

## Chapter 9. Belarus: Small Business Act country profile

*In recent years, the Government of Belarus has been increasing its efforts to promote private-sector development, strengthen the position of SMEs and sustain growth, employment and resilience. Noteworthy achievements since the previous SBA assessment include the recent adoption of an SME Development Strategy 2030 and the elaboration of provisions for the establishment of an SME agency. In addition, the adoption of Presidential Decree No. 7 “On the Development of Entrepreneurship” substantially simplified regulations for doing business as it includes provisions for minimising state interference in business operations, presuming the good faith of enterprises, and banning the introduction of new taxes until 2020.*

*However, SMEs’ contribution to value added and employment in the business sector remains limited and state-owned enterprises continue to play a disproportionate role in the economy. To increase the competitiveness of Belarusian SMEs, the authorities could reinforce their efforts to create level-playing-field conditions for all firms regardless of size and ownership status, establish a healthy competition culture in the economy and support the development of entrepreneurial human capital.*

## Key findings

Figure 9.1. SME Policy Index scores for Belarus

Country scores by dimension, 2020 vs. 2016

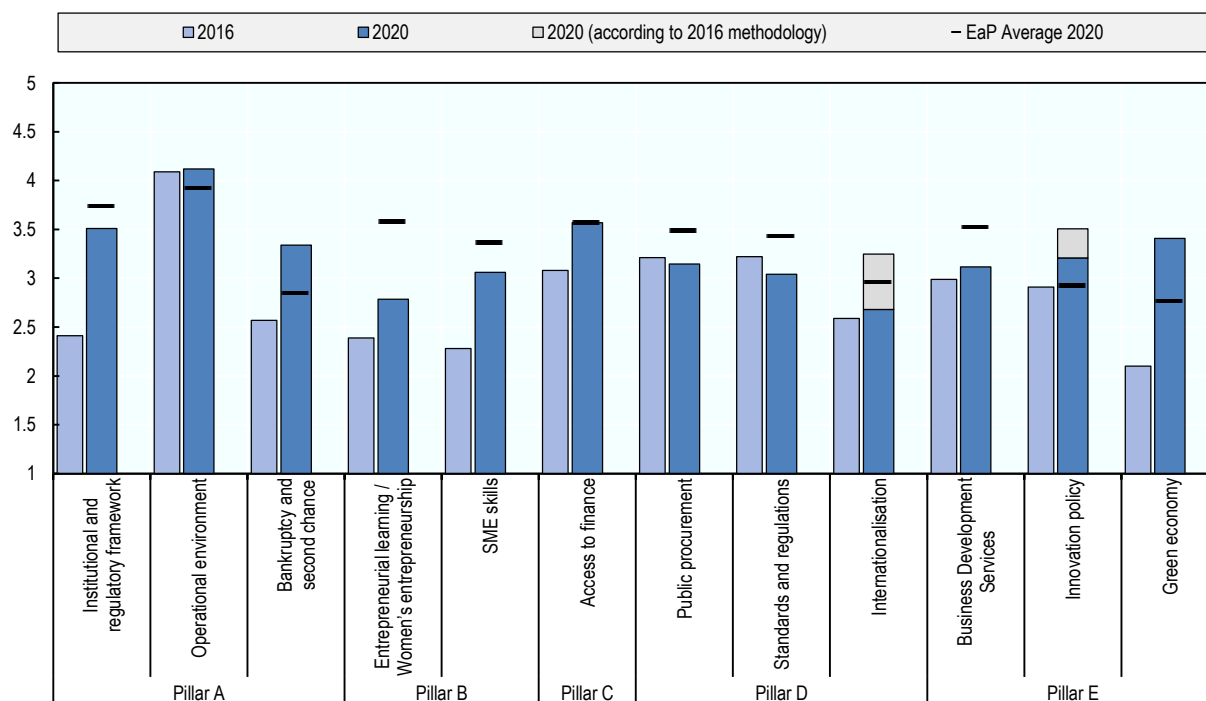
StatLink  <http://dx.doi.org/10.1787/888934087401>

Table 9.1. SME Policy Index scores for Belarus, 2020 vs. 2016

Pillar	Dimension	BLR 2020	BLR 2016	EaP average 2020	BLR 2020 (2016 methodology)
A	Institutional and regulatory framework	3.51	2.41	3.74	3.51
	Operational environment	4.12	4.09	3.92	4.11
	Bankruptcy and second chance	3.34	2.57	2.85	3.21
B	Entrepreneurial learning / Women's entrepreneurship	2.79	2.39	3.58	n.a.
	SME skills	3.06	2.28	3.36	n.a.
C	Access to finance	3.57	3.08	3.57	3.49
D	Public procurement	3.15	3.21	3.49	3.15
	Standards and regulations	3.04	3.22	3.43	2.96
	Internationalisation	2.68	2.59	2.96	3.25
E	Business development services	3.11	2.99	3.53	3.11
	Innovation policy	3.21	2.91	2.92	3.51
	Green economy	3.41	2.10	2.77	3.41

**Table 9.2. Implementation progress on SME Policy Index 2016 priority reforms – Belarus**

Priority reforms outlined in SME Policy Index 2016	Key reforms implemented so far
<b>Pillar A – Responsive government</b>	
Finalise new SME strategy, including new institutional arrangements, public-private dialogue structure and M&E systems. Review the insolvency legislation in line with international best practices; remove discrimination against failed entrepreneurs.	Adopted an SME strategy, including provisions for the establishment of an SME agency; Reinforced the mandate of the Council for Entrepreneurship Development (public-private dialogue); New draft law on Insolvency and Bankruptcy submitted for Government approval in 2019.
<b>Pillar B – Entrepreneurial human capital</b>	
Integrate the entrepreneurship key competence and 'learning outcomes' into the education system. Improve SME training statistics to capture each target group, including sex disaggregation.	Integration of the entrepreneurship key competence in primary and secondary education as a behavioural model and a life strategy; State program for SME support (2016-2020) contains actions to develop student mini-companies at the level of general secondary education.
<b>Pillar C – Access to finance</b>	
Improve the legislative and regulatory framework, in particular by strengthening creditors' rights, improving access to the credit information registry and adopting legislation on a registry for securities over movable assets. Enhance the competitiveness of the banking sector.	Banking regulations have been strengthened, with full adoption of Basel II standards and a view of complete Basel III implementation by the end of 2020; Launch of an online registration system for movable assets, allowing SMEs to provide alternative securities when accessing finance; Operationalisation of the Credit Guarantee Fund, reducing the perceived risk for banks to lend to SMEs with lower collateral.
<b>Pillar D – Access to markets</b>	
Consider establishing an adequate institutional framework for export promotion and offer a broader menu of services. Improve quality infrastructure and market surveillance.	Concept note for the establishment of an export promotion agency (under the new SME agency) submitted to the Government.
<b>Pillar E – Innovation and Business Support</b>	
Undertake a needs assessment for information, training and consulting services; develop a programme to encourage the emergence of a private business development service market. Promote SME participation in public procurement.	Survey carried out on demand and supply of BDS in Belarus in 2016; Expanding innovation infrastructure.

## Context

### *Economic snapshot and reform priorities*

The Belarusian economy remains largely state-controlled and its economic model is heavily oriented towards maintaining full employment. Although there are fewer state-owned companies than private businesses, fully and partially state-owned enterprises (SOEs) account for about one third of total employment and gross value-added (IMF, 2019<sup>[1]</sup>; Belstat, 2019<sup>[2]</sup>). According to the World Bank's Enterprise Surveys, the percentage of firms with at least 10% of government/state ownership is 8.7%, considerably higher than the Europe and Central Asia average (1.2%) (World Bank, 2018<sup>[3]</sup>). In addition, increasing inefficiencies in the SOE sector, which dominates key industries such as machinery and chemicals, are limiting the growth potential of the country by causing a suboptimal allocation of capital, labour and resources, distorting competition and price mechanisms. The government has shown increasing commitment to the development of the private sector and is planning to implement gradual structural reforms, including SOE reforms and further relaxation of price controls. A flourishing IT sector is a good example of a quickly emerging industry in Belarus, in which private businesses are thriving thanks to the strong human capital available in the country, coupled with the strategic choice to introduce a highly preferential tax and regulatory regime for the sector (IMF, 2019<sup>[1]</sup>).

Belarus displays high trade openness, with exports and imports representing 139% of GDP in 2018 (Table 9.3). Efforts have been made to diversify export markets, with exports to the EU rising from 26.8% in 2017 to 30.2% of GDP in 2018. Since 2015, Belarus has been a part of the Eurasian Economic Union (EAEU), which still accounts for almost half of exports. Russia remains the main export destination, accounting for 39% of Belarus's exports in 2018, followed by Ukraine (12%) and the United Kingdom (9%) (The Economist Intelligence Unit, 2019<sup>[4]</sup>). Additionally, exports are undiversified in terms of goods sold (mainly oil and oil products), which is largely due to limited export competitiveness of Belarusian goods (IMF, 2019<sup>[1]</sup>). Foreign direct investment (FDI) inflows could improve product quality and export competitiveness, but FDI inflows are very low, at 2.3% of GDP in 2017, and they have been on a downward trend since 2015 (a small recovery occurred in 2018, when they reached 2.5%). As reported in the World Bank's Enterprise Surveys, the percentage of firms using material inputs and/or supplies of foreign origin and the proportion of total inputs that are of foreign origin in the manufacturing sector are 81.7% and 51.5% respectively, substantially higher than the averages in Europe and Central Asia (65.6% and 39.4%) (World Bank, 2018<sup>[3]</sup>).

**Table 9.3. Belarus: Main macroeconomic indicators, 2013-18**

Indicator	Unit of measurement	2013	2014	2015	2016	2017	2018
GDP growth*	Percentage, y-o-y	1.0	1.7	-3.8	-2.5	2.5	3.0
Inflation**	Percentage, y-o-y	18.3	18.1	13.5	11.8	6.0	4.9
Government balance <sup>1**</sup>	Percentage of GDP	-1.0	0.1	-3.0	-1.7	-0.3	2.4
Current account balance*	Percentage of GDP	-10.0	-6.6	-3.2	-3.4	-1.7	-0.4
Exports of goods and services*	Percentage of GDP	58.3	54.9	58.0	62.5	66.8	70.2
Imports of goods and services*	Percentage of GDP	61.5	55.7	57.9	62.7	66.6	69.1
FDI net inflows*	Percentage of GDP	3.0	2.4	2.9	2.6	2.3	2.5
General government gross debt**	Percentage of GDP	36.9	38.8	53.0	53.5	53.2	47.8
Domestic credit to private sector*	Percentage of GDP	22.9	23.6	27.9	25.7	26.2	27.8
Unemployment <sup>2*</sup>	Percentage of total active population	5.9	5.9	5.9	5.8	5.7	5.7
Nominal GDP*	USD billion	75.5	78.8	56.5	47.7	54.7	59.7

<sup>1</sup> General government net lending/borrowing.

<sup>2</sup> Modelled ILO estimates.

Source: \*World Bank (2019<sup>[5]</sup>), *World Development indicators*; \*\*IMF (2019<sup>[6]</sup>), *World Economic Outlook*, both accessed on December 2019

In recent years, the macroeconomic environment has improved. The joint efforts of the government and the National Bank have been instrumental in delivering greater exchange rate stability, as well as bringing down inflation rates to the historically low level of 4.9% at the end of 2018 (vs. 13.5% in 2015) (IMF, 2019<sup>[1]</sup>).

Following a sharp recession in 2014-16, real GDP growth resumed in 2017-18, supported by higher oil prices,<sup>1</sup> robust external demand and domestic demand fuelled by double-digit wage growth (The Economist Intelligence Unit, 2019<sup>[4]</sup>).

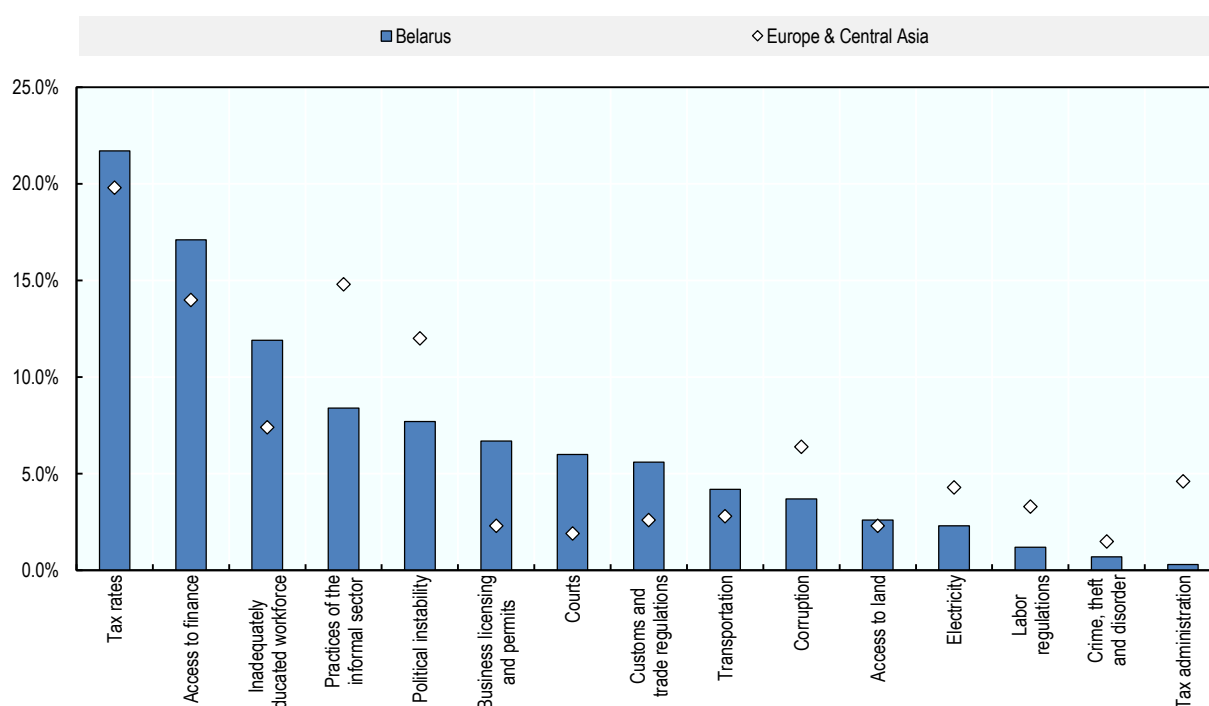
However, risks to growth and fiscal balance are significant due to the impact of Russia's gradual introduction of a new oil-taxation regime since early 2019, which will abolish duty-free imports of Russian oil. Less-than-full compensation for the ensuing losses would reduce medium-term growth and increase the fiscal and current account balances via the reduction of customs duties on oil exports refined in Belarus and higher import costs for Russian crude (The Economist Intelligence Unit, 2019<sup>[4]</sup>).

