annum; period average)

	2000												2001					
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Average lending interest rate 1/	73.2	80.6	82.6	75.4	71.3	69.5	67.3	66.2	64.9	62.8	61.9	60.9	59.9	56.5	53.3	51.8	49.6	47.5
Of which:																		
Belarusbank	50.6	52.3	55.2	51.9	50.0	49.5	50.7	51.1	50.5	49.8	49.0	47.2	44.9	44	41.9	42	40.1	39.4
Promstroibank	110.6	118.5	129.9	116.7	111.1	107.9	103.8	98.3	97.3	92.6	92.7	92.4	90.5	89.9	87.7	85	82.4	78.3
Agroprombank	68.5	72.0	74.3	62.1	54.5	50.5	48.3	48.1	47.6	47.2	46.1	43.6	42.7	41.3	38.3	37.7	35.3	34.2
By forms of property																		
Public	93.4	104.6	108.2	95.0	87.5	84.1	82.8	81.8	80.1	78.9	78.7	75.6	73.9	73.2	70.1	68	66	63.4
Collective	90.8	101.1	101.9	88.2	82.2	78.8	76.4	73.2	70.8	68.9	66.9	63.8	0	0	0	0	0	0
Private	108.5	120.6	129.7	115.3	109.6	103.8	99.2	94.5	95.7	93.0	88.3	86.3	91.9	91	88.6	85.2	81.8	76.5
Other	106.2	122.5	123.7	113.5	108.9	105.8	101.6	96.6	91.0	87.1	86.6	84.5	56.2	55.2	53.5	51.4	48.5	46.5
By type of business																		
Industry	118.3	136.0	141.7	119.5	110.0	104.7	101.4	92.8	87.6	84.3	83.4	81.2	81.9	83.6	81.3	78.7	77	74
Agriculture	27.0	28.6	28.8	28.4	26.9	25.3	24.9	26.3	26.0	25.4	23.7	21.4	20.2	19	18.4	19.1	17.8	17.4
Forestry	89.4	104.9	110.8	94.8	85.1	73.7	70.8	74.8	75.4	73.8	74.3	71.0	70.5	69.5	68.2	62.9	62.7	55.5
Construction	111.0	125.7	129.5	117.4	114.7	113.8	111.6	109.4	107.4	103.3	109.6	100.2	99.2	97.3	92.9	91.2	89.8	86.8
Trade and Catering	106.0	119.7	125.5	110.6	102.8	98.9	94.0	92.0	90.3	87.9	86.7	82.7	83.4	83.3	81.3	78.7	77.5	75
Information services	109.2	136.4	144.7	126.0	108.8	122.4	105.9	115.8	114.3	109.1	112.2	103.6	91.3	97.2	99.3	89.2	95.6	94.8
Real estate transactions	109.2	129.5	130.7	123.6	119.8	117.8	122.6	120.7	120.6	117.6	117.2	115.1	112.7	111.5	110.1	95.3	91.9	91
Residential services	114.2	129.6	146.0	120.1	110.1	104.2	103.2	104.1	100.8	95.8	93.7	90.8	91.9	90.7	89	86.7	85.9	86.2
Other	104.3	116.6	121.5	110.9	106.5	102.0	98.0	95.8	93.4	91.6	89.2	86.1	84.6	84.7	81.7	78.2	74.3	72.7
Bank credit for																		
Housing	6.4	6.5	6.5	6.6	6.7	6.6	6.6	6.5	6.5	6.5	6.6	6.6	6.7	6.7	6.7	6.7	6.8	6.9
Purchase of consumer goods	51.9	52.3	52.7	54.3	54.8	55.1	55.4	56	56.6	57.3	58	58.5	58.9	59.2	59.5	58.8	58	57
Other credit																		
Interbank	62.1	61.5	65.9	139.8	140.7	130.6	78.7	91.3	105.5	83.6	100.5	165.3	...	...	...	...	...	...
Payments arrears	137.9	159.8	166.6	142.8	140.8	139.3	131.6	127.8	127.5	126.3	114	122	117.9	116.6	111.4	101.8	98.1	95
Term structure of lending rates																		
on new loans 2/	108.3	117.2	118.3	105.8	100.9	96.3	90.2	85	84.4	84	82.8	79.3	82	78	76.2	76.3	74.6	73.6
Up to 1 month	112.9	125.9	126.3	112.1	106.2	100.1	96.9	95.2	92.7	89.6	88.7	87.2	87.3	87.6	84.6	82.6	80.2	77.7
1 to 3 months	111.1	128.5	127.9	111.3	103.1	98.0	94.5	92.6	90	88.8	87.5	83.6	85.3	83.8	81.2	80	78.5	75.3
3 to 6 months	121.2	127.4	124.8	113.2	105.2	102.9	103.5	98.8	96.7	97	91.4	92.3	89.8	84.4	83.7	84.2	84.6	79.2
6 to 12 months	111.8	106.1	112.3	104.7	104.9	100.6	89.8	77.4	78.7	85.8	87.1	86.4	84.3	78.4	70.4	76.4	79.4	77.5
1 to 3 years	103.6	95.3	93.6	98.8	89.4	95.8	58.5	72.4	74.9	87.1	72.7	71	84.8	74.6	69.5	68.6	72.6	69.7
More than 3 years	10.3	9.6	11.3	27.2	33.8	14.7	10.5	12.4	10.5	10.8	8.2	9.5	8.3	8	8.5	17.6	10.9	9.7

