

**FOR  
AGENDA**

EBS/09/1  
Supplement 1

January 5, 2009

To: Members of the Executive Board

From: The Secretary

Subject: **Republic of Belarus—Request for Stand-By Arrangement—  
Informational Annex**

The attached informational annex is being issued as a supplement to the paper on the request for a Stand-By Arrangement for the Republic of Belarus (EBS/09/1, 1/5/09), which is tentatively scheduled for discussion on **Monday, January 12, 2009**. At the time of circulation of this paper to the Board, the Secretary's Department has received a communication from the authorities of the Republic of Belarus indicating that they consent to the Fund's publication of this paper.

Questions may be referred to Mr. Kähkönen, EUR (ext. 34546) and Mr. Mukhopadhyay, SPR (ext. 38915).

Unless the Documents Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board and with the appropriate deletions, to the WTO Secretariat on Tuesday, January 13, 2009; and to the European Bank for Reconstruction and Development, the European Commission, and the Organisation for Economic Cooperation and Development, following its consideration by the Executive Board.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities. This supplement is not being disseminated in hard copy. It can be accessed in the Institutional Repository. A link to this document can be found in the daily list (<http://www-int.imf.org/depts/sec/services/eb/dailydocumentsfull.htm>) for the issuance date shown above.

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INTERNATIONAL MONETARY FUND

REPUBLIC OF BELARUS

**Request for Stand-By Arrangement  
Informational Annex**

Prepared by the European Department  
(In consultation with other departments and the World Bank)

January 5, 2009

	Contents	Page
I.	Fund Relations .....	2
II.	World Bank Relations .....	7
III.	Statistical Issues .....	10

**ANNEX I. BELARUS: FUND RELATIONS**

As of November 30, 2008

**I. Membership Status:** Joined July 10, 1992; Article VIII

<b>II. General Resources Account:</b>	<b>SDR million</b>	<b>Percent of Quota</b>
Quota	386.40	100.00
Fund holdings of currency	386.40	100.00
Reserve position in Fund	0.02	0.01

<b>III. SDR Department:</b>	<b>SDR million</b>	<b>Percent of Allocation</b>
Holdings	0.62	N/A

**IV. Outstanding Purchases and Loans:** None**V. Financial Arrangements:**

Type	Approval Date	Expiration Date	Amount Approved (SDR million)	Amount Drawn (SDR million)
Stand-by	09/12/1995	09/11/1996	196.28	50.00

**VI.** Projected Obligations to the Fund (SDR million; based on existing use of resources and present holdings of SDRs): None**VII. Safeguards Assessments:**

As there is no arrangement in place, under the Fund's safeguards assessments policy, the National Bank of the Republic of Belarus (NBRB) is not subject to a full safeguards assessment. However, as a potential borrower, the NBB requested a voluntary safeguards assessment, and an on-site assessment was conducted in December 2003. The assessment concluded that significant vulnerabilities existed in the safeguards framework, especially in the areas of the legal structure and independence, external and internal audit, and in financial reporting. The assessment made specific recommendations to correct the identified shortcomings. The authorities have begun to address some of these issues, and are considering appropriate measures to address the remaining concerns.

## **VIII. Exchange Arrangements:**

As of August 20, 1994, the rubel (Br) became the unit of account replacing the Belarusian ruble, which was formally recognized as the sole legal tender only on May 18, 1994. The conversion took place at the rate of 10 Belarusian rubles = 1 rubel. The authorities decided to drop three zeroes from the rubel denomination as of January 1, 2000. The exchange rate for the U.S. dollar was BYR 2,200 on December 31, 2008.

In mid-September 2000, the official exchange rate was unified with the market-determined rate resulting from daily auctions at the Belarus Currency and Stock Exchange. Since then, the official rate on any day is equal to the closing rate of the previous trading day. On January 1, 2008 the exchange rate was set in the framework of horizontal corridor for the U.S. dollar around central parity. The earlier arrangement, introduced in 2006, entailed reference to two horizontal corridors around central parity for the Russian ruble ( $\pm 4$  percent) and U.S. dollar ( $\pm 2.5$  percent). On November 5, 2001, Belarus accepted the obligations of Article VIII, Sections 2, 3, and 4 of the IMF's Articles of Agreement. During the same month, the NBB suspended all ad hoc exemptions from the 30 percent surrender requirement. Based on currently available information, Belarus does not maintain exchange restrictions or multiple currency practices.