### Business environment trends

The preferential regime that SOEs enjoy in terms of financial resources, raw materials, lower energy prices and softer attitude of regulatory authorities is a constraint on the development of a vibrant private sector. Moreover, some additional elements are perceived by the entrepreneurs as obstacles to their businesses' development. As presented in Figure 9.2, the constraint perceived by the majority of entrepreneur in Belarus as the principal obstacle are high tax rates, followed by difficult access to finance and inadequately educated workforce (World Bank, 2018<sup>[3]</sup>).

**Figure 9.2. Business environment constraints in Belarus**

Percentage of surveyed firms that consider a specific business environment obstacle as the most important one.



Source: World Bank (2020), *Enterprise Survey: Belarus*.

StatLink  <http://dx.doi.org/10.1787/888934087420>

However, since 2010, the government has taken important steps to improve the policy environment for private enterprises and especially SMEs. Presidential Decree No. 4 “On the Development of Entrepreneurship and Stimulation of Business Activity in Belarus”, adopted in 2010, remains the core document that focuses on improving the business climate and maintaining an open dialogue between the private sector and the government. It has been complemented by Presidential Decree No. 7 (2017) “On the Development of Entrepreneurship”, which substantially simplifies regulations for doing business in Belarus, bans the introduction of new taxes until 2020 and minimises state interference in business operations with the assumption of “good faith” of enterprises. The latter radically changes government-business relations: firms can now conduct business operations in a more

independent way, without being subject to frequent and unjustified scrutiny from state authorities.

Furthermore, the Belarusian government is committed to introducing reforms that will also improve the country's position in the World Bank *Doing Business* rankings. An action plan to improve the rating of the country is an integral part of Belarus's five-year SME state support programme for 2016-20. The plan includes time-frames for every activity, responsible bodies and expected impact. Since 2015, Belarus has risen 8 places, ranking 49<sup>th</sup> in 2020, with considerable improvements in the *getting credit*, *resolving insolvency* and *getting electricity* indicators (World Bank, 2019<sup>[7]</sup>).

In the Economic Freedom Index, Belarus in 2016 ranked 157<sup>th</sup>, with a total score of 48.8. The country rose to 104<sup>th</sup> in 2019, with a score of 57.9, due to the progress in investment freedom, monetary freedom, property rights and government integrity. In Transparency International's Corruption Perception Index, Belarus has risen by nine positions since 2015, ranking 70<sup>th</sup> in 2018.

### ***SME sector***

The country's SME definition has remained unchanged since 2010: SMEs are exclusively defined by the number of employees and are divided into individual entrepreneurs, micro (up to 15 employees), small (16-100 employees) and medium enterprises (101-250 employees) (Table 9.4). This definition is not used consistently in legislation; for example, turnover determines eligibility for some tax advantages.

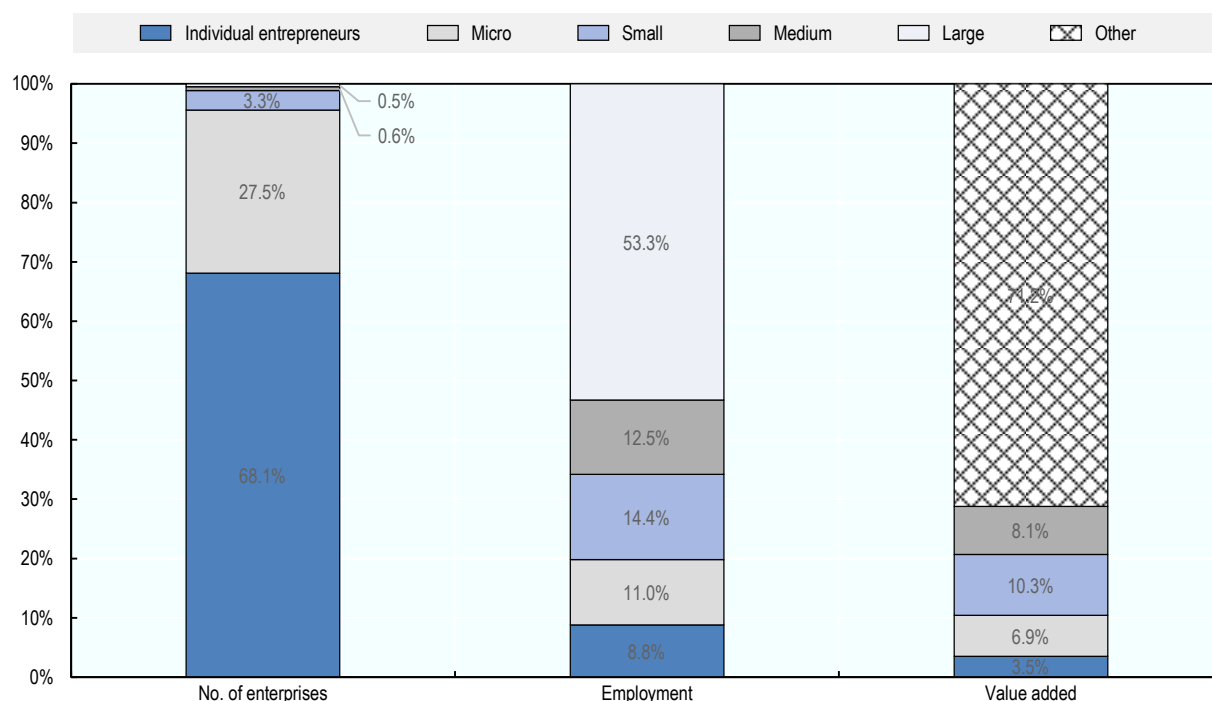
**Table 9.4. The SME definition in Belarus**

	Individual entrepreneurs	Micro	Small	Medium
Average number of employees	1-4 employees	≤ 15 employees	≤100 employees	< 250 employees

*Source:* Law of the Republic of Belarus of 1 July 2010, No. 148-31, "On State Support for Small and Medium Entrepreneurship"; EU4Business Country Report Belarus 2018.

The economic role of SMEs in Belarus remains limited. In 2018, the share of SMEs, including individual entrepreneurs, in the total business population was 99.5% (Figure 9.3Figure 9.2.). The number of individual entrepreneurs, micro, small and medium-sized enterprises has declined to 346 109 in 2017 from 363 160 in 2014, which can to some extent be attributed to the macroeconomic slowdown. In 2018, individual enterprises represented 68.1% of all business entities; microenterprises 27.5%; small enterprises 3.3%; medium enterprises 0.6% and large enterprises 0.5%. All size categories of business entities, including large ones, displayed a decrease of registered companies.

In 2018, SMEs accounted for 28.8% of gross value added, up from 27.6% three years earlier. Most of the growth stems from micro and medium-sized enterprises. The share of SMEs in Belarusian exports of goods has fluctuated over the last four years. The 2017 level of 47.2% remains clearly above the 42.1% observed in 2014. At the same time, the number of employees working for SMEs (including individual entrepreneurs) declined from 1 477 300 in 2014 to 1 278 011 in 2018. This corresponds to 46.7% of the total number of employees in Belarus, up from 43% in 2014. Most of this increase is due to the relative stability of employment in microenterprises and individual entrepreneurs while total employment declined.

**Figure 9.3. Business demography indicators in Belarus by company size, 2018**

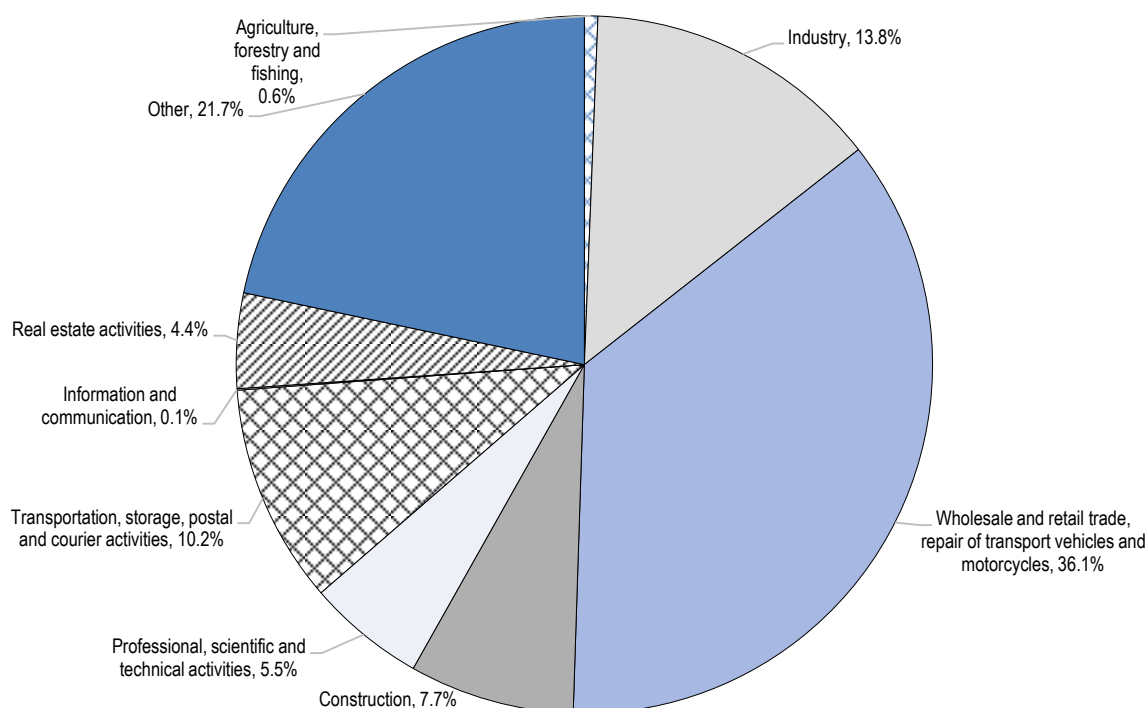
*Note:* 'Other' represents large enterprises', non-commercial entities' and non-observed economies' contribution to value added.

*Source:* National Statistical Committee of the Republic of Belarus (Belstat).

**StatLink**  <http://dx.doi.org/10.1787/888934087439>

Belarusian SMEs mostly operate on very small scales in non-innovative, low-productivity industries, which explains their limited contribution to value added. In 2018, 36% of SMEs operated in manufacturing and trade, as well as repair of motor vehicles (Figure 9.4). Only 3.5% of SMEs introduced product or process innovation in 2018 compared to 34% in the EU (Belstat, 2018<sup>[8]</sup>; EU, 2019<sup>[9]</sup>). However, the rapid expansion of the IT sector is worth mentioning, with exports of ICT services having nearly doubled from 2010 to 2018, reaching 21% of all service exports in 2018.

Despite the limited participation in innovative and high-productivity industries, according to the World Bank's Enterprise Surveys, 36.8% of small and 46.1% of medium enterprises introduced a new product and/or service (compared to the considerably lower Europe and Central Asia averages of 25.7% and 30.8%). For 61.1% of small and 68.2% of medium enterprises, the product/service introduced was also new in the main market (Europe and Central Asia averages are in this case higher, namely 66.5% and 70%). Finally, the percentages of firms that introduced a process innovation are also higher than average, accounting for 21.7% for small enterprises and 32.2% for medium enterprises (Europe and Central Asia averages are 19.2% and 25.3%) (World Bank, 2018<sup>[3]</sup>).

**Figure 9.4. Sectoral distribution of SMEs in Belarus, 2018**

Source: OECD calculations based on data from the National Statistical Committee of the Republic of Belarus (Belstat).

StatLink  <http://dx.doi.org/10.1787/888934087458>

## SBA assessment by pillar

### *Level playing field pillar*

#### *Competition*

Belarus is currently in the process of introducing a more market-oriented economy, and it is certainly a challenging task to apply a meaningful competition-law regime to an economy with such strong state influence. The establishment of the Ministry of Antimonopoly Regulation and Trade (MART) in 2016 as the body responsible for the implementation of the competition law provisions, enacted in the same year, is a big step in the right direction.