Source: National Bank of Belarus.

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

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

Table 35. Belarus: Interest Rates on New Foreign Exchange Credits and Deposits, 2000-01 (June)

(In percent per annum)

	2000												2001					
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Credits 1/	15.1	17.0	16.4	17.3	15.8	16.3	18.9	14.7	15.1	15.5	15.6	16.2	15.6	15.7	15.6	15.5	15.1	14.8
Up to 1 month	17.9	20.7	16.1	20.0	18.0	16.1	15.3	8.2	13.1	18.6	18.3	17.9	20.1	17.9	14.9	17.0	16.2	15.1
1 to 3 months	18.2	16.9	15.9	16.3	14.8	14.6	19.0	18.0	14.2	16.6	17.0	17.2	15.2	16.0	15.8	14.4	13.8	14.0
3 to 6 months	18.3	18.9	19.0	18.5	14.7	17.8	18.3	17.6	18.2	16.7	16.0	16.6	16.5	17.0	17.2	15.7	17.5	17.3
6 to 12 months	11.2	17.3	17.1	17.9	17.0	16.6	15.3	15.3	15.1	15.0	15.5	15.9	15.5	14.9	15.1	16.2	15.5	15.2
1 to 3 years	15.3	15.6	14.9	15.6	15.9	15.9	14.9	15.2	14.8	12.8	13.1	15.5	15.3	18.5	15.8	15.9	14.3	14.5
More than 3 years	15.2	16.2	17.0	15.8	16.7	17.0	16.4	17.3	0.0	16.0	22.1	20.4	15.6	16.5	15.5	16.0	15.9	11.3
Deposits 1/	9.1	9.4	9.8	10.0	10.1	8.8	9.6	9.5	10.2	9.9	8.5	9.8	9.1	10.1	9.1	9.9	9.6	8.4
Up to 1 month	5.8	9.7	7.5	11.0	11.7	6.9	6.2	9.9	8.4	8.0	6.9	7.3	9.7	8.6	5.8	8.0	8.9	5.4
1 to 3 months	7.3	7.8	8.6	8.5	10.1	6.5	7.7	8.1	8.8	8.3	8.1	8.3	6.8	9.8	9.4	8.3	8.0	8.2
3 to 6 months	10.9	10.4	10.2	10.1	9.7	9.2	9.1	9.8	8.7	9.3	8.9	9.6	9.5	10.0	7.9	9.8	9.9	10.2
6 to 12 months	10.8	10.9	10.7	9.6	10.0	9.8	11.2	10.2	12.0	12.3	11.1	11.1	11.3	11.3	11.2	10.2	11.2	10.3
1 to 3 years	11.4	9.4	9.9	12.6	12.2	12.3	14.3	11.9	12.1	12.3	12.7	12.2	12.2	11.8	12.4	12.3	12.3	12.0
More than 3 years	14.1	13.9	12.8	14.4	14.5	14.7	13.8	15.0	14.4	13.6	14.9	13.6	14.9	13.8	14.9	13.5	13.4	14.3

Source: National Bank of Belarus.

1/ Rates are on loans granted and deposits received between first and the 30th day of the current month.

Table 36. Belarus: Structural Characteristics of the Banking Sector, 1998-2001 (June)
(In percent of total; end-of-period)

	Former specialized banks	Belagroprom-bank	Belpromstroi-bank	Belvnesheconom-bank	Belarus bank	Other commercial banks
Paid-in capital						
1998	30.2	0.0	7.2	12.0	11.0	69.8
1999	81.7	29.6	8.2	3.0	40.9	18.3
2000 (March)	81.7	32.0	8.3	2.8	38.6	18.3
2001 (June)	84.8	30.0	8.0	2.2	44.6	15.2
Domestic currency loans						
1998	82.2	29.6	9.7	1.9	41.0	17.8
1999	81.7	29.6	8.2	3.0	40.9	18.3
2000 (March)	81.7	32.0	8.3	2.8	38.6	18.3
2001 (June)	...	...	...	...	...	...
Domestic currency deposits						
1998	70.4	11.5	26.3	2.7	29.9	29.6
1999	68.4	14.2	18.0	2.5	33.7	31.6
2000 (March)	70.6	17.1	15.6	2.6	35.3	29.4
2001 (June)	72.9	14.0	11.2	3.3	44.4	27.1
Refinancing from NBB						
1998	99.8	37.0	1.0	0.0	61.8	0.2
1999	90.7	40.6	0.9	0.1	49.1	9.3
2000 (March)	95.1	41.2	0.9	0.1	52.9	4.9
2001 (June)	75.8	14.5	1.0	0.0	60.3	24.2

Source: National Bank of Belarus.

