

More Money from the IMF: Prudent Credit Policy with the World's Worst Tax System

The International Monetary Fund completed its review of Belarus's economic policies and approved another financial aid package to Belarus. This time it amounts to US\$688 Million. The IMF noticed some improvements in the legal and institutional frameworks for privatization and in easing administrative controls. The IMF praised and encouraged Belarus' prudent credit policy and reduction of public deficit. It looks like a very peculiar combination: on the one hand, Belarus has [the worst tax system in the world](#), but manages to run prudent credit policy to the IMF's satisfaction.

Following the IMF Executive Board's discussion on Belarus, Mr. Takatoshi Kato, Deputy Managing Director and Acting Chair, noted:

Performance under Belarus's Stand-By Arrangement has been strong, and the economy is beginning to emerge from the crisis. Export volumes have stabilized, the exchange rate depreciation has improved competitiveness, and confidence appears to be growing among households. At the same time, Belarus remains vulnerable to external shocks, requiring continued prudent macroeconomic policies as well as flexibility in the face of uncertainties. In this regard, the authorities' commitment to take difficult measures to compensate for shortfalls and delays in external financing is commendable. The authorities' continuing commitment to pursue a prudent budget policy is an important building block in achieving program objectives.

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 loan 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.