The competition law confers a wide range of powers on MART, including competition enforcement. The legal framework for competition incorporates most of the basic building blocks necessary for an effective competition law regime, namely the prohibition of anti-competitive agreements and concerted practices of undertakings, of abuses of dominance, merger control, legal acts restricting competition, and agreements or concerted practices of state authorities, as well as the application of competition law to public procurement. MART also seems to have most of the required investigation, sanctioning, and remedy tools at its disposal, with one notable exception: it lacks effective powers to conduct surprise, on-site inspections – so-called “dawn raids”. In terms of actual enforcement, MART carries out a large number of merger control proceedings (520 in 2017-18) and responds to an

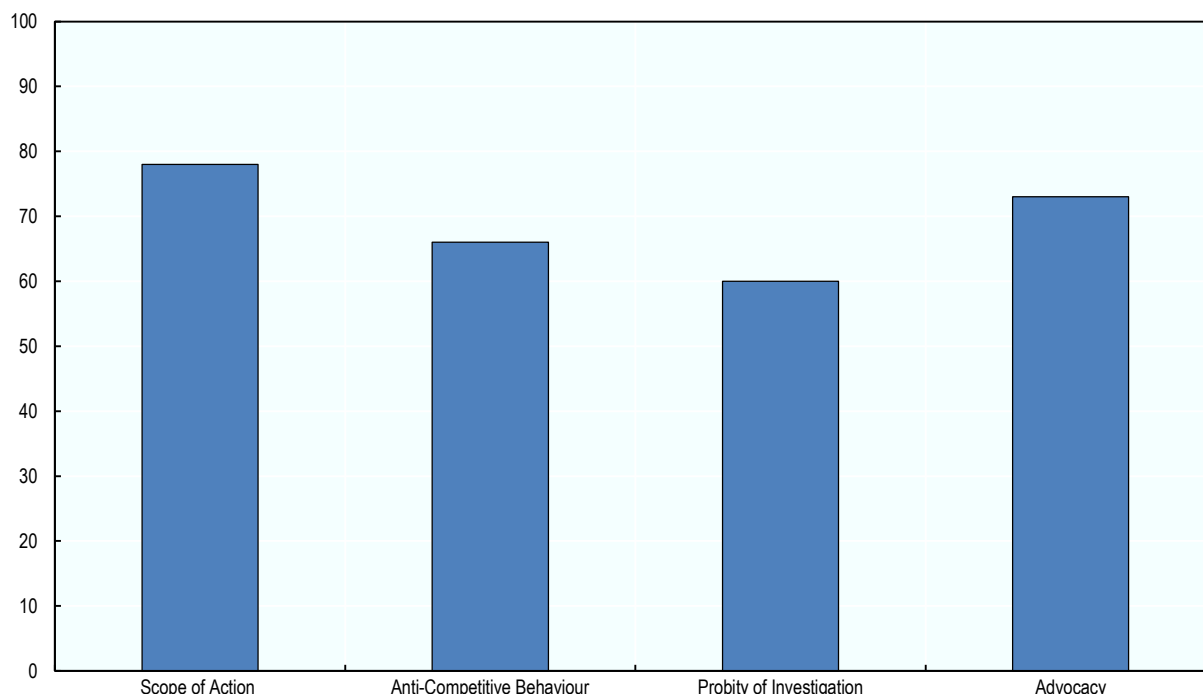


increasing number of complaints. It also conducts a large number of market studies every year and intervenes increasingly against anti-competitive practices by state bodies.

However, there is a total lack of meaningful cartel enforcement activity. In terms of due process and transparency, work remains to be done. There are no public merger decisions or any guidelines on enforcement rules and practices.

**Figure 9.5. Competition policy in Belarus**

Percentage of formally adopted competition criteria, as of June 2019



*Note:* The chart refers to the percentage of competition policy criteria formally adopted in the legal framework. It gives equal weight to all criteria. This does not illustrate actual enforcement activity in terms of relevance or quantity or provide information about the relevance of the criteria lacking or met.

*Source:* SBA questionnaire, interviews with MART and business associations.

StatLink  <http://dx.doi.org/10.1787/888934087477>

In an economy dominated by SOEs, it is of vital importance that the competition enforcement body enjoys far-reaching institutional independence. The competition enforcer needs to advocate for competitive neutrality in all aspects relating to SOE activity, and it has to intervene against public distortions of competition. Only then will new entrants to markets and SMEs be encouraged to engage and invest, in competition with the powerful, state-owned incumbents. It will be difficult to instil this kind of trust in private businesses if the enforcement body is part of the government structure.

MART would benefit from an increased and stable budget. The individuals working in competition enforcement need to be highly qualified, and the salaries and working conditions have to be of a nature to encourage them to stay in enforcement. A valid comparator would be independent regulators such as the Central Bank.

Cartel enforcement is the top priority of most jurisdictions. The failure to fight cartels comes at a high cost to the consumers and taxpayers of a country, who can expect to pay

10–20% higher prices for goods and services. As cartels often target public procurement, public services come at a much higher cost to taxpayers as well. Effective dawn-raid powers are a universally agreed-upon, indispensable tool for uncovering such illegal cartels. Cartel agreements cannot be established solely on the basis of parallel conduct observations or other indirect evidence. They require direct proof of communication or agreement. Given that MART also supervises public procurement, there are significant synergies that could be expected from an approach that makes good use of both instruments. Too many markets are analysed solely to define undertakings for inclusion in or deletion from the register of dominant enterprises. More in-depth investigations of a few socially relevant markets could help to indicate relevant public or private restrictions of competition, which could subsequently be addressed with appropriate enforcement measures or pro-competitive legal changes, to open markets to competition.

Market actors, government officials, politicians, academics, lawyers and media representatives need to understand the relevance and benefits of an effective competition law regime. MART should continue and enhance its efforts to provide information and training to establish a widespread competition culture. This needs, however, to be combined with meaningful enforcement action; otherwise, purely educational measures will lack the required credibility.

### *Contract enforcement and alternative dispute resolution*

Contracts in Belarus are enforced by commercial courts of first instance in Minsk and six regional cities on the basis of provisions in the Economic Procedural Code. While Belarus has no procedure for small claims in place, it has an extensive practice of writ proceedings.<sup>2</sup> In 2018, the share of appeals filed within the framework of writ proceedings represented more than 70% of all appeals of commercial courts. Evidence shows that contract enforcement procedures generally lack efficiency, as judges and bailiffs experience work overload – and, as a result, decisions are not enforced properly and in a timely manner. The World Bank has found in its Enterprise Surveys that 17.5% of small firms and 16% of medium firms identify the courts system as a major constraint (Europe and Central Asia averages are substantially lower, namely 6.5% and 9.2%) (World Bank, 2018<sup>[3]</sup>). In this regard, the government could introduce a framework for private enforcement of court decisions for a speedier and more effective procedure. In addition, courts' impartiality is challenged when it comes to commercial disputes between private and state-owned companies, as courts reportedly tend to favour SOEs in their decisions. According to a recent survey of SMEs (Urban, 2017<sup>[10]</sup>), unequal conditions for operations of private businesses and SOEs, as well as the lack of an independent and efficient court system, are regarded as among the main barriers to doing business in Belarus.

In 2015, the government launched the development of an automated information mechanism to improve the efficiency and transparency of courts' case management systems. As a result, in 2017, e-filing of cases, e-service of process, and e-payment of court fees were introduced and are now available in all commercial courts. In addition, starting from July 2019, full texts of decisions of economic courts are to be published on a dedicated website, which will contribute to the predictability of court decisions and promote consistency in the application of the law. Going forward, to ensure the transparency of its judicial system, Belarus could consider the introduction of random assignment of cases to judges, a widely adopted international practice, instead of the existing system of manual case assignment.

Belarus has put in place a comprehensive and well-functioning intellectual property rights (IPR) framework in line with international standards (WIPO, 2019<sup>[11]</sup>). IPR violations are subject to administrative and criminal liability and a Specialised Tribunal for Intellectual Property under the Supreme Court is in charge of IPR-related dispute resolution.<sup>3</sup> Broad discussions throughout 2017 on the establishment of an independent Business Ombudsman Office concluded on the high costs of setting up of such an institution and have not been followed up.

Alternative dispute resolution (ADR) mechanisms are widely recognised by Belarusian legislation and the government promotes ADR through a number of measures, including reduced court fees for parties engaged in mediation, ADR-clauses in commercial contracts, and ADR training for referral bodies provided by the Centre for Mediation and Negotiation. However, there is generally low awareness among SMEs of the benefits of ADR<sup>4</sup> and a lack of awareness-raising activities conducted by the government in that regard.

### *Business integrity*

Belarus has put in place a comprehensive agenda for combatting corruption through the 2015 Law “On Combatting Corruption” and the National Programme for Combatting Crime and Corruption of 2017-2019. The Republican Co-ordinating Meeting on Combating Crime and Corruption develops the programme every three years and conducts its regular evaluation. In 2018, the first National Risk Assessment of Money Laundering and Terrorist Financing for the period 2014-2017 was carried out, covering predominantly the activities of financial, judicial and real estate sectors. In addition, the government has elaborated a methodology of risk assessment for oversight bodies to be adopted when planning and carrying out inspections.

Based on this methodology and with the aim of strengthening the transparency and integrity of private sector operations, a number of registers of companies have been put in place – including a register of companies and individual entrepreneurs with an increased risk of economic wrongdoing, a register of unfair suppliers in public procurements, a register of legal entities having indebtedness to the state budget, and a register of best tax payers. At the same time, the existing anticorruption framework does not address business integrity policy directly. Going forward, the government could conduct a study of corruption risks in the private sector (with a particular focus on SMEs, and actively engaging with business associations in the process) and elaborate dedicated business-integrity measures under the existing anti-corruption programme.

Corruption prevention is ensured through a number of mechanisms. Mandatory disclosure of companies’ final beneficiaries is in place and the information is accessible through the Unified State Register of Legal Entities and Individual Entrepreneurs maintained by the Ministry of Justice. In addition, while there is no criminal liability of legal persons charged with corruption in place, draft amendments to the Law on Combatting Corruption that would provide for it are under development. The legal framework in Belarus provides for whistle-blower protection and contains provisions on remuneration of individuals contributing to corruption detection. Businesses can report corruption online via the website of the Prosecutor General’s Office or directly to the bodies in charge of the implementation of anti-corruption policy. However, the effectiveness of reporting mechanisms in place is difficult to assess given the lack of data in that regard. Overall, Belarus has improved its position in Transparency International’s Corruption Perception Index, moving from 107<sup>th</sup> in 2015 to 70<sup>th</sup> in 2018.

Efforts aiming at corruption prevention mostly concern corruption in the public sector (i.e. a series of seminars titled “The fight against corruption is a vital task of state and society” conducted across regions in 2018), while no specific private sector-oriented training has been conducted in this regard by the government. Despite the lack of government efforts specifically to promote business integrity, there have been cases of introduction of codes of conduct in business associations (i.e. a business association named after Professor Kunyavskiy) and promotion of compliance and corporate ethics principles in large enterprises and associations (i.e. participation in UN Global Compact Initiative). As a next step, Belarus could consider developing a programme to promote business integrity with a focus on SMEs in order to encourage companies to introduce compliance mechanisms and equip businesses with dedicated corruption prevention tools.

### ***Pillar A – Responsive government***

#### *Institutional and regulatory framework for SME policy*

Since the 2016 SBA assessment, Belarus has made significant progress in the establishment of a comprehensive institutional and regulatory framework for SME policy. The country’s SME policy continues to be defined by the strategic guidelines set in the law “On SME Support” approved in 2010, which also set the current SME definition based on employment criteria. The Ministry of Economy’s Entrepreneurship Department has the mandate to develop SME policy.

Traditionally, SME policy has been organised around successive multi-year state programmes, the latest covering 2016-20. The programmes contain a list of support measures and initiatives, as well as a set of quantitative targets, related to SME contribution to employment and GDP, as well as targets related to the outputs of specific SME support programmes. In 2018, the Council of Ministers approved the first country strategy for SME development, which covers the period to 2030: “Belarus – a country for successful entrepreneurship” (Government of Belarus, 2018<sup>[12]</sup>) – a document that sets medium-term objectives for SME development for the first time. The Ministry of Economy led the elaboration of the strategy, with the support of a working group including the Council for Entrepreneurship Development, other central and local government bodies and private sector organisations.

The SME Development Strategy outlines the country’s main policy priorities for the SME sector. The focus is on improving the business climate, the promotion of entrepreneurial activity and private enterprises, the introduction of measures supporting innovation, fixed investments and exporters and the strengthening of the institutional framework, with the establishment of new institutions to support SME policy implementation. The strategy does not include quantitative or qualitative targets, nor does it contain a section on monitoring and evaluation, which instead are included in the still applicable and updated complementary multi-year state programme.

Moreover, the Ministry of Economy is currently elaborating a concept paper evaluating different options and configurations related to the establishment of an SME development agency. SME policy implementation is currently conducted by a mix of institutions, such as the Ministry of Economy, the Belarusian Fund for the Financial Support of Entrepreneurs (BFFSE) under the Ministry of Economy, the Regional Executive Committees, and the state accredited business support infrastructure.

The improvement of the business climate is one of the key priorities listed in the SME Development Strategy. Presidential Decree No. 7 “On the Development of

Entrepreneurship”, enacted in November 2017, has eliminated a number of redundant administrative procedures related to business activity, while the government, guided by a dedicated Action Plan, is co-ordinating a systematic review of the administrative functions covered by the indicators in the World Bank’s *Doing Business* report, including through the National Centre of Legislation and Legal Research.

Belarus has not yet introduced a full regulatory impact analysis (RIA) process for the review of new legal and regulatory acts. However, the January 2019 Resolution of the Council of Ministers No. 54 “On forecasting the consequences of regulatory legal acts” figures among the most significant changes since 2015. It contains a separate chapter on assessing the impact of draft legal acts on entrepreneurship. However, time is required to evaluate how such RIAs will be carried out in practice. As a next step, an SME test could be included in the RIA mechanism in order to assess the specific impact on smaller firms.

Belarus has introduced formal requirements concerning public-private consultations. The Resolution of the Council of Ministers on Public-Private Consultations states that all legal acts that have a significant impact on business activity must go through a formal consultation process before final approval. In line with Presidential Decree No. 4, 40 national and 133 regional advisory councils have been created within state authorities for public-private consultations, and 722 meetings have been held in the country since 2011 (including 74 in the first half of 2018). The private sector representatives sitting in the advisory councils have the right to submit legislative and regulatory proposals and may call for exceptional meetings. In addition, all draft laws are posted on a single central government web site for public consultations ([www.pravo.by](http://www.pravo.by)).