Table 37. Belarus: Commercial Banks, Selected Indicators, 1997-2001 (June)
(In millions of rubels, unless otherwise indicated; end-of-period)

	1997	1998	1999	2000	2001 June
Capital fund	5,402.2	20,526.0	133,434.1	387,572.2	511,962.5
Authorized funds	5,608.1	4,841.7	...	...	...
Unrealized exchange rate gains	800.2	11,941.2	...	...	...
Retained profits	370.2	765.4	...	...	...
Reevaluation fund	1,521.4	2,796.6	...	...	...
Idle resources	...	0.0	...	...	...
Main funds amortization	1,038.5	...	...	...	...
Long-term capital investments	47.3	...	...	...	...
Nonmaterial assets	73.1	138.5	...	...	...
Reserves of nonconvertible currencies	...	...	...	...	...
Shortfall in provisions against unrealized losses	1,731.4	2,137.0	...	...	...
Shares purchased by banks	7.4	14.5	...	...	...
Assets					
Balance sheet assets	169,055.0	580,532.0	800,992.1	2,507,458.5	3,207,399.3
Risk weighted assets	44,767.5	181,208.1	423,876.2	1,586,623.8	2,080,248.0
(In percent of balance sheet assets)	26.5	31.2	52.9	63.3	64.9
Capital adequacy ratio	12.1	11.3	31.5	24.4	24.6
Gross credit	61,407.4	241,607.5	524,344.4	1,701,805.3	2,029,183.6
(In percent of assets)	36.3	41.5	65.5	67.9	63.3
Arrears to banks	6,496.9	29,514.8	53,193.5	199,582.7	283,399.7
(In percent of gross credit)	10.6	12.2	10.1	11.7	14.0
(In percent of capital fund)	120.3	143.8	39.9	51.5	55.4
Principal arrears	6,047.2	27,563.6	49,437.4	186,166.8	267,740.9
(In percent of gross credit)	9.9	11.4	9.4	10.9	13.2
Interest arrears	449.7	1,951.2	3,756.1	13,415.9	15,658.8
(In percent of gross credit)	0.7	0.8	0.7	0.8	0.8
Required provisions against bad loans	4,228.6	23,961.9	42,563.3	157,610.8	202,103.0
(In percent of total loans)	6.9	9.9	8.1	9.2	8.2
(In percent of capital fund)	78.3	116.7	31.9	40.7	39.5
Actual provisions against bad loans	2,484.0	12,106.2	30,617.5	122,294.3	135,236.4
(In percent of total loans)	4.1	5.0	5.8	7.1	5.5
(In percent of capital fund)	46.0	59.0	22.9	31.6	26.4
Profits	743.3	2,102.6	9,223.6	18,519.7	10,022.7
(In percent of gross credit)	1.2	0.9	1.8	1.1	0.5
Memorandum items:					
Liquidity ratio					
Requirement	1.0	1.0	1.0	...	...
Unweighted average	2.4	3.3	1.5	...	...

Source: National Bank of Belarus.

Table 38. Belarus: Six Largest Commercial Banks, Selected Indicators, 1997-2001 (June) 1/
(In millions of rubels, unless otherwise indicated; end-of-period)