## **IX. UFR/Article IV Consultation:**

Belarus is on a 12-month consultation cycle. The 14<sup>th</sup> Article IV consultation was concluded on June 4, 2007. Visits since have included:

Staff visit

February 19-26, 2008

## **X. FSAP Participation, ROSCs, and OFC Assessments:**

The fiscal ROSC was published on <http://www.imf.org/external/pubs/cat/longres.cfm?sk=17839.0> and the data ROSC on <http://www.imf.org/external/pubs/cat/longres.cfm?sk=18013.0>. Two FSAP missions took place in 2004 and an FSSA report was published on <http://www.imf.org/external/pubs/cat/longres.cfm?sk=18367.0>. The detailed FSAPs were disseminated in May 2006 for the Basel Core Principles for Effective Banking Supervision on <http://www.imf.org/external/pubs/cat/longres.cfm?sk=19246.0>, for the Transparency of Monetary Policy and Banking Supervision on <http://www.imf.org/external/pubs/cat/longres.cfm?sk=19248.0>, and the Technical Note - Deposit Insurance on <http://www.imf.org/external/pubs/cat/longres.cfm?sk=19250.0>.

XI.	Technical Assistance, 2000–08:		
	Department Counterpart	Subject	Timing
	MCM	Exchange rate regime, foreign exchange operations	December 8-15, 2008
	MCM	FSAP Update	September 2008
	MCM	Financial stability and external debt management	January 21-31, 2008
	MCM	Banking supervision: financial stability issues, stress-testing	July 23-27, 2007
	MCM	Building a system for forecasting and policy analysis	June 2-6, 2008 October 15-19, 2007 July 9-13, 2007
	MCM	Strengthening forecasting and policy analysis	May 14-18, 2007
	MCM	Banking supervision: on-site inspection	April 23–May 8, 2007
	MCM	Banking supervision: stress-testing, financial stability	March 26–30, 2007
	MCM	Insurance supervision	March 12–21, 2007
	MCM	Monetary policies analysis and forecasting	February 5–9, 2007
	MCM	Banking supervision: on-site inspection	January 17–26, 2007
	MCM	Improving monetary policy	January 15–17, 2007
	MCM	Monetary policies analysis and forecasting	October 23–27, 2006 October 9–13, 2006
	MCM	Banking supervision: on-site inspection	October 18–25, 2006
	MFD	International accounting standards	August 28–September 1, 2006
	MFD	Modeling capacity for supporting monetary policy implementation	March 27–31, 2006
	MFD	Banking supervision	February 6–10, 2006
	MFD	Monetary policy transmission mechanism	December 12–16, 2005
	MFD	International accounting standards	October 24–28, 2005
	MFD	Improving monetary policy	June 20–July 10, 2005

	MFD	Banking supervision issues	April 11–20, 2005
	MFD	Monetary policy and monetary operations	February 26–March 10, 2005
	MFD	FSAP	September, November, and December 2004
	MFD/LEG	Anti-money laundering and combating the financing of terrorism legislative issues	June 17– 24, 2004
	MFD	Bank supervision and restructuring	December 1–12, 2003
	MFD	Issues in monetary unification with Russia	April 2–11, 2003
	MFD	Assessment of foreign exchange markets and operations and reserve management	June 2–10, 2002
	MFD	Assessment in monetary and foreign exchange policy and operations and central bank organization	April 10–22, 2002
	FAD	Program budgeting reform implementation	March 10-14, 2008 November 12-16, 2007 May 14-18, 2007
	FAD	Fiscal diagnostic mission	September 13–27, 2006
	FAD	Government finance statistics	April 28–May 12, 2005
	FAD/MFD	Improving debt management	October 6–20, 2004
	FAD	Budget code and other issues in public expenditure management	March 1–12, 2004
	FAD	Tax policy	March 19–April 1, 2003
	FAD	Public expenditure management	June 12–27, 2001
	FAD	Treasury development	January 15–26, 2001
	FIN	Safeguards assessment	December 9–19, 2003
	STA	National accounts statistics	January 16-30, 2008
	STA	Balance of payments and external sector statistics	January 9-23, 2008
	STA	Government finance statistics	September 26-October 9, 2007
	STA	National accounts statistics	October 23–30, 2006
	STA	Monetary and financial statistics	October 19–November 1, 2005
	STA	National accounts statistics	January 10–21, 2005
	STA	Data ROSC and SDDS subscription	March 23–April 7, 2004
	STA	SDDS subscription	November 24-December 1, 2004
	STA	Balance of payments	August 20–September 3, 2003
	STA	Balance of payments	November 13–24, 2000