Since 2018, public-private dialogue has grown even stronger, with the expansion of the mandate of the Council for Entrepreneurship Development of Belarus, an advisory body under the President. Chaired by the First Deputy Prime Minister, the Council brings together successful representatives of the private sector (out of 20 members of the Council, 19 are heads of the most prominent and successful businesses). It meets on a quarterly basis and has a mandate to review and propose amendments to existing and draft legislation, and to propose government support programmes for entrepreneurs.

### *Operational environment for SMEs*

Since 2016, Belarus has achieved only limited improvement in the overall score of this dimension, although it has started from an already relatively strong base. That regulatory reform is proceeding at a slow pace is also confirmed by the country’s overall rank of Belarus (30<sup>th</sup> out of 190 countries) in the 2020 World Bank *Doing Business* report. However, Belarus ranks high in a number of *Doing Business* indicators and specifically on registering property (14), getting electricity (20) and trading across borders (24) (World Bank, 2019<sup>[7]</sup>).

The extension and upgrading of e-government services is mentioned as one of the main priorities of the State Programme for the Development of the Digital Economy and the Information Society for 2016-2020. A wide range of e-government services is already available, including tax and social security filing, pension and social contributions, with access via e-signature and m-signature.<sup>5</sup> Online registration of real estate properties will be available in 2020. The government has also begun developing an Open Government Data concept and is working to create a national open-data portal, under the co-ordination of the Ministry of Communications.

Company registration in Belarus has improved since the 2016 assessment and is now relatively efficient. According to the 2020 *Doing Business* report, it takes eight days and a half to start a business, registered as a limited liability company; four procedural steps are required, and the cost of the overall starting a business is equal to 0.5% of the country's income per capita. In 2018, Belarus further improved the procedures by creating a unified registry database, by setting a time limit for the completion of the company registration procedures, and by cutting in half the minimum capital requirement for limited liability companies. A network of one-stop shops offering company registration procedures has been established across the country, while an online registration facility is also available.

The issuance of business licences is regulated by the Presidential Decree “On Licensing of Certain Types of Business Activities”, which was approved in 2010. All licensing requirements and the corresponding fees for processing the license application are listed on a dedicated government website. Although no significant change in this area has taken place since 2016, the government is conducting a review process and plans to issue a new decree “On Improving Licensing Requirements”.

The tax regime for small enterprises in Belarus is based on a presumptive approach, which depends mainly on companies' turnover. SMEs may benefit from a simplified tax regime, if below certain employment and turnover thresholds (Legal entity < 100 employees and revenue < 1 159 800 BYN; individual entrepreneur < 126 700 BYN for 9 months of the year preceding the year in which the company intends to apply the simplified tax system), while VAT exemptions are foreseen for smaller enterprises (Deloitte, 2017<sup>[13]</sup>). According to the 2020 *Doing Business* report, seven tax payments are due per year, requiring a total of 170 hours. Both data points are better than the regional EaP average. The post-filing index is set instead at 50.00/100, a relatively poor performance (World Bank, 2019<sup>[7]</sup>).

### *Bankruptcy and second chance*

The 2012 Law on Business Failure (Bankruptcy) and several Presidential Decrees continue to define the insolvency framework in Belarus. No major developments have been implemented since 2016, although the efficiency of the framework recently improved. *Doing Business 2020* reports improvements in the average time needed to resolve insolvency in Belarus (1.5 years, compared to 3 years in 2015) and in related costs (17% of estate, compared to 22% in 2015) (World Bank, 2019<sup>[7]</sup>).

The Law states a definition of indefinite discharge from bankruptcy of companies, by recognising obligations as repaid if they are not satisfied due to insufficient debtor means. At the same time, unrecognized and unapproved claims of creditors are also recognized as repaid if creditors have not applied to the economic court. The only exception to this rule is the preservation of obligations arising from illegal actions. Various insolvency procedures (protective period, financial rehabilitation and liquidation) have separate timeframes with possible, but very rare, extensions of financial rehabilitation procedures (performed by the economic court only at the request of a state body and in agreement with the government). Provisions on secured transactions, introducing a separate sequence of payments for the former, are also included in the law.

Although no major improvements in the legal framework have been formally introduced since the previous SBA assessment, a draft Law on Insolvency and Bankruptcy was prepared and submitted to the House of Representatives in 2019 to address the framework's shortcomings. The draft Law notably contains provisions to simplify the insolvency declaration, expedite the timeframe of insolvency procedures, enhance the framework and prioritise secured creditors, strengthen the protection of workers' rights during insolvency

procedures, and introduce random choices of managers, their self-regulation and the transition to e-commerce exclusively. At the same time, the draft Law contains no restrictions on the registration of a former (recognised) bankrupt as an individual entrepreneur, nor any restrictions on the right to carry out an entrepreneurial activity in the case of a false, intentional or concealed bankruptcy.

Prevention measures focus primarily on SOEs. The Ministry of Economy conducts regular analysis of SOE solvency and the efficiency of bankruptcy prevention measures for SOEs, but does not collect data on the application of preventive measures for private companies. Although private companies and individual entrepreneurs in financial distress have to some extent access to specific services to help prevent failure, these services lack visibility and accessibility, requiring efforts to promote and monitor preventive measures for entrepreneurs. Among the existing business support centres, very few have websites describing the available services, especially in the regions. An early-warning system identifying financially distressed businesses before filing for bankruptcy is in place. The Ministry of Economy, as well as Commissions on Preventing Business Failure, are responsible for the detection of insolvency and for pre-trial rehabilitation measures. However, the early-warning measures often take the shape of interrogations on management issues and imply that managers are solely responsible for the company's situation. These measures could rather take the form of consultations and provide further support and services to restructuring in order to save a larger portion of the debtor's asset and promote the idea of second chance for honest entrepreneurs.

Belarus should also consider implementing a dedicated policy or information campaign to promote second chance for entrepreneurs seeking a fresh start. Bankrupt entrepreneurs seeking a fresh start may currently benefit from the same range of services and support provided by public institutions or the business support infrastructure, but they are not allowed to register a new business entity until one year after their exclusion from official registries.

### ***Pillar B – Entrepreneurial human capital***

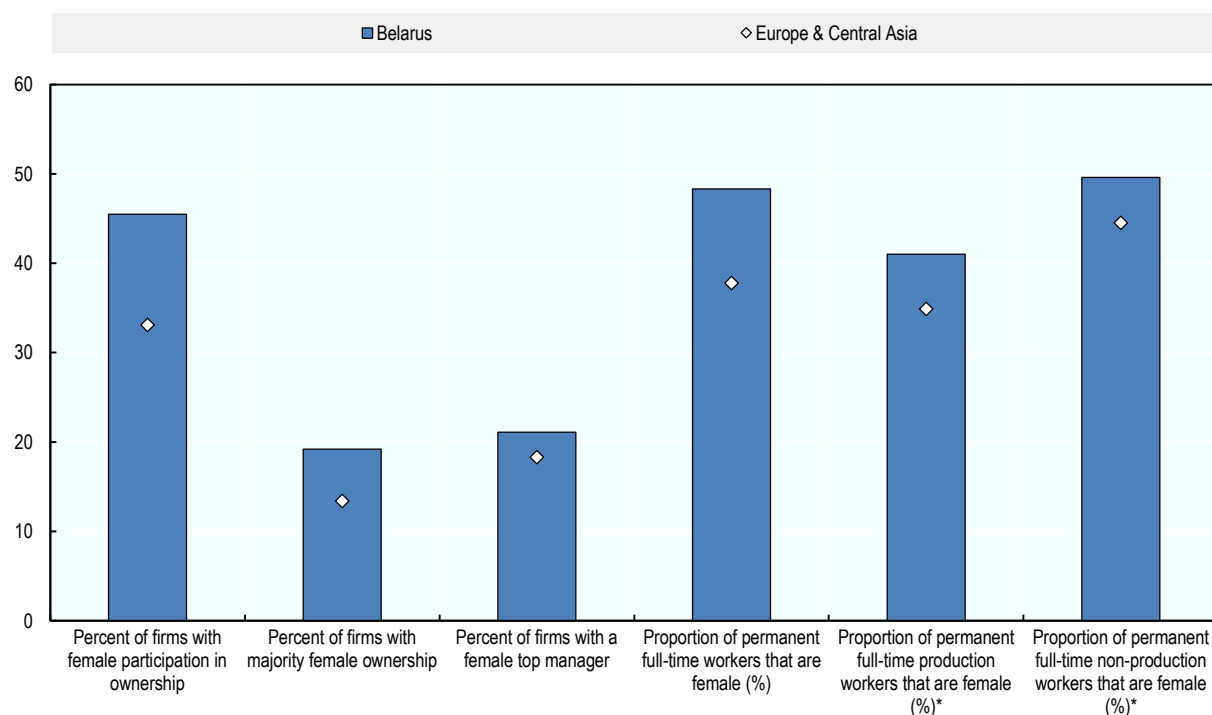
This section focuses on the human capital dimensions of the Small Business Act (SBA) for Europe. It first examines how entrepreneurial learning is addressed in the education system, focusing on entrepreneurship as a key competence – a factor in Belarus' wider drive for competitiveness, growth and employment. It then discusses developments in women's entrepreneurship. Finally, both policies and support for SME training are addressed.

Belarus has a wealth of public policy documents and strategies that could, with stronger multilevel governance of entrepreneurial human capital, be combined into one comprehensive vision. Entrepreneurship education is a clear policy priority. The establishment of the Council for the Entrepreneurship Development represents an important step towards a mechanism for engaging social partners in working towards a common vision for education and training content and provision. At the same time, incentives for the development of entrepreneurship key competences, i.e. the skills, knowledge and attitude that all allow individuals to act entrepreneurially, continue to be incorporated into multiple innovative pilot projects targeted at the primary and general secondary levels.

The Ministry of Economy is leading the development of support measures for women entrepreneurs – in collaboration with civil society organisations. Regular identification of training needs and monitoring of training provision by providers is not yet in place, but first steps have been made during the assessment period to identify the specific training needs

of women entrepreneurs and to ensure the efficiency of government financing across the three dimensions of entrepreneurial human capital – entrepreneurial learning, women’s entrepreneurship, and enterprise skills.

**Figure 9.6. Women participation in firms’ ownership and workforce in Belarus**



*Note:* \*This indicator is computed using data from manufacturing firms only.

*Source:* Enterprise Survey: Belarus, (World Bank, 2018<sup>[31]</sup>)

StatLink  <http://dx.doi.org/10.1787/888934087496>

### *Entrepreneurial learning*

The Ministry of Economy continues to move entrepreneurial learning up the national policy agenda. Important progress was made with the establishment of the Council for the Development of Business Education,<sup>1</sup> which brought public-private dialogue on entrepreneurial learning to an institutional platform.

The Council’s main objectives are to develop proposals on state regulation of business education, coordinate the development the business education system, and assess the quality of business education services. The activities of the Council allow for the creation and approval of a new model of state policy in the field of business education – a model focused on the development of public-private dialogue and on increasing the level of self-regulation of the professional community of business-education market participants. This contributes to the modernisation of social education and entrepreneurship institutions, which is extremely relevant for Belarus.

<sup>1</sup> Resolution of the Council of Ministers No. 456.



In Belarus the need for a coherent system for entrepreneurship skills is emphasised in the National Strategy for Sustainable Development (2004-20), the Program for Continuing Education of Children And Young People (2016-20), and the programme "Small and Medium Entrepreneurship" (2016-20). The latter foresees entrepreneurial learning through student-created mini-companies, but does not specify budget allocations. The implementation is financed through a number of ministries and regional executive committees.

Good progress in the practical implementation of entrepreneurial learning continued at all levels of education during the assessment period. The Republican Institute for Vocational Education developed an optional course on the basics of entrepreneurship. At the level of higher education, the basics of entrepreneurship comprise a compulsory part of the curriculum for many specialties. In non-economic higher-education faculties (e.g. philology or geography), entrepreneurial learning is an optional course.

In January 2019, the new educational standards for general secondary education<sup>2</sup> (primary and general secondary) came into force. However, although the new educational standard moves the competence-based approach forward, the approach is not geared towards the entrepreneurship key competence and is not expressed or assessed in learning outcomes.

Practical implementation of the entrepreneurial learning approach in curricula varies greatly between levels of education. Progress can be seen in primary and secondary education, where elements of the entrepreneurship key competence have been integrated into the curricula, as envisaged in the Programme of Continuous Education of Children and Young people for 2016-20, under economic education as a "behavioural model and a life strategy". Development of entrepreneurial learning at the level of primary education is implemented through optional courses (e.g. logic, creative thinking, and innovative activity). In general secondary education, the new state program for SME support (2016-20) contains actions to develop student mini-companies (an initiative that started in 2011), which has made practical entrepreneurship experience accessible at school (about 250 student mini-companies were operating at the time of the assessment). Another model being tested at the level of general secondary education (in four regions) is the concept of "Entrepreneurial School", which aims to integrate both the "entrepreneurial learning" and "entrepreneurship key competence" elements into curricula.

Progress in vocational education and training (VET) and higher education has been slower. However, similar innovative approaches in offering entrepreneurial learning have also been identified in VET and higher education, including the provision of practical entrepreneurship experiences to students. The Ministry of Education has developed a model to promote the entrepreneurship key competence among VET students through mini-student companies at most VET schools. At the level of higher education, national and regional start-up forums called "Youth in Entrepreneurship" are conducted annually with the support of regional authorities, the Ministry of Education, and the Ministry of Economy. During the forums, teams of students develop business ideas and present them to potential employers.

Teacher training is of particular relevance at sub-national levels, where teachers lack practical work experience. Dedicated formal training courses are held for teachers on the concept of student mini-companies. Two important sources of teacher training are 1) the Resource Centre for Financial Literacy and Entrepreneurship (within the Minsk State

<sup>2</sup> Resolution of the Council of Ministers of the Republic of Belarus No. 125.