	1997	1998		1999	2000	June 2001
		Unadjusted 2/	Adjusted 3/	Unadjusted 2/		
Capital fund	3,208.2	8,114.6	1,151.1	108,416.2	275,961.2	378,632.4
(In percent of all banks' capital fund)	59.4	39.5	10.7	81.3	71.2	74.0
Assets						
Balance sheet assets	151,136.7	494,923.3	494,923.3	667,351.2	2,066,142.7	2,702,831.7
(In percent of all banks' assets)	89.0	85.3	85.3	83.3	82.4	84.3
Risk-weighted assets	39,524.4	142,528.2	142,528.2	344,802.7	1,302,230.9	1,731,584.9
(In percent of all banks' assets)	88.3	78.7	78.7	81.3	82.1	100.0
(In percent of balance sheet assets)	26.2	28.8	28.8	51.7	63.0	64.1
Capital adequacy ratio	8.1	7.7	0.8	0.3	21.2	21.9
Gross credit	54,454.4	201,147.6	201,147.6	469,124.9	1,481,312.3	1,778,486.6
(In percent of total banks' gross credit)	88.2	83.3	83.3	89.5	87.0	87.6
(In percent of assets)	36.0	40.6	40.6	70.3	71.7	65.8
Arrears to banks	6,107.4	26,003.3	26,003.3	47,498.2	172,942.9	261,838.3
(In percent of total arrears)	92.0	88.1	88.1	89.3	86.7	92.4
(In percent of gross credit)	11.2	12.9	12.9	10.1	11.7	14.7
(In percent of capital fund)	190.4	320.5	2,259.0	43.8	62.7	69.2
Principal arrears	5,696.0	24,184.1	24,184.1	43,914.2	160,316.3	247,184.3
(In percent of gross credit)	10.5	12.0	12.0	9.4	10.8	13.9
Interest arrears	411.4	1,819.2	1,819.2	3,584.0	12,626.6	14,654.0
(In percent of gross credit)	0.8	0.9	0.9	0.8	0.9	0.8
Required provisions against bad loans	3,978.6	21,636.3	21,636.3	37,174.8	132,946.2	179,085.0
(In percent of total loans)	7.4	10.8	10.8	7.9	8.9	8.4
(In percent of capital fund)	124.0	266.6	1,879.6	34.3	48.2	47.3
Actual provisions against bad loans	2,298.1	11,140.5	11,140.5	28,139.5	106,412.9	125,909.5
(In percent of total loans)	4.3	5.5	5.5	6.0	7.1	5.9
(In percent of capital fund)	71.6	137.3	112.1	26.0	38.6	33.3
Profits	569.6	1,248.0	1,248.0	6,879.2	25,806.9	5,653.3
(In percent of total profits)	76.6	59.4	59.4	74.6	139.3	56.4
(In percent of gross credit)	1.1	0.6	0.6	1.5	1.7	0.3
Memorandum item:						
Liquidity ratio	1.2	1.6	...	1.5	...	...

Source: National Bank of Belarus.

1/ Includes Belarusbank, Promstroibank, Agroprombank, Businessbank, Priorbank, and Vnesheconombank.
2/ Including waivers on compliance with bad loan provisioning.
3/ Excluding waivers on compliance with bad loan provisioning.

Table 39. Belarus: Commercial Banks and Branches of Foreign Banks
(As of June 1, 2001)

		Date of establishment	Number of branches	Total assets (in millions of rubels)
1	Belagrobank	Sep 3, 1991	132	414,618
2	Belpromstroibank	Dec 28, 1991	58	297,466
3	Belarusbank	Oct 27, 1995	171	1,253,033
4	Belbusinessbank	Sep 1, 1992	44	156,565
5	Belbank Razvitiye	Nov 5, 1993	7	47,288
6	Priorbank	Jul 12, 1991	29	294,486
7	Belvnesheconombank	Dec 12, 1991	28	286,664
8	Poisk	May 15, 1991	4	24,046
9	Belnarodni	Apr 16, 1992	-	12,375
10	Belarus Industrial Bank	Oct 30, 1991	5	12,681
11	Belgazprombank	Aug 19, 1991	6	41,459
12	Absolutbank	Dec 29, 1993	1	6,865
13	Gem-Bank	Aug 26, 1991	-	29,283
14	Belbirzhevoibank	Oct 7, 1992	7	34,982
15	Minsk Kompleksbank	Feb 21, 1994	-	78,367
16	Bank Reconverzi i Razvitiya	Feb 22, 1994	1	7,740
17	Minsk Tranzitnibank	Mar 14, 1994	5	11,215
18	Trade-industry Bank	April 1, 1994	-	4,998
19	Tekhnobank	Aug 5, 1994	4	27,086
20	Zolotoi Taler	Oct 5, 1994	-	17,334
21	Infobank	Nov 9, 1994	4	33,127
22	Slavneftebank	Oct 7, 1996	2	52,120
23	Mezhtorgbank	Jan. 28, 1999	-	46,467
24	Moscow-Minsk	Apr. 7, 2000	-	17,135

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

Table 40. Belarus: Official Exchange Rates, 1997-2001 (Q2)

	1996	1997	1998	1999	2000	2001	
						Q1	Q2
Nominal exchange rate							
Rubel per U.S. dollar 1/							
Average	13	26	46	250	717	1,230	1,344
End-of-period	16	31	107	319	1,180	1,293	1,380
Rubel per Russian ruble							
Average	3	5	5	10	26	43	46
End-of-period	3	5	5	12	42	45	47
Real exchange rate index (Dec. 1990=100) 2/							
Rubel per U.S. dollar							
Average	58	54	66	88	89	67	67
End-of-period	56	54	57	103	56	57	58
Rubel per Russian ruble							
Average	49	46	62	89	96	57	55
End-of-period	48	47	59	100	43	42	41

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

1/ Data have been revised backward to reflect the redenomination of the rubel on January 1, 2000 which removed three zeros from the currency.
2/ An increase in the index indicates a real appreciation.