	STA	Money and banking statistics	October 25–November 7, 2000
	STA	Multisector statistics (report of the resident advisor)	August 7, 1996–August 6, 2000
	STA	National accounts statistics	August 23–September 6, 2000
Resident Advisors	STA	Mr. Umana (General Statistics Advisor)	August 1996–August 2000



## ANNEX II. BELARUS: RELATIONS WITH THE WORLD BANK GROUP

### The World Bank Group Strategy

1. A new WBG Country Assistance Strategy for Belarus for FY 2008-2011 was approved on December 4, 2007. The CAS program is aligned with selected government priorities consistent with the Bank's mandate. Under the new CAS, the Bank together with its development partners would continue to provide an analysis and advice, to advocate changes needed for sustainable development in Belarus, and to deliver limited financing interventions to advance issues of global interest, as well as to help vulnerable groups of the population. The World Bank plans to lend to Belarus US\$100 million a year in long-term loans to support the country in addressing global environment and energy challenges, enhancing the competitiveness of its economy to assure rising incomes, and protecting the welfare of the most vulnerable over the next four years. To date, the Bank's lending commitments in Belarus total US\$258 million, with US\$17.5 million provided as grants.
2. The IFC strategy would continue to foster private sector development through advisory services and investment operations. The IFC advisory services focus on reforms of business registration, permits, and the system of inspections, while retaining flexibility to respond to other government requests to improve the business environment. Outstanding IFC investments in Belarus total approximately US\$135 million; divided almost equally between financial markets and the real sector.

### IMF-World Bank Collaboration in Specific Areas

3. The Bank and the Fund teams work closely in calibrating and delivering their assistance. The IMF plays a key role at the macro level, while the World Bank focuses on the structural agenda, energy efficiency, social and environmental issues. The Bank and the Fund teams carry out various joint activities. The joint work on the Public Expenditure Review (PER), Financial Sector Assessment Program (FSAP), and the Country Economic Memorandum (CEM) are examples of excellent cooperation between the two institutions.

### Areas in Which the World Bank Leads

4. **Structural and social issues, private business development.** The Bank focuses its analytical work on structural reforms and on those issues that are most critical to reducing risks to the population posed by transition and external shocks. The new Country Economic Memorandum (under preparation) focuses on reforms needed to boost productivity, competitiveness, and export diversification. In FY08, the Bank will start to prepare the Social Sector Review in order to recommence the dialogue about reforming the pension system and strengthening the social safety net. The IFC delivers an active advisory program around challenges facing the private sector and international "best practices" for improving the business regulatory environment.
5. **Energy sector.** Currently, two energy efficiency projects are being implemented in Belarus with World Bank's financial support: the Post Chernobyl Recovery Project (US\$50 million) and the Additional Financing for the Social Infrastructure Retrofitting Project (SIRP) (US\$15 million). The initial SIRP was supported by a World Bank loan of US\$22.6

million and the associated PHRD grant for climate change. They were successfully completed in March 2008. Last FY the Bank started to prepare a new energy sector project.

