AFP: IMF approves 2.46 bln dlrs loan for Belarus

WASHINGTON (AFP) – The International Monetary Fund gave final approval Monday to an emergency loan of 2.46 billion dollars to help Belarus cope with the global financial crisis.

The IMF said the 15-month standby credit was approved by its executive board “in support of the country’s efforts to adjust to external shocks” and will allow the eastern European nation to draw some 787.9 million dollars immediately. The remainder will be made available subject to quarterly reviews.

The IMF loan is unusually large, representing about four times Belarus’s quota, the maximum amount an IMF member country pays to finance the Washington-based institution. Normally an IMF member country can draw up to 100 percent annually of its quota, and 300 percent cumulatively. However, the IMF has granted exceptional access to financing to distressed countries, such as a quick loan for bad credit to Georgia in September after its armed conflict with Russia.

“Belarus is experiencing serious economic problems,” said Takatoshi Kato, IMF deputy managing director. “External vulnerabilities have been exposed by adverse terms of trade movements, falling demand from trading partners, and difficulties in securing external finance, leading to a decline in international reserves. In the face of these shocks and the adjustment needed to contain them, the economy is likely to slow in 2009.”

Officials in Minsk have said the IMF loan was needed to make up for lost export revenues because foreign countries were having trouble paying for its goods amid the global credit crunch.

Belarus agreed to a 20 percent devaluation of its currency to “help restore competitiveness and address external imbalances,” the IMF said.

“The adoption of the new currency basket and wider band will leave the economy better able to adapt to external shocks, thus making it less likely that further exchange rate adjustment will be needed,” an IMF statement said.

The country will also make other reforms, including price and wage liberalization, the IMF said. It added that deregulation, and privatization “are also needed to underpin better medium-term growth, and should be undertaken as fast as market conditions allow.”

Juha Kahkonen, IMF mission chief for Belarus, said, “The IMF believes the Belarussians have implemented a strong economic program,” adding that this includes “shifting to a more market-based financial system.”

Belarus, a state on the European Union’s eastern border with a Soviet-style economy, had initially requested a two-billion-dollar loan from the IMF but increased the request later, IMF officials said.

Belarussian President Alexander Lukashenko last year threatened to pull out of the IMF if the lean had been rejected.

The United States, by far the largest voting power in the 185-nation institution, has branded Belarus “Europe’s last dictatorship.” But US officials said last week relations had improved with Belarus.