Table 41. Belarus: Direction of Trade: Exports and Imports, 1995-2001 (Q2)
(In millions of U.S. dollars, unless otherwise indicated)

	1995	1996	1997	1998	1999	2000	2001	
							Q1	Q2
Total exports	4,803	5,652	7,301	7,070	5,909	7,331	1,764	1,904
CIS exports	3,027	3,764	5,379	5,160	3,622	4,405	1,062	1,135
Of which:								
Russia	2,185	3,024	4,780	4,608	3,222	3,716	907	990
Ukraine	607	478	425	387	281	560	130	118
Kazakhstan	76	85	53	48	28	20	5	7
Other countries	159	177	121	117	91	109	20	20
Non-CIS exports	1,776	1,888	1,922	1,910	2,287	2,926	702	772
Germany	268	198	217	200	215	232	59	58
Poland	271	338	246	185	208	277	74	48
Other countries	1,237	1,352	1,459	1,525	1,864	2,417	569	666
Total imports	5,564	6,939	8,689	8,549	6,674	8,492	1,737	2,030
CIS imports	3,677	4,570	5,817	5,554	4,289	6,015	1,249	1,459
Of which:								
Russia	2,965	3,522	4,673	4,670	3,767	5,550	1,170	1,365
Ukraine	569	889	968	740	416	341	65	65
Kazakhstan	56	59	59	36	12	45	1	3
Other countries	87	100	117	108	94	79	13	26
Non-CIS imports	1,887	2,369	2,872	2,995	2,385	2,477	488	571
Germany	424	601	691	758	693	588	113	142
Poland	197	195	250	283	212	216	36	46
Other countries	1,266	1,573	1,931	1,954	1,480	1,673	339	383
Memorandum items:								
Share of CIS exports to total exports	63	67	74	73	61	60	60	60
Russia	45	54	65	65	55	51	51	52
Share of CIS imports to total imports	66	66	67	65	64	71	72	72
Russia	53	51	54	55	56	65	67	67

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

Table 42. Belarus: External Trade in Goods by Economic Branches, 1997-2000
(In billions of rubels)