Palace of Children and Youth), which provides non-formal training in active learning methods for secondary and VET teachers; and 2) the Centre for Support and Development of Youth Entrepreneurship, which has a dedicated website on new educational technologies and active learning methods and provides guidance on preparing for entrepreneurship competitions (e.g. Ladder of Success or Winter Youth Business Doctrine).

Several policy documents contain provisions for supporting interaction between the education system and the business sector for the purpose of entrepreneurship training. These include the Concept for the Development of Business Education in the Republic of Belarus, the SME Strategy, and the Programme of Continuous Education of Children and Young People for 2016-2020. Moving forward, Belarus could bring entrepreneurial learning under one policy home for all levels of education and training – for example, by building on the existing Council for the Entrepreneurship Development. Defining the entrepreneurship key competence in teaching materials and learning outcomes would ensure teachers' ability to develop their students' entrepreneurship key competences. Finally, establishing formal career guidance would help to foster students with entrepreneurial aspirations in a more systematic manner.

### *Women's entrepreneurship*

Women's educational achievement in Belarus generally exceeds that of men: 65.5% of women are in higher education, compared to 44.4% for men. In VET, by contrast, men dominate, with 49.4% against 33% for women (although women's dropout rates are only half that of men). Policy dialogue on women's entrepreneurship in Belarus continues to be ad hoc, and the SME Development Strategy 2030 makes no reference to women's entrepreneurship.

However, the Ministry of Economy is developing a new gender-sensitive policy approach that it envisions to include in the state SME support programme. The approach consists of developing criteria on women entrepreneurship and designing a number of policy-relevant measures to open up market opportunities for women entrepreneurs (e.g. in public procurement).

To develop the criteria for women's entrepreneurship, the Ministry of Economy has opened consultations with civil society organisations. This approach has paved the way for a new collaborative platform linking women-led SMEs to governmental actors. To date, in the absence of a national partnership on women's entrepreneurship, non-governmental organisations have been serving as a vehicle for policy messages from the bottom up. The new non-formal collaborative platform, initiated by the Ministry of Economy, is also informing ongoing plans for a new Agency for SME Support that will bring all support mechanisms for entrepreneurship under one roof.

Belinvestbank JSC, one of the largest banks in Belarus, in 2016 established the Centre for Support and Development of Women's Entrepreneurship. The Centre assists women in establishing and managing a business, including dedicated support for pre-start-ups (e.g. training and coaching) and businesses with growth potential. In this area, the bank assists with obtaining financial and technical resources and organizes networking, co-working and other training.

Non-governmental organisations are the main source of support for women entrepreneurs. Organisation such as the Belarusian Women's Network and ProWomen provide important information, training, networking and peer-learning opportunities to women entrepreneurs at the national and regional levels. ProWomen alone organises over 30 annual events, for

women and by women, for over a 1000 women. Another important step forward has been the completion of the study titled *Women in Belarus' Business: features, motivation and barriers*, which paves the way for assessing specific skills needs of women entrepreneurs and feeds policy dialogue on how to better promote women's entrepreneurship (Aginskaya and Akulava, 2018<sup>[14]</sup>).

In the context of Belarus, which has a sizeable public sector, measures to foster gender-responsive public procurement – e.g. through women's networks and online platforms, and training on how to access public procurement contracts – would expand opportunities for women-owned businesses. Having a designated single body (e.g. the new Agency for SME Support) responsible for co-ordinating and streamlining efforts related to women's entrepreneurship development would facilitate identifying and implementing such measures.

### *Enterprise skills*

The majority of SMEs operate in low-value-added areas of the economy. Enterprise skills are essential to increasing SME contribution to GDP, employment and wealth generation.

There is no national framework for systematic and meaningful collection or analysis of enterprise skills. Limited studies are conducted by organisations active in research and advocacy, such as the Research Centre of the Institute for Privatization and Management (IPM) or the Belarusian Economic and Outreach Research Centre (BEROC); data specifically on women, whether employees or in SME management, is collected by the National Statistical Committee; and government-financed training programmes for SMEs are required to report to the Ministry of Economy on the number of courses and the number of people trained. However, this is not sufficient evidence to assess the impact and effectiveness of the training. Data from various studies and assessments is not pooled and analysed, nor is it used as evidence for policy learning to improve policy making in the area of SME training.

There is a need in Belarus to enable SMEs to identify training provision online. In the absence of a national data source on enterprise skills, some training providers (e.g. the Institute of Business or the Belarus Hi-Tech Park) conduct their own training needs assessments. Training providers also address gaps in skills intelligence by building on good practice through donor collaboration (e.g. the IPM Business School, Kozminski University, or the Bled School of Management collaboration with the Swedish Institute of Management).

The Ministry of Economy plans, under the SME Development Strategy 2030, to gather and present information on all SME training opportunities on one web platform. At present, the most comprehensive training portal is the one hosted by “Aspect” (<http://ta-aspect.by>), which provides links to training providers that are grouped by type and topic of training provision. Online training is available through certain training providers (e.g. ProBusiness Platform or the IPM Business School), and multiple webinars are available for SMEs on specific issues, such as the Ministry of Taxation and duties on SME taxation. Some training programmes also support digital skills (e.g. marketing) within SMEs.

The government provides financial support for SME training throughout the SMEs' lifecycle through different channels. Given Belarus's ageing society (less than 15% of youth in the total population), the young are an increasingly important source of economic dynamism and innovation. The Imaguru start-up hub (<https://imaguru.co>) develops fast-growing, young entrepreneurship and innovation from the idea stage through to the

establishment of the business, but also analyses the mistakes of start-ups and monitors their development throughout their lifecycles. Start-ups are also served by dedicated business associations, such as the centre for start-up technologies and the start-up school of Belarusian State University of Informatics and Radioelectronics. The Youth Business Incubator runs free-of-charge training courses that aim to develop entrepreneurial and managerial skills while increasing the financial and legal literacy of young, aspiring entrepreneurs and start-ups; the incubator factors into their training the good practices and lessons learnt of its tenants.

There is a specific focus on boosting entrepreneurship at the regional level. The state-owned Development Bank conducts training and provides educational services for women who receive concessional loans under the programme “Support for the Regions and Women’s Entrepreneurship”. Local authorities conduct periodic training; for example, the Grodno Regional Executive Committee held a training course for micro and small enterprises operating in small (up to 50 000 inhabitants) towns and rural areas in capitalising on the development potential of a business through increased sales, profits and expanding customer base.

Recently, the government has focused its attention on fostering SME internationalisation at the regional level through executive committees. In Mogilev a dedicated export support centre for SMEs has been established within the Regional Development Agency with the aim of supporting export-oriented SMEs and promoting local production. Industry associations and business unions (e.g. the Association of International Road Carriers) regularly conduct training events for their members, which are primarily SMEs. At the national level, the Center for Business Education of the Chamber of Commerce and Industry has launched the School of Export, but the training is not specifically tailored to the needs of SMEs.

The SME Development Strategy 2030 and the Presidential Decree No. 8 of December 21, 2017, “On the Development of the Digital Economy” both recognise the role of SMEs in an evolving digital economy. This is of particular relevance because a forecast by Ernst & Young reveals a shrinking supply of STEM and most-sought-after graduates, IT specialists, in the near future. If not addressed, this could result in labour shortages and missed opportunities for SME growth and competitiveness – even though engineering and technology, with 25.7% of students, represents the second-largest field of higher education in Belarus (Ernst & Young, 2017<sup>[15]</sup>).

In March 2018, the State Committee on Science and Technology asked the Director-General of the Joint Research Centre of the European Commission to assist Belarus in developing a Smart Specialisation Strategy. The request was accepted in November 2018, and preparations have begun for developing the strategy.

In moving forward with smart specialisation, the existing skills gaps in growth areas are likely to increase. Belarus needs to develop a systematic approach to optimising limited resources and connecting them to a broader innovation drive. The Ministry of Economy should take the lead in strengthening data collection on enterprise skills for evidence-based planning, monitoring and evaluation (e.g. under the new Agency for SME Support). This could also serve as a means of establishing a co-ordination mechanism for SME support organisations.

### *Pillar C – Access to finance*

Belarus has made some progress in improving SMEs' access to finance. The legal and regulatory framework is taking steps towards strengthening protection for secured creditors, though there is still a long way to go. A new registration system for movable assets should facilitate the financial inclusion of SMEs previously considered higher risk by banks, while banking regulations have been strengthened and are now among the most stringent in the region. Financial intermediation remains low as banks do not offer many SME-specific products and public sector support relies heavily on less-sustainable interest-rate subsidies. Efforts to increase local currency lending, as well as the newly operationalised Credit Guarantee Scheme, should help alleviate common risk perceptions of SMEs financing as well.

#### *Legal and regulatory framework*

Belarus's progress on the legal framework for secured transactions has been limited and the key recommendation from the 2016 assessment – to improve the rights of secured creditors – has been addressed only minimally. Specifically, although there have been multiple attempts to move up secured creditors one place in the payout queue, none have passed the legislative process so far. If realised, this would be a welcome development, though it does not sufficiently address the weak protection of secured creditors, such as the ability to seize collateral and a legal obligation to observe creditor consent.

Collateral registration of assets improved following the launch of an online system for the registration of movable assets in late 2016. Businesses can now more easily register assets as collateral – although the inhibitive pricing model has not been addressed since the 2016 report and access remains expensive. A public credit information system adds to the system of borrowers' information, though data are provided only by financial institutions and therefore cover only 53% of the population (World Bank, 2019<sup>[7]</sup>).

Notable progress has been made in the field of banking regulations, with Basel II fully introduced and Basel III standards scheduled to be implemented by 2020. In light of the centralised and concentrated nature of the Belarusian banking sector – Belarusian and (subsidiaries of) Russian state-owned banks accounted for over 85% of sector assets as of the first quarter of 2019<sup>6</sup> – such stringent oversight is critical to mitigating system risk factors.

Finally, the local stock exchange is in place, though capitalisation is relatively low and it is dominated by one company. In combination with very low liquidity levels and the lack of a separate SME market, this means that there are few realistic financing opportunities for local SMEs for the time being.

#### *Sources of external finance for SMEs (bank financing, non-bank financing and venture capital)*

Financing in Belarus continues to be dominated by traditional banks, and the macroeconomic context – with a substantial fall in interest rates since 2016 – suggests an ease of access. However, the supply of finance is hindered by a lack of banks' physical presence outside of Minsk, with 0.78 commercial bank branches in the country per 100 000 adults, compared to an Eastern Partnership average of over 20 times as many, hindering the financial inclusion of regional SMEs (IMF, 2018<sup>[16]</sup>). Data on bank reach to SMEs is not available and products advertised for SMEs are rarely sufficiently tailored to their needs.

Public sector SME support schemes for SME lending are centred around the national Development Bank. Subsidised wholesale funding for financial institutions has recently been expanded with World Bank support, and the national Development Bank has made available local currency lending which helps decrease dollarization in line with the express priorities of the government's development strategy. This has led to a reduction in foreign currency loans from 11% in 2016 to 8% in the first quarter of 2019. Interest rate subsidies also continue to be a core tool for increasing SME access to finance, though the long-term impact and sustainability of this kind of instrument remain questionable due to the lack of multiplying effect and short-term, micro-level support.<sup>7</sup>

At the more systemic level, a Credit Guarantee Scheme was fully operationalised in early 2019. Initially targeting the smaller SME segment (with an eligibility criterion of <100 employees) and operating through three banks, it provides an encouraging sign to boost financial access for SMEs and indicates a move towards more commercially based financing mechanisms, as recommended in the 2016 report.

In the field of non-bank financing, the *de jure* environment continues to look strong, though the *de facto* reality for SMEs is less encouraging. Microfinance lending has long existed in the country, and the recent mandatory registration of providers (introduced in 2015) has helped formalise the sector, leading to a rapid increase in MFIs. The sector has also become more self-sufficient, with sector net profits doubling in 2018 (National Bank of Belarus, 2019<sup>[17]</sup>). However, 95% of institutions lend only to individuals (representing 97% of loans), which means that SMEs (other than individually registered entrepreneurs) do not widely rely on them as viable sources of financing.

The improvements to leasing regulations highlighted in the 2016 report remain in place, with improvements on residential leasing added in 2017, and the legal environment broadly follows international best practices. Nonetheless, the market is dominated by state-owned service providers and, despite a 50% surge of overall authorised capital within 2018, most of the end beneficiaries are individuals (representing over 90% of active leasing agreements) (National Bank of Belarus, 2019<sup>[17]</sup>).

Factoring regulation has been amended since the 2016 report, improving the framework by incorporating additional elements such as electronic factoring; however, newly introduced statistics show that the market penetration is still very low at around EUR 50 000 in factoring volume in 2018. Lastly, venture capital (VC) is nominally covered by the existing regulation in Belarus and there is a USAID-led review thereof, but no tangible signs of either dedicated regulation or VC activity exists. One promising development in this sphere, however, is the creation of the first Belarusian business angel network, also funded by USAID.

### *Financial literacy*

Although financial literacy efforts have been expanded, without centralised planning and evaluation they have remained fragmented. Encouragingly, training and information materials are now widely and actively advertised on- and off-line, and an online SME credit portal<sup>8</sup> provides useful information to potential borrowers. The topic is also covered as an optional subject in both the general and vocational secondary-education tracks. In the absence of a transparent evaluation framework, the impact of these measures, however, is unclear.

## ***Pillar D – Access to markets***

### ***Public Procurement***

Public procurement is currently regulated by Public Procurement Law (PPL) No. 419-Z of 13 July 2012, "On the Public Procurement of Goods (Works, Services)" (Government of Belarus, 2012<sup>[18]</sup>). Significant amendments to the PPL were adopted on 17 July 2018 and has entered into force on 1 July 2019, as a means of harmonising regulations within the Eurasian Economic Union (EAEU). With the exception of certain local preference provisions, the main features of the PPL broadly reflect international practice. The SME Development Strategy 2030 calls for regulatory reform to raise the level of SME participation in public procurement.