6. **Environment.** The Bank supports Belarus' efforts in strengthening its environment institutions, addressing key public health challenges, and complying with its international commitments. Two TA projects are currently under implementation: (i) the IDF Grant for Enhancing Institutional and Legal Framework for Environmental Permitting in Belarus (US\$440,000); and (ii) the GEF Grant (US\$ 285,000) for preparation of the full-size Persistent Organic Pollutant (POPs) Stockpile Management and Technical/Institutional Capacity Upgrading Project. The Water Supply and Sanitation Project (US\$60 million) is expected to be approved during this FY and will finance investments in well field development and rehabilitation, water treatment, distribution network rehabilitation, and wastewater treatment.

### **Areas of Shared Responsibility**

7. **Macroeconomic development.** The Bank's team cooperated closely with the IMF during preparation of the 2005 Country Economic Memorandum (CEM) and jointly prepared the chapter "*Macroeconomic Policies and Risks*". The two institutions will cooperate closely to prepare the macroeconomic chapter of the new CEM.

8. **Public expenditure management.** The IMF and the Bank provide continuous technical assistance to Belarus in public expenditure management. In 2007 the Bank prepared two policy notes in selected issues in public finance, which covered major issues in intergovernmental fiscal relations and capital budgeting.<sup>1</sup> Belarus became a member of the Public Expenditure Management Peer Learning Program (*PEMPAL*) in 2006 and has benefited from participation in various events for practitioners in budget policy, treasury, and audit. IMF technical assistance missions support PFM improvement, ranging from treasury, budget classification, fiscal ROSC to program budgeting.

9. In FY 07 the Bank launched the Public Expenditure and Financial Accountability (PEFA) assessment for Belarus. The PEFA report will be the first comprehensive diagnosis of the overall PFM system in Belarus that could demonstrate strengths and weaknesses of the entire PFM system.

10. **Debt management.** A team of experts from the Banking and Debt Management Department (BDM) and the Capital Markets Development Department (CMD) of the World Bank Treasury will work in Belarus on September 9–19, 2008 to assess the needs of the Ministry of Finance in debt management and debt market development, to evaluate the current debt management strategy and practices, and to assist in designing a plan for their upgrading. The work will build on the findings of the IMF TA earlier missions in debt management and in access to capital markets.

11. **Financial sector.** The FSAP for Belarus (2004) focused on assessment of the banking system, including the deposit insurance, securities markets, the insurance industry,

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<sup>1</sup> *Taking Stock of Intergovernmental Fiscal Relations: Issues, and Challenges; Selected Issues in Capital Expenditures--Improving the Quality of Public Capital Expenditures to Promote Growth, 2007, World Bank*

the payment system, and transparency in conducting monetary policy. Also, the 2004 FSAP reviewed regulations, oversight, and governance arrangements. Upon a GOB request, the Bank and the IMF will undertake a FSAP Update in fall 2008. The Update will assess the systemic stability, the banking supervision, the access to financial services, securities market development and the insurance regulatory regime.

#### **Areas in Which the IMF Leads**

12. The IMF is actively engaged with the authorities in discussing the macroeconomic program, providing technical assistance and related support, including support on economic and financial statistics, tax policy, monetary operations, and fiscal transparency. The IMF is leading the dialogue on setting the objectives for monetary and exchange rate policies, public debt management, overall budget envelope, and tax policy.

13. The IMF analysis in these areas serves as an input to the Bank policy advice. The Bank and the IMF teams have regular consultations, and the Bank staff takes part in the IMF Article IV Consultations. This helps to ensure consistency of policy recommendations by the two institutions.

14. Questions may be referred to **Sergiy Kulyk**, Country Program Coordinator, ECA Region, World Bank (202) 458-4068

### ANNEX III. BELARUS: STATISTICAL ISSUES

1. The quality and timeliness of statistical data are broadly adequate for surveillance, although macroeconomic analysis is encumbered in some areas. The authorities have made significant efforts and improvements over the past years in a number of key areas, with the support of technical assistance from the Fund. As a subscriber to the SDDS since December 2004, Belarus disseminates regularly prescribed series, an advance release calendar and maintains a National Statistics Data Page (<http://www.belstat.gov.by/homep/en/specst/np.htm>). The provision of data over 2007 through mid-2008 has generally been adequate for the analysis of economic developments on a regular basis.
2. The data ROSC mission that visited Minsk in early 2004 found that all statistical agencies face the challenge of increasing users' confidence in the accuracy and reliability of official statistics.

