



IMF Mission at Minsk meeting

By Timofey Kirillov

"We have a long way to go. We need to further discuss macro-economic policy in Belarus and agree on structural reform," the Head

of the IMF Mission to Belarus, Chris Jarvis, has told journalists. As for the possible volume of credit support, Mr. Jarvis explains that this will depend on the balance of payments and the terms of

# Every reason to believe

## Belarus and IMF launch discussions on new credit programme

the new programme, which will probably run for three years, bringing a number of major structural changes. In particular, the banking sector will need to set up a well-functioning development bank to provide loans under state programmes. As regards privatisation, the IMF recommends paying attention to the functioning of the National Agency for Investment and Privatisation.

Speaking of the stabilisation of the currency market, the IMF recommends that Belarus shift to a floating exchange rate. Its experts make no forecasts regarding possible exchange rate figures.

Mr. Jarvis notes that the National Bank of Belarus acted correctly in stopping foreign currency interventions in March. However, he believes that, if there is a transition to a floating

exchange rate, some intervention may be necessary — to avoid major rate fluctuations. He adds that the floating exchange rate will prove efficient if the National Bank toughens its monetary and credit policy and raises interest rates. Moreover, budget-tax policy needs to be tightened. Other IMF recommendations include the increase of rates paid on deposits at banks, the

achievement of a non-deficient budget and non-raising of salaries.

Mr. Jarvis stresses that, according to IMF assessments, Belarus is solvent and can service its external debt. "We receive affirmations from the Government and the National Bank that the debt will be redeemed. There are serious grounds which allow us to believe this to be true," he adds.

# Private ownership helps aid greater attractiveness

## First Initial Public Offering (IPO) planned for Belarus

By Valery Yermeev

IPO is a popular instrument for capital attraction abroad but only recently became a focus in our country. The first case has now been registered in Belarus, with Borisov's Medical Preparations Plant JSC offering 15 percent of its shares for sale. These are open to individuals and companies, from Belarus and abroad. The plant's General Director, Alexander Fando, is not sure that the whole package will be sold but hopes to sell 'at least half' the offered amount. The revenue will then be spent on building a new block to produce medicines.

An investment agent — Brostok company — organises IPO. Its Director, Valery Postovsky, tells us about the details of placement, noting that shares are to be placed on Belarus' Currency and Stock Exchange. As to why a global venue — such as the London Stock Exchange — has not been chosen, Mr. Postovsky explains, "Firstly, we need to develop our own stock market, offering shares to our citizens and national investors. Secondly, taking assets to the London or Frankfurt exchange would require a year or two, costing us several million Dollars. Borisov's Medical Preparations Plant needs



IPO procedure will enhance the image of Borisov's Medical Preparations Plant in investors' eyes

a moderate sum attracted in a short period of time."

It's clear why time is of the essence. Bank credit rates are currently high, so selling shares to generate funds is an attractive option. These can then be either injected as floating capital or used for investment. Mr. Postovsky is optimistic about future Belarusian buyers, saying, "Our citizens have available money, so why shouldn't they invest it in property? The

procedure is absolutely open, free and fair: you apply via an accredited participant of the exchange auction, pay and then receive your assets."

IPO experts have their own views, as economist Georgy Grits notes, "The fact that our enterprises are mastering a new instrument of financing is good but I believe it would be better to attract a strategic investor." He explains that IPO will only help attract money.

"Meanwhile, a strategic investor brings new technologies, knowledge and solutions to a company — in addition to money."

In fact, the Borisov plant has this goal in mind, with a large Chinese company possibly joining as a strategic investor. IPO is expected to help in this process. Mr. Fando explains that when a company has 100 percent of its shares owned by the state, it strikes

a warning note for investors; they are used to seeing joint stock companies with a share of private capital (sometimes alongside state capital).

The IPO procedure enhances the image of an enterprise in investors' eyes but, to operate on an exchange, it's vital to proceed as Western companies do: completely transparently with regard to financial accounting and information.

## Customs Union to bring states closer

### Post-Soviet space economic integration to be based on integration nucleus of Belarus, Kazakhstan and Russia

The Chairman of the Eurasian Development Bank's Board, Igor Finogenov, has delivered a speech at the International Economic Forum in St. Petersburg, stating that the establishment of the Customs Union of Russia, Kazakhstan and Belarus will respond to globalisation challenges, enabling member states to join global labour division on a whole new basis, while preserving accumulated potential and realising competitive advantages.

Mr. Finogenov notes that, over the past decade, CIS economies have moved away from each other but, since the middle of the last decade, the economies of Russia, Belarus and Kazakhstan have become more integrated. "This testifies to the establishment of an integration nucleus in post-Soviet space," the official asserts. "The further development of economic integration within post-Soviet space is to be based on this integration nucleus of Belarus, Russia and Kazakhstan. If this is successful, then neighbouring states will gain a powerful impetus to join the Customs Union and the Single Economic Space."

Mr. Finogenov emphasises that the Eurasian Development Bank has organised research on the theme of the Customs Union's expansion — conducted by the leading academic institutes of Russia and Ukraine. Their calculations point to the significant gains for Ukraine on joining the Customs Union, which vary from \$6-9bn a year. By December 2011, the Integration Research Centre (set up by the bank) will have conducted serious studies on the economic integration of Ukraine with the economies of Russia, Kazakhstan and Belarus, using advanced instruments of economic analysis.

# Pure trade no longer fashionable

By Olga Burmistrova

### French companies interested in joint projects with Minsk Region

Racheline Levi, the coordinator of the Association for the Development of International Exchanges of Agro-Food Products and Techniques (ADEPTA), has led a French delegation to the Minsk Re-

gion. She tells us that Belarusian partners are now being actively sought out. The French visited Snov Agricultural Company and Slutsk Cheese-Making Plant.

ADEPTA unites over 230 French companies involved in the manufacture of agricultural equipment and veterinary preparations, as well as pedigree cattle breeding. "Both in France and Belarus, agricul-

ture is developing. We have the potential to strengthen our relations — in particular, regarding cattle for meat and milk. Many avenues of co-operation are available," notes Ms. Levi.

The Minsk Region is also interested in mutually beneficial projects and in enhancing export deliveries to France. The Minsk Regional Executive Committee's Deputy Chairman, Alexander Yermak, notes

that the pace of import growth significantly outstrips that of exports. Last year, the Minsk Region and France traded about \$80m of goods. From January-April 2011, exports stood at \$3m and imports stood at \$27m. Evidently, the foreign trade balance is negative, with France mostly buying Belarusian furniture.

According to the Minsk Regional Executive Commit-

tee's Economic Department, EU states account for over 13 percent of the Mogilev Region's export supplies. Co-operation with Poland, Germany, Belgium and Lithuania is most active, with an increasing volume of sales registered for Finland, Romania and Bulgaria. In the first three months of this year, exports in products rose by 25 percent (against the same period of 2010), to exceed \$1.5bn.