Statement by the IMF Staff Representative on the Republic of Belarus
March 26, 2010

1. **This statement reports on key developments since the staff report (EBS/10/44) was finalized. The new information does not alter the thrust of the staff appraisal.**

2. **Economic developments since the beginning of 2010 have been broadly consistent with staff projections.** GDP grew by 3½ percent year-on-year in the first two months, with a decline in investment more than offset by strong growth in industrial and agricultural output. Twelve-month CPI inflation eased further to about 6 percent in February. The trade deficit narrowed significantly in January compared with a year earlier, reflecting increased external demand for non-energy products. However, credit to the economy expanded by 2.1 percent from end-December to mid-March, compared with an increase of 0.7 percent programmed for the whole first quarter. The authorities believe that all end-March indicative targets will be met, though at present NIR is significantly below, and NDA significantly above the targets. During January and February, net lending under government programs was about 0.7 trillion rubels, compared to a limit of 0.8 trillion rubels (0.5 percent of GDP) for the first quarter, suggesting that the authorities continue to have difficulty controlling lending under government programs. However, the recently passed Council of Minister resolution indicating that the limits agreed for the quarter and the year should be considered as binding by ministries may improve performance under this indicator.

3. **During a March 17–19 staff visit the authorities reiterated their interest in a follow-up program and their agreement that this should be based on significant structural reform.** The authorities were not ready to propose specific structural measures, but they would like to continue discussions on the macroeconomic framework and the structural reform agenda with a view to completing negotiations on a successor arrangement within the next six months. In light of this, management and the staff consider that beginning post-program monitoring now would not be warranted. If it appeared that negotiations would take significantly longer than six months, management would return to the Board with a proposal to initiate post-program monitoring, possibly in conjunction with the next Article IV consultation for Belarus.

4. **The authorities have now confirmed their consent to publication of the LOI and associated Board papers without any corrections or deletions.**

INTERNATIONAL MONETARY FUND
EXTERNAL RELATIONS DEPARTMENT

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IMF Completes Fourth Review Under Stand-By Arrangement with Belarus, Approves US$662.9 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) today completed the fourth review of Belarus's performance under an economic program supported under a Stand-By Arrangement (SBA). The 15-month, SDR 1.62 billion (about US$2.45 billion) SBA was approved on January 12, 2009 (see Press Release No. 09/05) and on June 29, 2009 the size of financial package provided under the SBA was increased to an amount equivalent to SDR 2.27 billion (about US$3.44 billion) (see Press Release No. 09/241).

The completion of the fourth and final review enables the immediate disbursement of SDR 437.9 million (about US$662.9 million), bringing total disbursements under the program so far to an amount equivalent to about SDR 2.27 billion (about US$3.44 billion).

Following the Executive Board's discussion on Belarus, Mr. Naoyuki Shinohara, Deputy Managing Director and Acting Chair, stated:

"Belarus has made good progress in recovering from the economic crisis and performance under the Stand-By Arrangement has remained satisfactory. Output has stabilized, inflation is declining, and reserves have increased. However, the current account deficit increased in 2009 and public and external debt levels rose markedly, underscoring continued external vulnerability.

"Belarus's response to the latest oil import price shock has been strong. The increase in domestic prices of oil products and reduction of output by the oil refineries will reduce the need for subsidies. These measures, together with strong revenue, exchange rate, and credit policy measures already taken, are expected to offset a large part of the balance of payments and fiscal impacts of the oil price shock. Further measures may be needed over the medium term if the deterioration of terms of trade turns out to be permanent.

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