	1997			1998			1999			2000 1/		
	Imports	Exports	Trade balance	Imports	Exports	Trade balance	Imports	Exports	Trade balance	Imports	Exports	Trade balance
Total	230,294	193,084	-37,210	431,447	367,897	-63,550	1,779,247	1,574,700	-204,548	6,117	5,360	-758
CIS	153,830	142,583	-11,247	277,518	259,282	-18,235	1,146,268	968,077	-178,191	4,380	3,272	-1,108
Non-CIS	76,463	50,501	-25,962	153,929	108,615	-45,314	632,979	606,623	-26,356	1,738	2,088	351
Industry	221,827	189,810	-32,017	414,175	358,398	-55,777	1,682,403	1,535,208	-147,195	5,772	5,176	-596
CIS	148,830	140,215	-8,616	265,171	250,982	-14,189	1,079,525	931,395	-148,131	4,183	3,174	-1,009
Non-CIS	72,997	49,596	-23,401	149,004	107,416	-41,588	602,878	603,813	936	1,589	2,002	414
Power generation	4,515	70	-4,445	11,365	6	-11,358	35,970	30	-35,941	97	0	-97
CIS	3,192	1	-3,191	5,719	6	-5,713	30,472	29	30,443	84	0	-84
Non-CIS	1,322	69	-1,254	5,646	0	-5,645	5,498	1	-5,497	13	0	-13
Refineries products	55,299	15,813	-39,486	86,540	27,761	-58,780	361,776	142,750	-219,025	1,784	1,047	-737
CIS	54,622	11,504	-43,118	85,371	14,828	-70,543	351,263	42,341	-308,922	1,770	341	-1,429
Non-CIS	676	4,308	3,632	1,170	12,933	11,764	10,513	100,409	89,896	14	706	692
Metallurgy	27,792	15,475	-12,317	53,195	27,371	-25,824	240,737	104,504	-136,233	719	306	-413
CIS	21,896	10,109	-11,788	43,463	15,981	-27,482	177,403	44,835	-132,568	646	123	-522
Non-CIS	5,896	5,366	-530	9,732	11,390	1,658	63,334	59,670	-3,665	73	182	109
Chemicals and petroch	38,802	40,440	1,638	65,749	78,228	12,479	262,318	350,334	88,016	814	1,010	196
CIS	20,378	22,054	1,677	37,742	43,526	5,783	144,781	160,730	15,949	459	477	18
Non-CIS	18,425	18,385	-39	28,006	34,702	6,696	117,537	189,604	72,067	355	533	178
Machine building and n	49,934	64,957	15,023	112,650	118,053	5,403	419,624	536,793	117,170	1,233	1,532	299
CIS	26,231	54,230	27,999	53,584	95,624	42,041	200,205	402,515	202,310	607	1,314	707
Non-CIS	23,703	10,727	-12,976	59,066	22,428	-36,638	219,419	134,279	-85,141	626	218	-408
Wood and paper	6,436	13,732	7,296	12,756	24,517	11,761	53,590	102,658	49,068	194	320	125
CIS	3,616	11,332	7,716	7,255	18,668	11,413	32,934	65,957	33,023	133	208	75
Non-CIS	2,820	2,399	-420	5,502	5,850	348	20,656	36,701	16,045	61	112	51
Construction materials	3,772	4,809	1,037	8,335	9,967	1,632	25,813	33,164	7,351	78	125	47
CIS	2,888	4,143	1,254	5,614	8,070	2,456	16,040	26,997	10,957	51	103	52
Non-CIS	883	666	-217	2,721	1,897	-824	9,774	6,168	-3,606	27	22	-4
Light industry	10,584	18,289	7,705	21,889	36,364	14,476	96,514	147,838	51,324	307	460	153
CIS	4,855	12,120	7,264	7,153	21,884	14,731	33,071	86,689	53,618	132	294	162
Non-CIS	5,729	6,170	441	14,736	14,481	-255	63,443	61,149	-2,294	175	166	-9
Food-processing indust	22,093	14,599	-7,494	39,081	34,900	-4,181	166,818	110,083	-56,735	474	350	-124
CIS	9,533	13,955	4,423	17,351	31,556	14,205	80,049	96,271	16,222	250	292	41
Non-CIS	12,561	644	-11,917	21,730	3,344	-18,386	86,769	13,812	-72,957	224	58	-165
Other industry	2,602	1,628	-974	2,615	1,231	-1,384	19,245	7,055	-12,190	50	26	-24
CIS	1,619	767	-852	1,919	840	-1,078	13,309	5,031	-8,278	29	22	-7
Non-CIS	983	861	-122	697	391	-306	5,936	2,024	-3,912	22	5	-17
Agriculture	8,465	3,273	-5,193	11,565	6,292	-5,273	73,858	27,107	-46,751	255	65	-190
CIS	5,000	2,368	-2,632	7,095	5,094	-2,001	45,540	24,360	-21,180	117	48	-69
Non-CIS	3,466	905	-2,561	4,470	1,198	-3,272	28,318	2,747	-25,571	138	17	-121
Other activities	1	1	0	5,707	3,207	-2,500	22,987	12,385	-10,602	91	119	28
CIS	1	1	0	5,252	3,207	-2,045	21,203	12,323	-8,880	80	50	-30
Non-CIS	0	0	0	455	0	-455	1,784	63	-1,721	11	69	58

Source: Ministry of Statistics and Analysis.

Table 43. Belarus: Balance of Payments, 1997-2001 (Jan-Jun)
(In millions of U.S. dollars, unless otherwise indicated)