The main institution regulating and monitoring public procurement is the public procurement directorate of the Ministry of Antimonopoly Regulation and Trade (MART). A special committee under MART reviews complaints by tenderers, which may create an impression of a conflict of roles in the Ministry. Procurement plans, procurement notices and related information are freely available on a single, official website ([www.icetrade.by](http://www.icetrade.by)) run by the National Centre for Marketing and Price Study (NCMPS). Electronic auctions can be carried out using a platform ([www.goszakupki.by](http://www.goszakupki.by)) run by the NCMPS as well as one (<http://zakupki.butb.by/auctions/index.html>) of the Universal Goods Exchange of Belarus (BUTB); however, available data indicate that they are not much used at present. While some procurement data can be retrieved from the websites mentioned, information on SME participation is not readily accessible.

Measures for facilitating access by SMEs to the public procurement market currently include a possibility (but no obligation) for contracting authorities to divide a procurement into lots. In other respects, the PPL itself neither restricts nor favours participation by SMEs.

While there has been only limited progress since the 2016 SBA review, amendments to the PPL with effect from 1 July 2019 will bring about the following changes, among others:

- SMEs will be guaranteed the opportunity to participate in the procurement of items on a list of goods, works and services to be adopted by the Council of Ministers, with an obligation, whenever possible, for division into lots, each of no more than 10% of the total quantity. However, this may be cumbersome and ineffective, and SME participation in other procurement is not facilitated.
- Time limits for submission of tenders will generally be reduced to 5-15 days; this may reduce the possibility to prepare responsive tenders for those tenderers (typically SMEs) who have not received privileged access to advance information about upcoming contracts.

In light of the current situation and the room for improvement, with respect to SMEs, of the legal and institutional framework, as well as of public procurement practices, the following measures could be envisaged:

- Enhance the generation and accessibility of data on SME participation, then monitor it and analyse it in order to identify untapped potential and address corresponding impediments;
- Introduce and enforce policies on timely payment of invoices by contracting authorities;

- Introduce a general recommendation for division into lots, with obligation to publicly record reasons for not doing so, as a replacement for the new regulation mentioned above; and
- Make procurement procedures, time limits and qualification requirements more explicitly proportionate to the value and complexity of the procurement and to the potential for SME participation.

### *Standards and technical regulations*

Belarus is a member of the Eurasian Economic Union and has therefore adopted its approach to standards and technical regulation. As Belarus has transferred the competence to develop technical regulations to the supranational level at the EAEU, its options for approximating technical regulations with the EU are limited.<sup>9</sup> However, the official position is that the 47 technical regulations that the EAEU has adopted are based on WTO principles and are drafted along the lines of the corresponding technical regulations of the EU.

In the eyes of the EAEU, standardisation, accreditation and conformity assessment remain under national sovereignty in Belarus, but regional and international approximation are fostered by the EAEU. The Belarusian State Committee on Standardisation (*Gosstandart*) is the agency responsible for overseeing and co-ordinating the governments' national quality infrastructure (NQI) policy. *Gosstandart* has also adopted an annual Plan on state standardisation, which foresees work on 333 state standards in 2019, of which 278 will be harmonised with international and EU standards (on average about 50% of adopted standards are harmonized with international equivalents, according to the authorities). *Gosstandart* is companion standardisation body member of the European Committee for Standardisation (CEN) and the European Committee for Electrotechnical Standardization (CENELEC). SME participation in and feedback with regard to standardisation activities are currently still limited and not actively promoted beyond the open access to technical committees. Yet, recent institutional changes may increase SME participation in standardisation, such as the establishment in 2016 of a new Consultative Expert Council under *Gosstandart* (including 11 representatives of business associations) and the recognition of the Belarusian Institute for Standardisation and Certification as the national institute for standardisation in 2017.

EAEU membership entails mutual recognition of conformity assessment certificates through the Eurasian conformity mark, which has reduced technical barriers to trade within the EAEU, including for SMEs. The EAEU defines a unified list of 66 products that are subject to mandatory technical regulations. While some SMEs have expressed ease of conformity assessment for the EAEU, others have demonstrated low awareness and expressed a need for assistance in entering EU markets.

Belarus's active integration into the international and national accreditation systems is reducing technical barriers to trade. The Belarusian State Centre for Accreditation (BSCA) has been an associate member of the European co-operation for Accreditation (EA) since 2011 and confirmed this status in 2018. In addition, the BSCA signed a Mutual Recognition Agreement with the International Laboratory Accreditation Cooperation (ILAC) and a Multilateral Recognition Agreement with the International Accreditation Forum in 2018, which can be expected to boost trade through improved signalling of trustworthiness of certificates produced by Belarusian laboratories and certification companies. The signing of these agreements allowed the national accreditation system to become a member of the international accreditation and conformity assessment community and to apply for

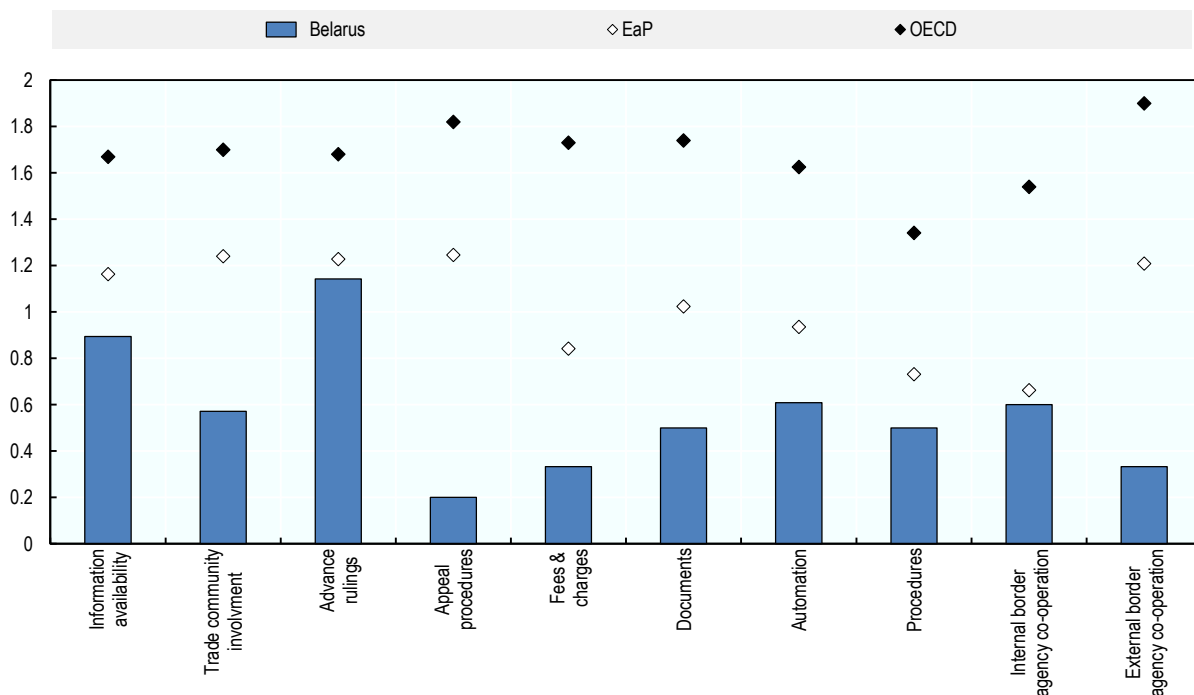


recognition of conformity assessment documents issued in Belarus on equal terms in international trade. Finally, the national metrology institute, which is member of relevant respective international organisations, and market surveillance authorities that are co-ordinated by the State Committee for Standardisation, complement Belarus's national quality infrastructure.

### *SME internationalisation*

Belarus is the most export-oriented country in the EaP region, with exports representing 67% of GDP in 2017 and mineral products accounting for 25% of the total. From 2014 to 2017, the share of SMEs in total exports increased by 6.6 percentage points to 47.2% in 2017, slightly below the EU average of 50%. According to the 2020 World Bank *Doing Business* report, Belarus ranks 24<sup>th</sup> on trading across borders, up from 145<sup>th</sup> in 2015 (World Bank, 2019<sup>[7]</sup>). However, the 2017 OECD Trade Facilitation Indicators suggest that Belarus continues to underperform the countries from the EaP region (Figure 9.7). Moving forward, the government could consider implementing a wide range of reforms to improve information availability, involvement of the trade community, and formal procedures related to international trade (OECD, 2017<sup>[19]</sup>).

**Figure 9.7. OECD Trade Facilitation Indicators for Belarus, 2017**



Note: TFIs take values from 0 to 2, where 2 designates the best performance that can be achieved.

Source: OECD, Trade Facilitation Indicators Database, <https://oe.cd/tfi>.

StatLink  <http://dx.doi.org/10.1787/888934087515>

The National Export Support and Development Programme for 2016-2020 is the main strategic document guiding policy developments in the area of SME internationalisation. The programme calls for the implementation of policy measures in six areas, including promotion of an export-oriented IT sector and the development of export financing

instruments. However, implementation of the programme remains limited. In the absence of a dedicated SME and export promotion agency, there is an insufficient institutional framework and limited ownership for export support services to SMEs. A new Decree “On export support” has been approved late 2019, providing for the coverage of a part of the cost of exporters’ participating in international exhibitions and assessing the conformity of products for export.

The Belarusian Chamber of Commerce and Industry and the National Centre for Marketing and Price Study provide some support for exporting companies, such as information on foreign markets, organisation of trade missions and certification. In addition, the EU Ready to Trade project implemented by ITC supports the internationalisation of SMEs operating in the textile and apparel sectors. In general, the services provided by the government are limited in scope and target mostly large, state-owned companies. Moving forward, strengthening institutional capacity for the provision of export support services for SMEs could be one of the government’s priorities in the SME internationalisation area.

Concerning SME access to export finance, Belarus has begun to provide export credit and insurance for SMEs through the Belarusian Fund for the Financial Support of Entrepreneurs and through Eximgrant, a major Belarusian insurer. There are also considerations of reducing the minimum size of export loans provided by the Development Bank of Belarus. Next steps could include the expansion of these programmes for SME clients and their close monitoring.

Support for SME integration into global value chains (GVCs) is also limited to a few matchmaking events and business forums organised by the Belarusian Chamber of Commerce and Industry. In 2017, with support of international donors, Belarus started to work on cluster development to improve the integration of SMEs into domestic value chains. However, there is no targeted programme to support the creation of supply chain linkages between SMEs and large domestic or international investors. Although a basic regulatory and legislative framework has been put in place, Belarus does not provide any support services to increase the use of e-commerce among SMEs.

## ***Pillar E – Innovation and Business Support***

### ***Business Development Services***

A major breakthrough for the provision of business development services (BDS) in Belarus, the recently adopted SME Development Strategy 2030 includes a dedicated chapter on improving the forms of state support for SMEs, and specifically foresees measures to reduce cost and increase quality of BDS to enhance SME uptake. The planned creation of an SME agency in the near future, with regional branches, is expected to improve BDS provision, especially in remote areas.

The business support infrastructure (BSI), as of November 2019, co-ordinated by regional and city executive committees, consist of incubators (25 vs. 16 in 2015) and business support centres (109 vs. 95 in 2015<sup>10</sup>), of which 77% are privately owned, that have been accredited by the state and are eligible for government support. The latter provides subsidies and direct funding, including for the acquisition of fixed assets and expenditure on events. In 2017, 14 BSI entities received around EUR 330 000, corresponding to a spending of 79% of the resources foreseen for the BSI by the SME state support programme 2016-2020 from regional and Minsk city budgets. In 2018, this amount rose to EUR 500 000 for 17 BSI entities, corresponding to 143% of planned expenditures.

The BSI mainly provides SMEs and start-ups with basic consulting services, training courses and seminars, mostly free of charge. Incubators also provide office space at below market price to small businesses and start-ups. (More tailored services such as accounting, business plan development, or preparation of a marketing strategy are provided for a fee.) Moreover, city executive committees and regional administrations provide legal consultations to SMEs free of charge. In 2017, BSI entities provided 4290 training courses against a target of 3290. In 2018, 712 start-up events took place in Belarus, compared to 375 in 2016, with more than 30 thousand participants.

However, monitoring and evaluation (M&E) of the BSI could be improved. The publicly available report<sup>11</sup> on the implementation of the SME state support programme contains a small number of activity-oriented indicators (number of business support centres, number of incubators, number of training events conducted). These indicators are based on more-detailed information provided by the BSI – information that could be used to complement the state support programme’s implementation report. The scarce monitoring of the BSI goes hand in hand with unclear benefits of, and criteria for, obtaining the status of “business support entity” and receiving financial support from the government. To improve the current M&E system, the government could adopt criteria including quality, impact, efficiency and client satisfaction components; gathering data on the impact of BDS on SMEs’ revenue, productivity and other performance criteria could complement the effort. Furthermore, to improve the targeting of its BDS delivery, the government could conduct a systematic study of BDS demand and supply and carry out research on skills needs among SMEs.

More could also be done to develop a sustainable private BDS market in Belarus. Currently, public support is only available for the accredited BSI entities, and SMEs cannot receive financial support for BDS purchased from external providers (which might be of higher quality). A simple co-financing mechanism for first-time BDS users, which would be able to choose their own BDS providers, could help develop a sustainable market for consulting and other support services. At the same time, state-accredited, quality-certified BSI entities could concentrate on providing initial diagnostics and basic advice, and on redirecting SMEs to the best-suited private providers.

### *Innovation policy*

Belarus maintains a relatively well-developed institutional framework for innovation. The “National Programme of Innovation Development 2016-2020”<sup>12</sup> is a well-drafted strategic document that builds on the previous five-year programme, showing continuity in government’s action in this area. The Programme’s objective is to ensure the growth and competitiveness of the national economy, concentrating its actions and resources (about EUR 190 million from the State budget) on building the high-tech sector and introducing advanced technologies into more-traditional sectors of the economy. The State Committee for Science and Technology co-ordinates the implementation of the Programme and is responsible for overall state policy in the field of science, technology, innovation, and protection of intellectual property.