#### National Accounts

3. National accounts are compiled in accordance with the System of National Accounts of 1993 (SNA 1993). GDP is compiled by the production, the expenditure and the income approaches, and covers the entire economic territory of the Republic of Belarus. Data on GDP are disseminated on a quarterly basis (in national currency) in current and constant market prices (2000=100) expressed as absolute values.
4. In early 2006, the Ministry of Statistics and Analysis (MinStat) introduced a new methodology early 2006 for measuring industrial production in constant prices (on the basis of prices of the previous year). In October 2006, a national account mission reviewed the methodology. It found that it remains essentially based on quantity measures and noted the limitations of such measures for dealing with issues such as the introduction of new products and improvements in quality. Besides, the methodology relies on a limited number of deflators to derive intermediate consumption in constant prices, that hamper a proper capture of volume and price breakdown and may introduce a systematic bias in measuring industrial output.
5. In addition, GDP figures are likely to be distorted by the underreporting of newly emerging sectors—in particular services—and an active informal sector. In addition, problems remain in calculating holding gains from inventories, and in measuring the capital stock and consumption of fixed capital. Estimates of GDP by expenditure categories are still uncertain as the statistical discrepancy has been soaring.

#### Prices

6. Data on Consumer Price Index (CPI) and the Producer Price Index (PPI) are being reported to the Fund monthly on a timely basis. Both indices were developed with substantial technical assistance from the Fund. As regards the PPI, in January 1995 a Lapsers formula recommended by the Fund was adopted. Other recommendations, such as inclusion of exports, adequate specification of items, and better selection of representative products and prices, have either been adopted or are in the process of being adopted. Since January

2001, the PPI has been compiled using the 1999 weights; and beginning with 2003 data, with 2001 production weights.

### **Government Finance Statistics**

7. Since the 2004 data ROSC mission, the MOF has made progress in different areas of collection, compilation, and dissemination of fiscal data. The authorities have extended the coverage of the general government (republican and local government) operations by including data for innovation funds, included the Social Protection Fund's operations in the consolidated budget, increased the number of officials involved in the GFS compilation work, established a close coordination with the National Bank of the Republic of Belarus (NBRB) for the reconciliation of fiscal and monetary datasets, and increased provision of detailed budgetary metadata and methodological descriptions on the MOF's website. In addition to these improvements, the MOF has prepared new budgetary classifications codes for revenue, expenditure, and financing data that will align them to the GFSM 2001 analytical framework.

8. At the end of April 2005, a GFS technical assistance (TA) mission visited Minsk. This mission found that the existing fiscal, accounting, and statistical systems have a sound basis for migrating to the GFSM 2001. Nonetheless, several areas were identified that will need further work before satisfactory implementation of the GFSM 2001. In order to provide assistance in this area, the GFS TA mission collaborated with the authorities on the preparation of a migration plan for a gradual implementation of this analytical framework.

9. The authorities have reported GFS for 2003 and 2004 under the GFSM 2001 analytical framework for publication in the GFS Yearbook and started disseminating, through the Move's website, fiscal data according to the IMF's Special Data Dissemination Standard.

### **Monetary Statistics**

10. The balance sheet of the NBRB and the monetary survey are usually provided with a lag of no more than two weeks; the bank monthly balance sheet is available on or about the fifth of the month following the reference period, while monetary data for publication in IFS are reported with a lag of about four weeks.

11. Interest rate data on bank deposits and credits, as well as data on NBRB credit auctions and the placement of NBRB and government securities, are provided with a one month lag. Exchange rate data are readily available on the NBRB's web site, and periodically reported to the Fund in electronic file.