	1997	1998	1999	2000	2001 Jan-Jun
Current account balance	-787.6	-865.5	-256.7	-161.9	239.8
Merchandise trade balance	-1,335.4	-1,350.1	-598.5	-838.1	-116.7
Exports	7,382.6	7,138.1	5,949.3	6,986.8	3,638.5
Imports	-8,718.0	-8,488.2	-6,547.8	-7,824.9	-3,755.2
Services (net)	554.0	481.9	298.0	561.0	278.8
Receipts	918.8	925.1	733.8	993.3	545.4
Payments	-364.8	-443.2	-435.8	-432.3	-266.6
Income (net)	-84.6	-92.9	-64.6	-41.9	-18.1
Receipts	31.2	26.8	29.0	26.2	12.5
Payments	-115.8	-119.7	-93.6	-68.1	-30.6
Transfers (net)	78.4	95.6	108.4	157.1	95.8
Capital and financial accounts	719.7	470.9	309.7	209.2	11.9
Capital account	133.2	170.1	60.4	41.9	14.9
Financial account	586.5	300.8	249.3	167.3	-3.0
Direct investment (net)	197.9	146.9	224.2	89.9	32.2
Assets	-2.1	-2.3	-0.8	-0.1	-0.2
Liabilities	200.0	149.2	225.0	90.0	32.4
Portfolio investment (net)	-19.8	14.6	-32.2	60.4	29.7
Assets	-61.6	28.0	-13.9	7.4	3.2
Liabilities	41.8	-13.4	-18.3	53.0	26.5
Trade Credits (net)	418.6	128.2	46.7	-36.5	-79.8
Assets	59.6	187.9	-21.5	55.8	-32.3
Liabilities	359.0	-59.7	68.2	-92.3	-47.5
Loans (net)	72.4	12.5	26.7	114.5	29.0
Assets	-4.2	7.1	-7.0	3.3	2.2
Liabilities	76.6	5.4	33.7	111.2	26.8
General government	62.4	24.7	-41.5	-37.2	-16.6
Disbursements	138.2	90.7	59.4	16.0	4.4
Amortization	-75.8	-66.0	-100.9	-53.2	-21.0
Other Sectors	14.2	-19.3	75.2	148.4	43.4
Other (net)	-82.6	-1.4	-16.1	-61.0	-14.1
Assets	-5.5	4.4	-4.5	-15.9	-56.2
Liabilities	-77.1	-5.8	-11.6	-45.1	42.1
Errors and omissions	132.9	75.3	34.3	128.9	-176.6
Overall balance	65.0	-319.3	87.3	176.2	75.1
Financing	-65.0	319.3	-87.3	-176.2	-75.1
Gross official reserves 1/	75.4	54.6	34.5	-75.6	-64.3
Use of Fund resources	0.0	-24.4	-58.0	-55.8	-15.1
Exceptional financing 2/	-140.4	289.1	-63.8	-44.8	4.3
Memorandum items: 3/					
Current account (as percent of GDP)	-5.8	-6.1	-2.2	-1.3	4.4
Trade balance (as percent of GDP)	-9.8	-9.5	-5.2	-6.6	-2.1
Overall balance (as percent of GDP)	0.5	-2.2	0.8	1.4	1.4
Gross convertible official reserves 4/	393.7	345.0	309.0	356.8	413.8
In months of imports of goods	0.5	0.5	0.6	0.5	0.7
Medium and long-term debt 4/	976.0	1,011.0	886.0	902.6	839.0
(as percent of GDP)	7.2	7.1	7.7	7.1	7.1
Short-term debt 5/	1,173.3	1,472.0	1,508.3	1,396.0	1,456.5
(as percent of GDP)	8.6	10.3	13.1	11.0	12.4
Debt service ratio 6/	2.0	1.8	3.1	1.7	1.1
(excluding bartered exports)	3.0	2.7	4.9	1.7	...
Export Value Index (annual percentage change)	27.5	-3.3	-16.7	...	...
Import Value Index (annual percentage change)	25.6	-2.6	-22.9	...	...

Sources: Belarusian authorities; and Fund staff estimates.

1/ Adjusted for valuation changes.
2/ All accumulation, repayment, and forgiveness of arrears.
3/ Ratios for 1999 reflect the steep devaluation of the exchange rate.
4/ Refers to public and publicly-guaranteed debt only.
5/ Includes arrears and scheduled amortization payments falling due within the following year.
6/ Amortization and interest payments on public and publicly-guaranteed debt over exports of goods and services.

Table 44. Belarus: Selected International Liabilities, 1997-2001 (June)
(In millions of U.S. dollars, unless otherwise indicated; end-of-period)

	1997	1998	1999	2000	2001 June
Total medium- and long-term public and publicly-guaranteed external debt	976	1,011	886	812	761
Multilateral (including IMF)	532	548	449	340	311
IMF	259	245	178	112	95
World Bank	138	142	130	121	118
EBRD	102	126	111	81	72
European Union	33	35	30	26	26
Bilateral	444	463	437	471	450
Of which:					
Russia	65	90	81	75	75
United States	86	86	85	83	83
Germany	206	194	166	136	142
Japan	30	32	32	29	27
Total short-term external debt (end-of period)	1,070	1,286	1,299	1,169	1,195
Trade credits	697	510	622	530	447
Liabilities of the banking system	159	139	112	114	163
Arrears	156	577	462	434	459
Of which:					
Gas	94	234	234	139	185
Oil	39	59	19	22	8
Electricity	21	129	96	80	73
Other	58	60	102	91	126

Sources: Belarusian authorities; and Fund staff estimates.

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

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

Source: Belarusian authorities.

