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Belarus Bailout Starting With $3Bln

By The Moscow Times

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Belarussians browsing used cars in Minsk on Saturday while the government waited for international funding. **Sergey Ponomarev**

Belarus made a first step toward overcoming a deep currency crisis Saturday, securing a $3 billion loan from a Russian-led bailout fund, but said it still needed funding of up to $8 billion from the IMF.

The Minsk government hopes that together these funds, equal to a fifth of its gross domestic product, will help the former Soviet republic avoid economic chaos, stabilize its ruble currency and tame runaway inflation.

The crisis was a political blow to authoritarian President Alexander Lukashenko who has run the country since 1994, keeping the Soviet-style government-dominated economy largely intact and touting welfare and stability as his key achievements.

On Saturday, Belarussian Finance Minister Andrei Kharkovets said he hoped that the Russian loan would facilitate a deal with the IMF, whose mission will work in Belarus until June 13.

"We are happy with the conditions of the loan," Kharkovets said. "We will definitely fulfill them."

The first tranche of the loan, which could be disbursed this month, will amount to $800 million. Further tranches will be disbursed within three years following reviews of key program indicators.

The deal requires Belarus to sell off $7.5 billion in state assets within the next three years. Kharkovets said it did not require privatization of any specific companies, but analysts say potash miner Belaruskali is the most interesting asset.

"We base our assumption [of a successful bid for IMF aid] on the fact that the program signed today will satisfy also the International Monetary Fund," Kharkovets said.

But analysts say the IMF, which issued $3.5 billion in loans to Minsk from 2009 to 2010 only to see all progress erased by increased public spending in the run-up to the December 2010 presidential election, will put up tougher requirements.

Lukashenko's latest crackdown on the opposition also complicates the situation. Police rounded up hundreds of people, including several presidential candidates, who protested against Lukashenko's re-election last December.

"Belarus is unlikely to get [IMF] financing without approval of an aggressive plan of structural reforms," BNP Paribas economist Yulia Tseplyayeva said in a note Friday.

"In addition, political aspects are reducing chances of the country to win IMF support," she said.

"The first tranche of the [Russian $800 million] loan, which may come in mid-June at the earliest, is clearly insufficient for the country's needs — and demand for financing will remain high."

Lukashenko has threatened to sack the government and central bank heads if they fail to restore order on the foreign currency and consumer markets by the end of June.

The government this week announced plans to cut the budget deficit by a half to 1.5 percent of GDP and said it would cancel all exemptions that allowed some exporters to dodge mandatory foreign currency sales.

But trade union leaders have warned the cabinet it is losing its credibility.

Tseplyayeva said the price controls would not be effective.

"We anticipate the current shortage of goods to deepen in the coming weeks," she said.

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