

Mozambique draws closer

Domestic machine builders master new sales markets using the principle 'everything old is new again'

By Alexander Ivanov

The great volume of warehouse stock is worrying the government, inspiring the Economy Ministry to assess possible measures. Stocks of ready-made goods stand at 82.4 percent of the average volume of monthly industrial production at Belarusian enterprises. Nothing can be done, since our traditional markets are ordering less, due to depressive trends, obliging us to desperately seek new markets in Central and South Africa, Saudi Arabia, and some South East Asian states. Belarus' presence on these markets is currently insignificant yet the attitude towards our technique is good. International financial leasing is being used to promote Belarusian machine building produce to these markets, alongside other traditional incentives.

Raising agriculture to its feet

The African continent is rich in natural resources yet socially poor, due to civil conflicts and apartheid which affect agriculture in most states of Central and South Africa. Small farmers, let alone large productions, have often abandoned their fields to escape fighting forces, resulting in an acute lack of food.

Our country has managed to help appease the technological 'hunger' of several African countries, selling agricultural machinery otherwise standing idle in warehouses. According to Pavel Krupnov, who heads Promagroleasing JSC, 'agro-financial leasing' will soon become a popular way for foreign buyers to purchase Belarusian goods. Actually, this refers to financial-in-

dustrial interventions which have been already tested by western financial institutes; however, these have their own Belarusian peculiarities.

The Belarusian variant includes training in how to use the latest technology, saving on consultation fees. It's a great incentive for buyers in Africa, who are also benefitting from top quality, affordable agricultural machinery. Moreover, trust already exists as a legacy of Soviet days (when afro-communism was promoted in Angola, Mozambique, Guinea Bissau and Ethiopia). The Belarusian agricultural machinery arouses interest, because it's not expensive

compared to its foreign rivals. At present, Belarus can use such feelings to its benefit.

Mr. Krupnov explains, "Last year, representatives of Mozambique, where tractors from Soviet days are still operating, applied to Minsk Tractor Works to purchase a new fleet under leasing conditions; however, they received a more beneficial proposal."

Finally, Belarus and Mozambique have agreed to activate agricultural and industrial co-operation. Having studied the issue in detail, Mozambique is now keen to purchase a large number of Belarusian agro-machines, while setting up joint assembly. Since no strict requirements exist for production localisation in Africa, such projects could be even more beneficial than in the

Russian Federation and Kazakhstan (regardless of the distance involved). Last year, joint BelAfrica Ltd. was registered in Mozambique, jointly with Afri-Rent Ltd. — housing a trade fair of Belarusian agricultural and road-construction technology, manufactured by Minsk Automobile Works, Minsk Tractor Works and Amkodor JSC. The project is already yielding fruit; last December, the first MAZ vehicles — worth \$1.7m — were delivered to Mozambique. The tractors are drawing attention for being simple to use yet effective, from such countries as Angola, Zambia and Namibia.

Expanding horizons

Sales of Belarusian machinery have been so buoyant just recently that promotion or the application of some additional schemes

seemed unnecessary until the economic crisis hit. Promagroleasing is now expanding its export leasing programme for existing and previously lost markets, where our presence is currently insignificant. Attractive terms are being offered in Africa, as well as closer countries. Last year, Georgia placed its first order (worth \$7.1m — provided on leasing conditions), while Moldova's order was worth \$2.8m. Previously, supplies of domestic machinery to these countries weren't particularly active. Moreover, the Belarusian operator is now investigating opportunities for the supply of domestically-produced machinery in South East Asia and the Middle East: particularly, Bangladesh and Bahrain.



New energy-efficient tractors to be exported to African countries

Formula for market stability is actually simple and clear

Inflation forecast shows no indication of need for sharp devaluation of Rouble, asserts Chair of National Bank Board, Nadezhda Yermakova

Considered calculation

"We shouldn't hurry to reduce the refinancing rate," admits Ms. Yermakova, noting that the rate fell by 1.5 percent on June 10th (down to 23.5 percent). Further reduction will be discussed but the decision will depend on many factors: the general macroeconomic situation in the country, dynamics of prices and inflationary forecasts. If the rate is cut too soon it may negatively impact on Belarusian Rouble savings. "The refinancing rate is a tool of the National Bank, used to maintain stability on financial markets and in the economy in general. It needs to be treated with care and

caution," she adds.

Since April, inflation has slowed significantly. What will happen to prices this year and will we be able to meet our forecast parameters for inflation?

"According to our calculations, there is every chance of sustaining our inflationary forecast for this year, at 12 percent," explains the Head of the National Bank. "Current monetary policy is helping. Last year, the influence of monetary factors on the inflation growth was at the level of 68 percent while, this year, we may see only 42 percent."

At current inflation rates, we need to look at bank note denominations for next year. "With high inflation, denom-



Inflation within reasonable limits

ination won't bring the result and we'll need notes with more zeros again," explains Ms. Yermakova.

Following market rate

According to Ms. Yermakova, the emission of Br500,000 notes is yet to be decided but rumours of imminent devaluation have no basis. The exchange rate of the Belarusian Rouble follows the market, reflecting currency trade on the stock exchange; where demand exceeds supply, the National

Bank intervenes to smooth out fluctuations. Ms. Yermakova stresses that stability takes work but that there is no cause for concern regarding ability to repay foreign debt, which remains within established limits. Belarus is well able to meet its internal and external obligations. Gold and currency reserves are able to cover two months of imports, standing at \$8.41bn in equivalent, as of June 1st (calculated in accordance with International Monetary Fund standards).

Mineral extraction

Belarusian shaft free mining

The Belarusian Research Exploration Institute has a special department working on environmentally friendly mining technologies, including extraction of minerals through underground dissolution: hydraulic output. Andrey Kovtukho, the Director General of the Institute, tells us, "Hydraulic output is used for extracting minerals directly and immediately from deep underground, without the intermediary stage of building a mine or digging an open-cast mine." The main advantages are that the method is friend-

lier to the environment and is cheaper, saving money spent on digging deep or open-cast mines, which takes time and much equipment. "Meanwhile, in comparison, when you mine potassium salts, soil is attached to the minerals," notes Mr. Kovtukho.

He adds that prospects for shaft free mining are being studied in the Republic, adding, "The technology has already been used quite widely, including for large volumes; importantly, it needs to find commercial application." In future, other similarly economical methods may be developed in Belarus.

Old and new loans

Belarus and World Bank sign agreement for \$90m energy efficiency loan

A number of projects are to be funded from the loan, enhancing energy efficiency in heat and power generation (similar to those being implemented with an initial \$125m loan approved in 2009).

The current World Bank investment lending port-

folio in Belarus includes five projects, worth a total of \$547.5m. Since Belarus joined the World Bank in 1992, commitments to the country have totalled almost a billion US Dollars, across 13 projects. In addition, grant financing of \$23.7m has been provided to about 30 programmes, including those with civil society organisations.