

## **SURVEY BANKING SECTOR OF THE REPUBLIC OF BELARUS**

In the quarter of 1999 the Government and the National Bank had to act instead of being dependent on their previous backing policies. Deficit of the state budget has been maintained on a considerably low level at the expense of nominal increases in state revenues due to the inflation.

On the money market an increasing gap between the official and «parallel market» rates of hard currency exchange was observed. The quick pace of the national currency devaluation on «parallel markets» has led to the substantial increase of costs of importing raw materials and production resources. Simultaneously the price control has been intensified.

Incipient liberalisation of the use of the Belarusian national currency in export-import operations appeared to be a positive trend of the money market development in the third quarter.

In the banking sector of Belarus the consecutive policy of resources concentration in the biggest state banking group has been carried out. The state banks depend seriously on special lending from the National Bank. Sufficiency of capital and liquidity in this sector of the banking system were influenced by a great number of assets related to the state financing programs. Such programs have an uncertain level of risk and efficiency, and, from the commercial point of view, they appear to be non-performing assets. At the same time the banks were provided either with resources to support their liquidity or with permissions to use their compulsory reserves.

The National Bank has carried out consistent policy of the banking sector consolidation by means of setting the minimum registered capital. This policy has simulated mergers in the banking sector and made the banks fight depreciation of their registered funds in the national currency.

On the financial market of the republic, there were increases in the turnover of bills of exchange issued both by enterprises and banks. Even despite some peculiarities of the national legislation and regulation, the bill of exchange appears to be the main instrument on the official market of Belarus, which provides real profitability in the national currency.

In the third quarter the banking market was experiencing a strong

administrative intervention in the distribution of currency resources on a security of the Government. Currency profitability on the official financial market of the republic has become a very complicated task. This led to a reduction in the currency capital of the commercial banks and made it a more safe and effective to place currency assets with non-residents.

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## **PRIVATISATION AND RESTRUCTURING IN THE REPUBLIC OF BELARUS**

The term «privatisation» refers to the change in ownership from the public to the private sector. A firm is considered «privatised» when the majority of its shares (i.e. greater then 50%) have been transferred from the state to the private sector. The term «restructuring» refers to change in firms' management, inputs, products, assets holdings and financial structure that are required if firms are to operate efficiently and profitably in a market economy, as opposed to a planned economy.

Privatisation is, in most cases, seen as a necessary step towards restructuring, as privatisation removes the role of administrative authorities from firms' decision making processes, and focuses firms' activities on the interests of shareholders. Managers of privatised enterprises become obliged to make decisions on the strategy and operations of their business in the light of available prices and potential profits. In privatised firms, managers are directed (and controlled) through a governance system of directors and shareholders, who can promote and dismiss managers on the basis of financial performance of the firm.

An intermediate step in the privatisation process is usually reffered to as «commercialisation», which involves the transformation of state firms into joint-stock companies in preparation for privatisation. In Belarus , the transformation of state firms into joint-stock companies is called «corporatisation» . Privatisation takes place usually through sale of state of corporatised firms («properties») by auction of some form of competitive sale, or by buy out of workers and/or management. In Belarus the practice of «alienation» can also be effected. This involves the selling-