The network of innovation support infrastructure has been expanding in Belarus since 2016. In addition to the widely available business incubators mostly offering support to start-ups, 16 technology parks and 9 technology transfer offices are present in nearly all regions of the country and provide favourable conditions in which to do business, invest in R&D, and transfer innovations from development phase to practical applications. Two initiatives stand out in this respect: the Hi-Tech Park (see Box 9.1) and the “Great Stone”

industrial park. The latter is a special economic zone hosting high-tech and export-oriented production and is building an R&D centre for innovative SMEs. As of 2018, there were 41 residents of the Park: 29 manufacturing enterprises, 10 research and development organizations, 1 logistics firm and 1 architectural firm.

#### Box 9.1. Hi-Tech Park in Belarus

The Hi-Tech Park (HTP) (<http://www.park.by>) plays a pivotal role in developing the Belarusian IT industry and in improving national economic competitiveness. The HTP was established as a special economic zone in which resident companies can benefit from a special tax and legal regime. It aimed at boosting the competitive power of high-technology-based sectors by developing modern technologies and expanding their exports, as well as attracting both Belarusian and foreign technologies. As it operates on the principle of extraterritoriality, it allows every registered company to enjoy all provided advantages, regardless of its location within the country. To apply, companies must have a legal entity in the Republic of Belarus and carry out one of the activities listed in the HTP legislation (analysis, development and software implementation of information systems, and data processing).

Resident companies are exempt from all corporate taxes, including value-added and income taxes. Beyond the fiscal advantages, residents of the HTP can enjoy substantial support services: its Educational Centre provides training to improve knowledge and skills in IT, while its Business Incubator offers office space and support staff to start-up companies at low prices. In exchange for these advantages, and to finance the HTP's administrative activities, the residents must pay a quarterly fee of 1% of their profits.

As of late 2018, 505 companies were registered and 45 700 people employed at the HTP. The park has experienced significant investment and growth: in 2017, exports of the HTP resident companies reached USD 1 billion, which made up more than 80% of the total production volume of the HTP. Software engineers at HTP also benefit from wages that are 5-6 times higher than the national average.

In 2017, the Decree No. 8 “On Digital Economy Development” expanded the duration of the Park's special legal regime until 2049 while also expanding the scope of activities available (e.g. development of biotechnologies, medical technologies, e-sport). The decree creates a legal basis for the circulation of digital currencies by allowing the usage of cryptocurrencies, initial coin offerings (ICOs) and smart contracts.

*Sources:* *Financial Times* (2017<sup>[20]</sup>), “Belarus tech dream is a walk in the park”; *BelarusFeed* (2018<sup>[21]</sup>), “For The 1st Time! Belarus’ HTP Exports Hit Record \$1bn In 2017”; *IntelliNews* (2019<sup>[22]</sup>), “Belarus Hi-Tech Park exports up by a third in 2018 to \$1.414bn”, Ernest&Young (2017<sup>[15]</sup>), “The IT Industry in Belarus: 2017 and beyond”; *iTechArt* (2018<sup>[23]</sup>), “How Hi-Tech Park Belarus is playing a major role in the economy”, <http://www.park.by>.

Financial support for innovation is multi-faceted and available through dedicated funding schemes and fiscal incentives. The Belarusian Innovation Fund offers innovation vouchers (up to USD 25 000) and grants (up to USD 100 000) to accompany entrepreneurs at each phase of the innovation project, from research and design to production and commercialisation. Such instruments are awarded through a competitive process under the supervision of the State Committee for Science and Technology. The Development Bank, the BFFSE and the Belarusian Innovation Fund also offer subsidised loans for innovative projects.

Tax incentives for innovative enterprises in Belarus can take various forms. The main instruments include VAT and profit tax exemptions for revenues generated from the sale of innovative or high-tech products, as well as the possibility to deduct expenses in R&D from a company's profits with a multiplier of up to 1.5.

The policy framework for non-technological innovation in Belarus is at a very early stage of development. There is only one reference to organizational innovations in the National Programme and no dedicated measures for the diffusion of new technologies. Nevertheless, the State Committee on Science and Technology maintains a database that can help businesses find research partners and information about innovative projects, R&D initiatives, and high-tech products.

Overall, while Belarus continues to perform well in this dimension, with a wide palette of tools to support innovation and important success stories especially in the IT sector, only about 3% of SMEs introduce product or process innovation. The fact that financing for innovation is generally available for all legal entities leaves open questions about the extent to which SMEs can benefit from such tools as opposed to larger companies. A monitoring system that looks not only at progress on reporting inputs but also at the impact of specific policy tools could help shed light on their effectiveness, and provide a rationale to make SMEs a more prominent target in national strategies and policies for innovation.

### *SMEs in a green economy*

In 2016, Belarus approved the National Action Plan of Green Economy Development (2016-2020), under the National Strategy of Sustainable Socio-Economic Development 2030. This includes measures targeting specific sectors of the economy, including the energy sector, construction, transportation, and agriculture. However, these policies do not specifically target SMEs. The introduction of detailed monitoring and evaluation around the National Action Plan would provide valuable information on its impact on SMEs.

From a regulatory standpoint, the adoption in 2017 of Decree No. 7 “On the Development of Entrepreneurship” simplified the environmental impact assessment (EIA) procedure for small enterprises. Moving to a more risk-based approach for the environmental regulation of SMEs will both help improve the use of regulatory resources as well as place less of an unnecessary burden on SMEs that do not pose an environmental risk.

Belarus has also introduced STB ISO 14001-2017, an environmental management system standard based on ISO 14001. While there has been strong uptake so far, with more than 270 enterprises gaining certification, the ISO 14001 standard it is based on can be complex for smaller enterprises to implement without support, and there is no information available on the number of SMEs that have implemented it. Additionally, an STB ISO 14004-2018 standard, including general implementation guidelines, entered into force in March 2019, which helps organizations to develop, implement, maintain and subsequently improve their environmental management systems.

It is clear from Belarus's overall policy approach that there is high-level commitment to greening the economy, but policies may be more effective at reaching SMEs if the government recognises the varying capacities and resources of smaller firms. The next step will be developing policies that specifically target SMEs, in order to ensure that SMEs are able to benefit from measures designed to support the development of the green economy. For green public procurement, that includes specific support for SMEs to help them meet the requirements and participate in procurement. EMS certification for SMEs could be integrated into public procurement requirements, thereby incentivising SMEs to achieve it.

### ***Sectoral analysis: SME perspectives on the textile and garment sector in Belarus***

Textile and clothing has traditionally been one of the most important sectors of the manufacturing industry in Belarus. In 2013-16, as a result of a contraction of local purchasing power and of the main export market (Russia), the sector suffered a sharp decline, but it has since picked up again. Implemented by the International Trade Centre, “Ready to Trade” – an EU4Business initiative project – supports the textile and clothing sector, assisting SMEs in producing value-added goods in accordance with international and EU market requirements and linking them with EU markets.<sup>13</sup>

Evidence collected through focus groups and interviews with selected manufacturers and clothing associations sheds light on the major constraints faced by SMEs operating in the textile and garment sector in Belarus:

- The industry is dominated by large state-owned enterprises (SOEs receive subsidised financing and are favoured when it comes to export promotion) and co-operation with the latter remains difficult. SMEs have little choice but to import basic textiles from foreign companies for a higher price, due to the absence of flexibility in terms of payment terms, volume of orders and assortment of SOEs.
- Limited access to markets beyond Russia is one of the main barriers for small and medium fashion businesses. Little awareness on EU requirements, including certification, and the lack of availability of state support for export promotion (limited resources to participate in trade fairs and exhibitions; no qualified consultancy support) represent major growth hurdles for the export-ready sector.
- One of the major constraints for SMEs is the general level of depreciation of production equipment. Lack of access to finance hinders the ability of SMEs to upgrade equipment and technology.
- Insufficient availability of relevant business support services in particular in the regions limits SMEs abilities to enhance competitiveness.

Given the aforementioned challenges, the government could consider the following next steps:

The textile and garment sector shows considerable export potential, and the government could enhance the provision of targeted support programmes to SMEs. For example, information and training on cross-border e-commerce for fashion companies, marketing content, e-logistics and returns management, a deepened understanding of the requirements for labelling and packaging of apparel products, and shared best practices on multi-channel customer support and digital marketing strategies could be of great importance to SMEs. The knowledge acquired would allow Belarusian apparel enterprises to better understand corporate, legal, fiscal and other requirements to access the EU market. It will help them link to key payment solutions and international platforms for cross-border e-commerce, and ultimately increase their export sales on the EU market.

### **The way forward**

In recent years, the Government of Belarus has been increasing its efforts to strengthen the position of SMEs and sustain growth, employment and resilience. The following measures could be considered by the government to further strengthen the system:

- The government has been working towards ensuring level-playing-field conditions for SMEs. However, improvements in the area of competition, contract enforcement and business integrity are needed. Thus, Belarus could consider 1) setting up an independent enforcement body staffed with qualified and experienced workers receiving a competitive salary and 2) putting in place effective enforcement against hard-core cartels, equipping MART with established tools such as dawn raid powers. To provide for efficient contract enforcement, Belarus could step up its efforts to establish court automation and put in place automatic random case assignment to judges in line with good international practices for increased transparency and impartiality of court decisions. In addition, the government could promote ADR among SMEs as an efficient alternative to solving commercial disputes (i.e. organisation of awareness-raising campaigns, training for SMEs, etc.). Moreover, Belarus could consider providing continuous training programmes and enable exchanges with peers abroad for judges treating IP disputes, which would eventually improve the quality of IPR dispute settlement. In terms of enhancing corruption prevention in the private sector, Belarus could consider conducting a dedicated study of business integrity risks with a focus on SMEs, and with the active engagement of business associations and civil society. Introducing criminal liability of legal persons for corruption and its enforcement by independent and well-trained judiciary, would be another important step towards preventing corruption in the business sector.
- The new resolution concerning the forecasting of the consequences of regulatory legal acts is a first step towards the introduction of a full regulatory impact analysis (RIA) process. As a next step, it would be important to include an SME test in the RIA mechanism in order to assess the specific impact on smaller firms. The insolvency framework would benefit from the introduction of a clear definition of discharge from bankruptcy and of a maximum time for discharge, and it should cover secured transactions for companies filing for bankruptcy. Furthermore, the Ministry of Economy could expand its regular solvency analysis to SMEs and collect data on the application of preventive measures for private companies. The tools available to private companies and individual entrepreneurs in financial distress could be better promoted in order to grant them more visibility and accessibility. In addition, the early-warning measures should take the form of consultations and provide further support and services to restructuring. Finally, Belarus could also consider implementing a dedicated policy or information campaign to promote second chance for entrepreneurs seeking a fresh start.
- Belarus is encouraged to bring *entrepreneurial learning* under one policy home for all levels of education and training, for example, by building on the existing Council for Entrepreneurship Development. The authorities should define entrepreneurship key competences in teaching materials and learning outcomes to ensure teachers ability to develop their students' entrepreneurship key competences, and establish formal career guidance to provide more targeted and systematic support to students with entrepreneurial aspirations.

To support *women's entrepreneurship* in the context of Belarus, with a sizeable public sector, measures are needed to foster gender-responsive public procurement e.g. through strengthening capacity of women's networks and online platforms, and provision of training on how to access public procurement contracts to expand opportunities for women-owned businesses. Having a designated single body (e.g. the new Agency for SME Support) responsible for co-ordinating and streamlining

efforts related to women's entrepreneurship development would facilitate identifying and implementing such measures.

In the area of *SME skills*, Belarus should develop a systematic approach to optimising limited resources and connecting them to a broader innovation drive. In moving forward with smart specialisation, the existing skills gaps in growth areas are likely to increase. The Ministry of Economy should take the lead in strengthening data collection on enterprise skills for evidence-based planning, monitoring and evaluation (e.g. under the new Agency for SME Support). This could also serve as a means to establish a co-ordination mechanism for SME support organisations.

- Additional steps should be taken to ease SME access to finance, for instance by further protecting secured creditors, including: allowing seizure of collateral, paying out secured creditors first and making creditor consent observation mandatory. This would bring the current regulation more into line with internationally recognised best practice and would help stimulate SME investment. Easing access to the cadastre and register for movable assets, including a review of the pricing model to make it more attractive for smaller enterprises, would improve the information available to banks and, in turn, mitigate the risk commonly associated with lending to SMEs. Further expansion of the credit register would further enhance the financial inclusion of potential borrowers with limited credit histories. The newly operationalised Credit Guarantee Scheme provides an excellent opportunity to implement lessons learned from similar schemes around the world and its progress should be closely monitored, making adjustments as needed; an easy first amendment to its set-up would be to expand the eligibility criteria, aligning it with the EU SME definition in order to broaden its reach. Implementing policy to provide dedicated regulation for venture capital activity – building on the ongoing review of the existing framework – would further broaden the non-bank financing options for SMEs.
- Although many steps have been taken to facilitate SMEs' access to markets, there is still room for improvement. To facilitate SME access to public procurement, the government could introduce a general practice of division into lots, with obligation to publicly record reasons for not doing so. A second important step would be the introduction and enforcement of policies on the timely payment of invoices by contracting authorities. SMEs would also benefit from procurement procedures, time limits and qualification requirements more explicitly proportionate to the value and complexity of the procurement and to the potential for SME participation. Finally, the generation and accessibility of data on SME participation should be enhanced, and the data should be monitored and analysed in order to identify untapped potential and address corresponding impediments. SME participation and feedback in standardisation activities are currently still limited and should be further promoted beyond the open access to technical committees. To promote SME internationalisation, the government should focus on strengthening institutional capacity for the provision of export support services for SMEs, starting with the establishment of a dedicated SME and export promotion agency. Moreover, export finance tools should be expanded and monitored. Finally, a targeted programme to support the creation of supply chain linkages between SMEs and large domestic or international investors could be considered, and more support services provided to SMEs to increase their use of e-commerce.