Table 46. Belarus: Gas Supply and Arrears, 1997-2001 (June)
(In millions of U.S. dollars; end-period stocks)

	Cost of gas supplied	Total stock of arrears for gas supplied 1/	*Of which:* Arrears to Gazprom	*Of which:* Arrears to other creditors	Supply of natural gas (in millions of m3)	Price ($ per thousand m3)
1997 Dec	70.0	217.1	94.4	122.7	1,427	49.06
1998 Jan	85.9	222.2	156.4	65.8	1,719	49.97
Feb	75.6	241.3	181.4	59.9	1,512	50.02
Mar	69.6	259.3	210.9	48.4	1,391	50.03
Apr	59.8	277.6	206.9	70.7	1,195	50.04
May	58.3	291.1	226.4	64.7	1,149	50.74
Jun	45.4	305.8	241.1	64.7	895	50.73
Jul	49.9	313.8	238.5	75.3	982	50.81
Aug	49.5	312.1	205.6	106.5	973	50.87
Sep	54.4	290.9	212.5	78.4	1,069	50.89
Oct	76.7	306.5	241.9	64.6	1,514	50.66
Nov	82.1	333.8	290.2	43.6	1,620	50.68
Dec	89.1	380.1	232.2	147.9	1,784	49.94
1999 Jan	52.2	355.9	216.4	139.5	1,738	30.00
Feb	44.4	336.0	245.2	90.8	1,479	30.00
Mar	41.6	318.1	280.7	37.4	1,385	30.00
Apr	37.8	302.5	273.1	29.4	1,261	30.00
May	34.8	298.6	273.1	25.5	1,161	30.00
Jun	31.3	310.0	286.6	23.4	1,029	30.46
Jul	32.1	307.9	272.5	35.4	1,049	30.51
Aug	33.0	305.7	261.7	44.0	1,082	30.52
Sep	34.5	317.2	259.0	58.2	1,135	30.41
Oct	41.7	320.5	279.9	40.6	1,373	30.42
Nov	49.0	266.1	218.1	48.0	1,634	30.00
Dec	53.6	274.1	198.0	76.1	1,750	30.42
2000 Jan	54.6	308.7	220.8	87.9	1,795	30.44
Feb	50.5	316.7	238.6	78.1	1,653	30.46
Mar	52.9	326.4	236.6	89.8	1,734	30.48
Apr	40.0	334.6	239.4	95.2	1,312	30.49
May	34.0	328.2	224.1	104.1	1,111	30.60
Jun	32.7	312.6	225.0	87.6	1,068	30.60
Jul	33.0	315.6	227.9	87.7	1,079	30.58
Aug	34.1	282.7	209.6	73.1	1,114	30.62
Sep	34.0	273.9	212.3	61.6	1,111	30.62
Oct	43.0	261.9	210.3	51.6	1,404	30.55
Nov	43.9	305.9	251.6	54.3	1,438	30.53
Dec	50.1	209.1	136.9	72.2	1,641	30.51
2001 Jan	53.7	202.1	128.9	73.2	1,761	30.51
Feb	48.5	183.4	146.4	37.0	1,590	30.52
Mar	54.8	179.0	174.0	5.0	1,796	30.51
Apr	40.3	174.6	162.1	12.5	1,319	30.54
May	33.1	184.1	161.2	22.9	1,080	30.62
Jun	32.0	195.1	175.5	19.6	1,045	30.60

Source: Belarusian authorities.

1/ Arrears include penalties on arrears accumulated.

Table 47. Belarus: Transformation of Property, 1996-2001 (Q2)

	1996	1997	1998	1999	2000	2001	
						Q1	Q2
Number of privatized enterprises	473	493	405	201	124	6	1
Cumulative since 1991	2,007	2,500	2,905	3,106	3,230	3,236	3,237
In percent of total eligible for privatization	17	21	25	26	27	27	27
Transformed by activity							
Industry	37	80	62	29	3	1	0
Construction	29	39	33	5	3	1	0
Agro-processing	125	70	25	19	44	0	0
Transport	25	26	7	3	3	0	0
Service	41	44	49	31	27	0	0
Trade and catering	210	232	151	102	40	3	1
Other	44	67	78	12	4	1	0
Transformed by method							
Conversion into joint-stock companies	221	178	89	94	81	3	0
Buy-outs of leased enterprises	58	76	53	33	12	0	0
Sale by competitive bidding	166	182	163	60	16	1	1
Sale in auctions	42	41	24	14	15	2	0
Sale to individuals	0	0	0	0	0	0	0
Sale to juridical persons	0	0	0	0	0	0	0

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

Table 48. Belarus: Housing Privatization, 1997-2001 (Q1) 1/

	1997	1998	1999	2000	2001	
					Q1	Q2
Number of apartments privatized during the period	77	86	192	58	3	3
Cumulative number of apartments privatized since 1989	778	864	1,056	1,114	1,117	1,120
In percent of total government and public owned	6	7	18	5	0.3	0.5
Amount of housing privatized	4	4	10	3	0	0
Cumulative number of apartments privatized since 1989	41	45	55	58	58	58
Average size of privatized apartments	51	52	53	54	54	49

Source: Ministry of Statistics and Analysis.

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