12. Following STA technical assistance mission in October 2005, the NBRB compiles monetary statistics according to the methodology of the Monetary and Financial Statistics Manual. The NBRB reports monetary data to STA using the Standardized Report Forms (SRFs) framework. Monetary and financial data for Belarus in the SRF framework are available from December 2001 and have been published in the December 2006 issue of the IFS Supplement.

**Balance of Payments Statistics**

13. The overall quality and timeliness of external sector data is satisfactory. The International Transactions Reporting System employed by the NBRB has been broadened to permit a more accurate classification of external transactions, while coverage and reporting forms for enterprise surveys were also improved. The NBRB publishes quarterly balance of payments and international investment position statements in the *BPM5* format on a timely basis. Scheduled interest and amortization payments on public sector debt are tracked by the MoF and reported to the Fund, and timely information is available on arrears on government and government-guaranteed debt.

14. Belarus has started to disseminate historical data on the reserves template on the IMF's website: <http://www.imf.org/external/np/sta/ir/colist.htm> Monthly time series start with November 2004 data.

**BELARUS: TABLE OF COMMON INDICATORS REQUIRED FOR SURVEILLANCE**  
(As of August 22, 2008)

	Date of latest observation	Date received	Frequency of data <sup>6</sup>	Frequency of reporting <sup>6</sup>	Frequency of publication <sup>6</sup>	Memo Items:	
						Data Quality – Methodological soundness <sup>7</sup>	Data Quality Accuracy and reliability <sup>8</sup>
Exchange Rates	8/22/08	8/22/08	D	D	D		
International Reserve Assets and Reserve Liabilities of the Monetary Authorities <sup>1</sup>	7/31/08	8/15/08	M	M	M		
Reserve/Base Money	7/31/08	8/15/08	M	M	M	O, O, LO, LO	O, O, O, O, O
Broad Money	7/31/08	8/14/08	M	M	M		
Central Bank Balance Sheet	7/31/08	8/14/08	M	M	M		
Consolidated Balance Sheet of the Banking System	7/31/08	8/14/08	M	M	M		
Interest Rates <sup>2</sup>	8/22/08	8/22/08	D/W/M	D/W/M	D/W/M		
Consumer Price Index	June. 2008	8/13/08	M	M	M	O, LO, O, LO	O, O, LO, LO, O
Revenue, Expenditure, Balance and Composition of Financing <sup>3</sup> – General Government <sup>4</sup>	2008Q2	8/25/2008	Q	Q	Q	LO, LNO, O, O	O, O, O, O, NO
Revenue, Expenditure, Balance and Composition of Financing <sup>3</sup> – Central Government	July 2008	August 25, 2008	M	M	Q		
Stocks of Central Government and Central Government-Guaranteed Debt <sup>5</sup>	July 2008	August 25, 2008	M	M	Q		
External Current Account Balance	Q1 2008	6/13/08	Q	Q	Q	O, O, LO, LO	LO, O, O, O, O
Exports and Imports of Goods and Services	Q1 2008	6/13/08	Q	Q	Q		
GDP/GNP	Q1 2008	6/30/08	Q	Q	Q	O, O, LO, O	LO, LNO, LO, O, LO
Gross External Debt	Q1 2008	6/13/08	Q	Q	NA		
International Investment Position	Q1 2008	6/13/08	A	A	A		

<sup>1</sup>Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.

<sup>2</sup>Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

<sup>3</sup>Foreign, domestic bank, and domestic nonbank financing.

<sup>4</sup>The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

<sup>5</sup>Including currency and maturity composition.

<sup>6</sup>Daily (D); Weekly (W); Monthly (M); Quarterly (Q); Annually (A); Irregular (I); Not Available (NA).

<sup>7</sup>Reflects the assessment provided in the data ROSC published on May 2004 and based on the findings of the mission that took place during October 8–23, 2003 for the dataset corresponding to the variable in each row. The assessment indicates whether international standards concerning (respectively) concepts and definitions, scope, classification/sectorization, and basis for recording are fully observed (O), largely observed (LO), largely not observed (LNO), or not observed (NO).

<sup>8</sup>Same as footnote 7, except referring to international standards concerning (respectively) source data, statistical techniques, assessment and validation of source data, assessment and valid.