- The current monitoring and evaluation system for BDS needs to be improved and, in this regard, the government could adopt criteria including quality, impact, efficiency and client satisfaction components. The impact of BDS on SMEs' revenue, productivity and other performance criteria could complement the effort. Furthermore, a systematic study of BDS demand and supply should be undertaken, together with research on skills needs among SMEs to deliver more targeted BDS. More could also be done to develop a sustainable private BDS market in Belarus: a simple co-financing mechanism for first-time users of BDS, which would be able to choose their own BDS provider, could help develop a sustainable market for consulting and other support services. At the same time, state-accredited, quality-certified entities could concentrate on providing initial diagnostics and basic advice, and redirecting SMEs to the best-suited private providers. The best way to further promote innovation among SMEs is to adopt a monitoring system that looks not only at progress on reporting inputs but also at the impact of specific policy tools to shed light on their effectiveness. The Belarusian government is highly committed to greening the economy, but a specific target for SMEs is lacking. For instance, EMS certification for SMEs could be integrated into public procurement requirements to further incentivise SME greening.

## Conclusion

**Table 9.5. Belarus: Roadmap for reforms**

<b>Promoting a level playing field for all enterprises</b>
<ul style="list-style-type: none"> <li>• Grant institutional and budgetary independence to MART, to ensure it is a neutral and trusted regulator</li> <li>• Enable and prioritise enforcement against hard-core cartels by giving MART effective investigation tools</li> <li>• Conduct a study of integrity risks for businesses with a focus on SMEs, with the active engagement of business associations and civil society</li> <li>• Consider introduction of automatic random case assignment to judges in line with best international practices for increased transparency and impartiality of court decisions</li> <li>• Develop and conduct awareness-raising activities with a focus on SMEs for promotion of ADR in resolving commercial disputes</li> </ul>
<b>Strengthening the institutional and regulatory framework and operational environment</b>
<ul style="list-style-type: none"> <li>• Complete the decision process on the establishment of a dedicated government agency for SME development. Clarify the relationships between the potential new agency, the Ministry of Economy, and other government bodies providing support to private enterprises and the local administrations</li> <li>• Upgrade the methodology currently used to perform the impact assessment of new laws and regulations and align it with the standard RIA methodology</li> <li>• Improve the company registration process by consistently eliminating the need to make a company seal and by shortening the time required to complete the registration and notification procedures</li> <li>• Improve tax administration procedures, especially VAT reimbursement procedures and post-filing tax auditing procedures</li> <li>• Enhance the visibility and evaluation of insolvency prevention measures for private companies</li> <li>• Adopt a comprehensive and proactive second-chance strategy for bankrupt entrepreneurs</li> </ul>
<b>Promoting skills and entrepreneurship development</b>
<ul style="list-style-type: none"> <li>• Define <i>entrepreneurship key competence</i> learning outcomes in curricula, and provide support materials and training courses for teachers to ensure their capacity to develop their students' entrepreneurship key competence. Establish career guidance that promotes entrepreneurship and self-employment as viable career choice along with wage employment.</li> <li>• Ensure that coordination and oversight role is clearly assigned to a designated body in the policy areas of women's entrepreneurship development and SME skills' support.</li> <li>• Strengthen data collection on enterprise skills for evidence-based policy design, monitoring and evaluation (e.g. under the new Agency for SME Support).</li> </ul>
<b>Facilitating SME access to finance</b>
<ul style="list-style-type: none"> <li>• Strengthening the legal protection for secured creditors, including allowing the seizing of collateral, paying out secured creditors earlier and making creditor consent observation mandatory</li> <li>• Continue improvements to ease SMEs' access to finance through a review of the pricing models of both the cadastre and registration systems for movable assets, as well as expanding credit register information to incorporate sources beyond financial institutions</li> </ul>

**Supporting SME access to markets**

- Improve the institutional framework for export support and promotion by establishing an export promotion agency
- Strengthen the provision of support programmes targeting export readiness of SMEs and support better integration of SMEs into global value chains (e.g. a programme supporting the creation of supply chain linkages between SMEs and large investors)
- Raise awareness on international and EU quality infrastructure by e.g. designing an SME web portal or single contact point for exporters to the EU
- Add regulatory provisions that would facilitate SME participation, such as proportionality of requirements, division into lots, and timely payments
- Ensure that e-auctions become a complement to the award procedures, and widen the use of award criteria other than price

**Enhancing SME competitiveness**

- Improve the monitoring and evaluation of current BSI – including measuring the impact of BDS on SME performance, and subsequently the criteria for attribution of government-accredited BSI status
- Develop a pilot programme to support a targeted group of SMEs (e.g. high-growth enterprises), including financial and non-financial support, relying on a simple co-financing mechanism that would allow first-time users of BDS to choose their preferred BDS provider
- Adopt a monitoring system that looks at the economic impact of specific policy tools beyond progress on reporting input
- Increase the role of SMEs as more prominent targets in national strategies and policies for innovation, with dedicated financing tools
- Incorporate provisions for SMEs into green public procurement standards, with targeted support to ensure SME participation

**References**

- Aginskaya, H. and M. Akulava (2018), *Женщины в бизнесе Беларуси: особенности, мотивация и барьеры (Women in Belarus' Business: features, motivation and barriers)*, BEROС, Minsk, [http://eng.beroc.by/research/policy\\_papers/pp56\\_en](http://eng.beroc.by/research/policy_papers/pp56_en). [14]
- BelarusFeed (2018), “For The 1st Time! Belarus’ HTP Exports Hit Record \$1bn In 2017”, *BelarusFeed*, <https://belarusfeed.com/belarus-hi-tech-park/>. [21]
- Belstat (2019), *Belarus in Figures*, National Statistical Committee, Minsk, [http://www.belstat.gov.by/en/ofitsialnaya-statistika/publications/statistical-publications-data-books-bulletins/public\\_compilation/](http://www.belstat.gov.by/en/ofitsialnaya-statistika/publications/statistical-publications-data-books-bulletins/public_compilation/). [2]
- Belstat (2018), “*Наука и инновации*” [Science and innovations] (database), <http://www.belstat.gov.by/ofitsialnaya-statistika/realny-sector-ekonomiki/nauka-i-innovatsii/>. [8]
- BNE Intellinews (2019), “Belarus Hi-Tech Park exports up by a third in 2018 to \$1.414bn”, *BNE Intellinews*, <http://www.intellinews.com/belarus-hi-tech-park-exports-up-by-a-third-in-2018-to-1-414bn-157345/>. [22]
- Deloitte (2017), *Tax Incentives in Belarus, Doing business easier*, Deloitte, Minsk, [http://www2.deloitte.com/content/dam/Deloitte/by/Documents/tax/tax\\_belarus\\_documents/tax-incentives-in-belarus-ENG-2017-WEB.pdf](http://www2.deloitte.com/content/dam/Deloitte/by/Documents/tax/tax_belarus_documents/tax-incentives-in-belarus-ENG-2017-WEB.pdf). [13]
- Ernst & Young (2017), *The IT Industry in Belarus: 2017 and Beyond*, Ernst & Young LLC, Minsk, [https://www.ey.com/Publication/vwLUAssets/ey-it-industry-in-belarus-2017-and-beyond/\\$FILE/ey-it-industry-in-belarus-2017-and-beyond.pdf](https://www.ey.com/Publication/vwLUAssets/ey-it-industry-in-belarus-2017-and-beyond/$FILE/ey-it-industry-in-belarus-2017-and-beyond.pdf). [15]
- EU (2019), *European Innovation Scoreboard*, <https://ec.europa.eu/growth/industry/innovation/facts-figures/scoreboards/>. [9]

- Government of Belarus (2018), “Об утверждении Стратегии развития малого и среднего предпринимательства «Беларусь – страна успешного предпринимательства» на период до 2030 года” [Decree on the Adoption of the SME Strategy 2030 for Belarus], <http://pravo.by/document/?guid=12551&p0=C21800743&p1=1>. [12]
- Government of Belarus (2012), “О государственных закупках товаров (работ, услуг)” [Law on Public Procurement of Goods (works, services)], <http://www.pravo.by/document/?guid=3871&p0=H11200419>. [18]
- IMF (2019), *Belarus Country Report No. 19/9*, International Monetary Fund, Washington, D.C., <https://www.imf.org/en/Publications/CR/Issues/2019/01/18/Republic-of-Belarus-2018-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-46526>. [1]
- IMF (2019), *World Economic Outlook*, International Monetary Fund, Publication Services, Washington DC, <http://www.imf.org/en/Publications/WEQ>. [6]
- IMF (2018), *Financial Access Survey*, International Monetary Fund, Washington, D.C., <http://data.imf.org/?sk=E5DCAB7E-A5CA-4892-A6EA-598B5463A34C>. [16]
- National Bank of Belarus (2019), *Statistics Bulletin No.1*, National Bank of Belarus, Minsk, [http://www.nbrb.by/eng/publications/bulletin/stat\\_bulletin\\_2019\\_01e.pdf](http://www.nbrb.by/eng/publications/bulletin/stat_bulletin_2019_01e.pdf). [17]
- OECD (2017), *Trade Facilitation Indicators, Database*, <http://www.oecd.org/trade/topics/trade-facilitation/> (accessed on 2019). [19]
- Palmer, M. (2017), “Belarus tech dream is a walk in the park”, *Financial Times*, <https://www.ft.com/content/48f3b14a-f81e-11e6-9516-2d969e0d3b65>. [20]
- The Economist Intelligence Unit (2019), *Belarus Country Report*, The Economist Group, London, <https://country.eiu.com/belarus>. [4]
- Tsarouva, M. (2018), “How Hi-Tech Park Belarus is playing a major role in the economy”, *ItechArt*, <http://www.itechart.com/blog/how-hi-tech-park-belarus-playing-major-role-economy/>. [23]
- Urban, D. (2017), “ОСОБЕННОСТИ ВЛИЯНИЯ ПРАВОВОЙ И СУДЕБНОЙ СИСТЕМЫ” [Peculiarities of the impact of legal and judicial systems in Belarus on doing business], IPM Research Center, Minsk, <http://www.research.by/webroot/delivery/files/pdp2017r04.pdf> (accessed on 7 June 2019). [10]
- WIPO (2019), *Country Profile*, [http://www.wipo.int/directory/en/details.jsp?country\\_code=BY](http://www.wipo.int/directory/en/details.jsp?country_code=BY). [11]
- World Bank (2019), *Doing Business 2020*, World Bank, Washington, DC, <http://www.doingbusiness.org/en/doingbusiness>. [7]
- World Bank (2019), *World Development Indicators (database)*, <https://databank.worldbank.org/source/world-development-indicators> (accessed on December 2019). [5]

World Bank (2018), *Enterprise Surveys: Belarus 2018 Country Profile*, World Bank, Washington, DC, [3]  
<http://www.enterprisesurveys.org/en/data/exploreeconomies/2018/belarus#firm-characteristics> (accessed on October 2019).

## Notes

<sup>1</sup> Belarus is a substantial net oil importer. However, because of its heavy reliance on exports of refined products and privileged access to Russian oil, it sometimes experiences net *improvement* in the terms of trade when oil prices rise.

<sup>2</sup> During these writ proceedings, a simplified consideration of disputes on economic matters takes place within 20 days, without the summon of the parties to the court. The judge examines supporting evidence and issues an executive order following the appeal.

<sup>3</sup> The Board of Appeals of the National Center of Intellectual Property conducts pre-trial settlements of IP disputes, which, if not resolved, are reviewed directly by the Specialised Tribunal for Intellectual Property under the Supreme Court of the Republic of Belarus.

<sup>4</sup> *Source*: SBA assessment questionnaire.

<sup>5</sup> An m-signature, or mobile signature, is using a mobile device to sign an electronic form or document.

<sup>6</sup> FitchRatings, *Belarus Banking Sector: Growth Moderates, Asset Quality Still Vulnerable*, July 2019 <https://www.fitchratings.com/site/re/10080828>

<sup>7</sup> Please see the *Access to finance* thematic pillar for more information on these support mechanisms.

<sup>8</sup> <https://www.nbrb.by/today/creditregistry>

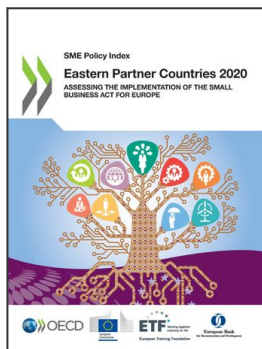
<sup>9</sup> Apart from areas where no EAEU technical regulations exist yet and where national technical regulation still prevails.

<sup>10</sup> <https://www.economy.gov.by/ru/perechen-incubatorov-ru/>

<sup>11</sup> <https://www.economy.gov.by/uploads/files/gos-programmy/otchet-2018.pdf>

<sup>12</sup> <http://www.gknt.gov.by/deyatelnost/innovatsionnaya-politika/gpir/>

<sup>13</sup> See <http://www.eu4business.eu/project/eastern-partnership-ready-trade-eu4business-initiative-3>



From:

## **SME Policy Index: Eastern Partner Countries 2020**

### Assessing the Implementation of the Small Business Act for Europe

Access the complete publication at:

<https://doi.org/10.1787/8b45614b-en>

#### **Please cite this chapter as:**

OECD, *et al.* (2020), “Belarus: Small Business Act country profile”, in *SME Policy Index: Eastern Partner Countries 2020: Assessing the Implementation of the Small Business Act for Europe*, OECD Publishing, Paris/European Union, Brussels.

DOI: <https://doi.org/10.1787/67adad61-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area. Extracts from publications may be subject to additional disclaimers, which are set out in the complete version of the publication, available at the link provided.

The use of this work, whether digital or print, is governed by the Terms and Conditions to be found at <http://www.oecd.org/termsandconditions>.