




Address Structural Roots of Macroeconomic Problems in Belarus ? Says The World Bank

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Minsk, October 22, 2013 -- Consistent macroeconomic policies and deep structural reforms are urgently needed to stabilize the economy in Belarus and to avoid yet another balance of payment crisis, says a World Bank Economic Update for Belarus. In the first nine months of 2013, Belarus saw a significant slowdown in real GDP growth. This was due to a combination of weak external demand and internal factors including an unsustainable macroeconomic framework, lack of progress on structural reforms, and decline in export revenues. Inflationary pressures persist and external imbalances have re-emerged. For 2013 as a whole, the World Bank projects GDP growth to be around 1 percent, the current account deficit to widen to 9 percent of GDP, and a small fiscal deficit to re-emerge. Implementing coherent macroeconomic policies is critical for curbing inflationary pressures, containing external imbalances, and avoiding recurring macroeconomic crises, says Qimiao Fan, World Bank Country Director for Belarus, Moldova and Ukraine. The World Bank also pointed out that macroeconomic imbalances have deep structural roots in in Belarus state-driven growth model. Comprehensive and sustained structural reforms will not only help address these imbalances, but will also help lay the foundation for robust growth by raising productivity and enhancing competitiveness. Structural reforms should aim to reorient the current state-led growth model to a productivity-driven growth model. This could be achieved by strengthening market incentives and by creating a better investment climate for all businesses. A comprehensive reform program should include price liberalization, restructuring of state owned enterprises, transparent privatization, and creation of a robust, market-driven financial sector. Structural reforms are key to addressing the underlying causes of macroeconomic instability and kick starting growth in a sustainable way. They are also important for preserving the excellent gains made by Belarus on its social outcomes, stresses Qimiao Fan. "The World Bank Group stands ready to support Belarus in designing and implementing comprehensive structural reforms. The current World Bank investment lending portfolio in Belarus includes 5 operations for a total amount of USD 547.5 million. Since Belarus joined the World Bank in 1992, commitments to the country have totaled USD 955 million. In addition, grant financing totaling USD 23.7 million has been provided to about 30 programs including those with civil society organizations. In Minsk
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