

# Greater achievements require exact calculations

Preserving balance in the financial market is the main task for the government for 2014, with the past year having proven far from the most successful. Although the economy grew, it lacked the pace predicted, due to various external and internal factors.



Maxim Yermolovich

By Igor Plotnikov

How can we achieve more effective growth and what price may we need to pay to lower inflation and pay off external debt? The Deputy Minister of Finance, Maxim Yermolovich, explains all.

**Why is the economy slowing and how do we achieve greater growth?**

One of the main reasons for the slowing rate of economic growth in our country is that there are problems in the wider world economy; demand on foreign markets has fallen. Our home producers, having difficulty in selling their goods, are compelled either to reduce volumes of output, or to work to fill warehouses. In both cases, this leads to reduced export revenue: a fall of 20 percent last year. Reduced export of potash fertilisers and falling volumes of Russian oil supplied to Belarus have hit the national budget: it has not received about Br16 trillion last year, compared to the previous year.

Additionally, our main trading partner, Russia, has joined the WTO, resulting in less customs protection and fewer customs duties paid (usually distributed according to set parameters, between Customs Union members). To take this shortfall into account, we've introduced a regime of strict budgetary austerity, putting aside all non-priority spending. However, we've managed to pay all salaries in full, as well as pensions and grants. We've met our obligations to repay and service state debt and to give necessary support to the private sector of our economy.

**In 2014, Belarus will need to meet considerable external debt payments. Will 'refinancing' be necessary (taking on new debt in order to pay off former)?**

By the end of this year, we expect to have an external state debt of \$14.6 billion: less than 20 percent of

GDP (within the threshold for economic safety). Compared to other countries, our level of state debt is favourable: \$1,300 per capita, compared with over \$4,000 in Poland, about \$4,500 in Latvia and more than \$5,000 in Lithuania. These countries don't generate enough income to allow them to pay off such debt without serious consequences. In Belarus, about 80 percent of enterprises belong to the state, so privatisation can generate capital, for payment of liabilities. In these other countries, there is nothing to priva-

external debt will increase, reaching \$3.2 billion. There's no question of 'debtor's prison'; external loans can be found exclusively for the purpose of refinancing state debt. This is normal world practice.

We'll be receiving the sixth tranche of the EurAsEC Anti-Crisis Fund loan, and negotiations continue with Russia and China on bilateral co-operation in the financial sphere. Foreign credit is also being drawn into priority investment projects, providing an inflow of currency to help us service external debt.

enterprises.

**Will our debt obligations affect the exchange rate of the Belarusian Rouble?**

The budget for 2014 works on the assumption of an exchange rate of Br9,800 per \$1. Whether it remains at this level depends on how successfully we attract currency into the country, including for the purpose of refinancing debt liability. I repeat that the Government's main task for the coming year is to provide balance and stability on the financial market. This may mean waiv-

lation online that former transport tax is included in the cost of fuel is wrong; there was a two percent sale tax, which was used to create a road fund. But this has now been removed (to reduce tax loading). It's been partially replaced with increased duties but most road building and repair is paid for from the budget. Belarus is a transit country, so we need to spend considerable amounts on maintaining our road network in good condition. At the same time, the quantity of cars increases annually, creating more strain on infrastructure. Everyone wants to drive on good roads but, in civilised society, this needs to be paid for.

The new road tax is comparable to that used abroad: a diesel car weighing 1,940kg will pay a rate of 50 Euros a year in Belarus. In Russia, rates vary from 11.5 to 115 Euros, while Kazakhstan drivers pay 35 Euros, Germans pay 171 Euros, the French pay 250 Euros and those in the UK are obliged to pay road tax of about 300 Euros.

**Tell us about the possible introduction of a new method of taxation to fund socially significant services.**

It won't become part of the budget in 2014, as it still needs discussion. However, the subject of public service subsidy needs to be addressed, as we currently only pay a small part of the cost of health services, education, housing and utilities and public transport. At present, those working contribute through taxation, with money entering the Social Protection Fund. Unemployed citizens make no contribution, despite making use of these same services.

We are thinking of introducing social cards, allowing working citizens to receive a certain set of services. Meanwhile, those who officially do not work will need to pay for the cost of these services.



Government and National Bank co-ordinate plan of action for reform of economy

tise so, sooner or later, every citizen will be compelled to pay off state debt from their own pocket.

Our problem is that our obligations to repay external debt are not distributed uniformly with each year. In 2013, we entered a three-year period of peak payments. This year, repayment and servicing of

Of course, we can pay off debt from our national coffers but we can only withdraw a considerable sum by cutting budgetary expenses and reducing village support, stopping the further modernisation of enterprises. It's better for us to keep hold of our reserves, attracting external loans and privatising state

ing GDP growth or particular state programmes but, if the Government does not stray from this path, the exchange rate will remain stable.

**From 2014, drivers will need to pay road tax annually for their cars. Is that general world practice?**

I'd like to note here that specu-

## Network of toll roads to be expanded countrywide

By Andrey Fiodorov

**From 1st January, 2014, drivers need to pay for using the M4 Minsk-Mogilev route, along its whole length (rather than from Minsk to the 74th kilometre) and the M5 Minsk-Gomel road, alongside others to regional centres, will extract toll fees**

Over the past four months of commercial operation, BelToll's electronic system of fare collection has worked well, taking fees from over 150,000 vehicles. "By the end of the past year, BelToll had collected fees bringing about Br400 billion into the state budget," emphasises Yevgeny

Rokalo, the Head of the Ministry for Transport and Communications.

The toll system launched on 1st August of past year; only a small share of drivers voice unhappiness with the innovation, as Mr. Rokalo notes. "With the technical operator, we've surveyed drivers, finding that about 150,000 (only 1-2 percent) have made a complaint." He views this percentage as acceptable, indicating that the system can operate stably.

Mr. Rokalo believes that about Br6-7 trillion of investment is required overall, to upgrade and build new sections of road, prior to installing the toll system countrywide.

## Work to high standards

By Vladimir Samsonov

**Slovenian Riko ready to implement new projects in Belarus**

In mid-December, the Belarusian-Slovenian Business Forum hosted by Minsk featured many companies from Slovenia, including multi-industry Albin Promotion. The latter is keen to liaise with partners from Belarus in producing electricity from rubber scrap, as is Duol engineering company. The event also featured representatives of the Pan-Slovenian Shareholders' Association, the Transport and Communications Association and the International Relations Department of the Slovenian Cham-

ber of Commerce and Industry.

According to foreign participants of the forum, Belarus has created good conditions for doing business. For example, Slovenian Riko's Director General, Janez Skrabec, underlines, "I see great prospects for co-operation with Belarus, especially as the country is a member of the Customs Union. I recommend that all Western investors who would like to work in the post-Soviet space liaise with Belarus."

Mr. Skrabec stresses that his company is a prime contractor for the construction of a hotel complex, which includes the five-star Hotel Kempinski in Minsk. "This hotel chain boasts extremely high standards. We've al-

ready built two hotels from this chain in Slovenia, so we have relevant experience." Moreover, Riko is closely collaborating with such companies as Minsk Automobile Works, Minsk Tractor Works, the Belarusian Automobile Works and Minsk Wheeled Tractor Works. The company is currently involved in tenders connected with environmental projects in Grodno and Minsk.

The Belarusian-Slovenian Business Forum was held with assistance from the Embassy of the Republic of Slovenia to Russia and Belarus. The business delegation from Slovenia included around 24 companies and organisations, joined by representatives from over 50 Belarusian companies.