Board Meeting of January 28, 1999
Statement by Ruth Bachmayer

Country Assistance Strategy for Belarus

On behalf of my Belarusian authorities I would like to thank staff and management for bringing this CAS to the Board of Executive Directors.

1. Discussions with representatives from both Bretton Woods institutions on their respective approaches of considering policies and developments, as well as experiences made with their instruments and operations, contributed undoubtedly a great deal to Belarus’ efforts to develop its way of gradual transition.

2. Despite diverging opinions between the Bank and the Belarusian authorities (see Annex 1 of the CAS document) on the country’s economic strategies and performance, it was considered important by the government that management brings its country assistance strategy to the attention of the Executive Board of the World Bank. Belarus wishes to enter the regular CAS cycle and the Bank’s lending and ESW programming considerations--even though the Bank’s conclusions about the stance of the economic policies as well as doubts about creditworthiness led to this extraordinary case of a CAS without lending scenario.

In the eight years of the country’s independence World Bank management feels bound to treat Belarus in a special way:

- The first CAS in 1993 was a limited one on the grounds of short experience of collaboration with the country. Since then, the Board did not have the opportunity to consider the country’s development, although the Bank’s pessimistic forecast, as expressed in the CAS 1993, did not materialize.

- This CAS requires full compliance with one specific trigger, i.e. full liberalization of the exchange rate, before even considering a low case lending scenario (unlike other CASs) or designing several options for triggers and lending.
3. Turning to the core issue, i.e. the Bank’s position on economic and structural development in Belarus and its reform path I would like to raise on behalf of my Belarusian authorities the following considerations of a more principle nature:

- Can the World Bank consider investment lending for a country whose views on the sequencing and speed of reform and liberalization deviate from the Bank’s approach; for a country whose economic parameters nevertheless (as even acknowledged in this CAS and the update), including debt servicing capacity, show relatively acceptable results, in particular against the backdrop of the impact of the Russian crisis?

- GDP continued to grow by 8% in 1998 after 10.4% in 1997; industrial production grew by 11%, supported by 16% investment growth (and an investment ratio of 25% of GDP); exports of which around 30% go to non-CIS-countries increased during the last years.

- As we know from other countries in the region, there is no standard recipe for successful transition. Given the developments in, and experiences from, other parts of the FSU, Belarus decided to follow a gradual and self-constrained way of transition while also paying due attention to its possible social impact. The aspect of sequencing is given great attention: before far reaching liberalization the necessary legal and institutional framework and capacities have been put in place.

- Belarus is engaged in a continuous process of implementing reforms to reach an agreement with the IMF. The government can at this stage agree on the Bank’s proposal to follow in principle the IMF assessment on reform progress in Belarus. Nevertheless, questions are being raised about the World Bank’s mission of its very own—whether Bank support would be justified or even required to support the country’s development and fragile reform process and its efforts to meet the IMF conditions.

4. Concerning the central conditionality for investment lending in the CAS, i.e. liberalization of the exchange rate my authorities would like to point out that the National Bank of Belarus is gradually devaluing the official exchange rate of the national currency and embarked in October 1998 on the implementation of the detailed plan of full liberalization of the exchange market until the middle of 1999. This plan was designed in collaboration with the IMF. Its implementation has already produced substantial progress concerning the liberalization of the exchange rate as well as in other areas of reform.
   At present, most of the transactions (more than 80%) are being carried out on the basis of the unofficial rate.

5. On behalf of the Belarusian authorities I would like to express the wish to continue the dialogue with the World Bank and to get its
support with respect to project lending, as well as through ESW and the EDI. In the government’s view, cooperation would be appreciated in sectors and on issues which could have a highly catalytic effect in terms of tangible results, broad learning effects and a high degree of persuasive power about benefits of collaboration with international institutions. Such results are expected

• in the first place from lending for increasing energy efficiency of social sector buildings, from lending and NLS for developing the private sector and from technical assistance for the privatization of large enterprises;

• further, from reinforcing the general understanding of how the World Bank works and in keeping the relevant officials familiar with the Bank’s support strategy;

• and, last but not least, from continuing the discussion on policy options for economic reforms.