

Belarus Complies with IMF Imposed Economic Reforms. Revision of “Social Contract”

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In order to receive the IMF funding the Belarusian authorities are willing to sacrifice some social benefits for the population. However, Minsk is uncompromising about preserving the high share of state ownership in the economy. The Belarusian government hopes to preserve the existing economic model, but partially dismantle its social components.

Head of the IMF mission to Belarus Peter Dolman emphasised during a public lecture at the TUT.BY Gallery that Minsk should accelerate and deepen [economic reforms](#).

The Belarusian authorities continue to revise the social contract with the population and have confirmed that the state would discontinue some support for the population, which would lower people’s wellbeing. Apparently, the Belarusian government reckons that the population has adapted to zero wage growth and does not count on the state as a source of growth in prosperity. In addition, during the current year, the authorities are carrying out gradual cuts in wages in the public sector.

Nevertheless, the Belarusian government is firmly negative about reducing the presence of the state in the economy and seeks to keep the current share in the state property. That said, the government has once again announced plans to raise utility tariffs for the population, which, in the same manner as the increase in the retirement age, is pitched as reforms to external creditors.

Cutting state subsidies to the housing sector may be sufficient to meet the IMF requirements, but does not mean structural reforms in order to enhance participation of private businesses in the economy. Incidentally, while talking external creditors, the Belarusian leadership has shifted the focus from the denationalisation of state property to improving the efficiency of state-owned enterprises.

Simultaneously, the authorities manifest the development of new compensatory mechanisms of social protection for the population in the case of reforms, but they are unlikely to introduce them any time soon. The authorities’ attitude could be explained by the absence of intention to carry out large-scale de-nationalisation, which would require new mechanisms of state support for the population.

Overall, the authorities intend to preserve control over the workforce due to the high share of state ownership in the economy. Apparently, the Belarusian government aims to obtain funding for the economy from international lenders through revising of social guarantees to the population.

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