

# **Business Climate in Belarus: Pessimism Prevails**

Belarusian government recently reaffirmed its desire to become a top-30 nation in the World Bank's Doing Business Report. To assess how well local authorities across the country pursue this goal a number of Belarusian organisations organised a special competition – "The Best Town/District and Oblast for Doing Business in Belarus".

The latest competition results were announced at the Assembly of the Business Circles of Belarus at the end of February. Now the Belarusian business community and potential foreign investors know where their entrepreneurial activity can yield the highest profit in 2012. But because of the voluntary and populist methods of economic governance in Belarus both entrepreneurs and officials are sceptical that the country will land in the top-30 of the most favourable places to do business.

## **The Results of the Competition-2012**

The competition compared business climates in all Belarusian towns and regions and identifies where a local or foreign businessman can enjoy more favourable conditions for doing business. The jury of the competition consisted of entrepreneurs, representatives of business unions, academics and analysts. The organisers included the Republican Confederation of Entrepreneurship, one of the biggest Belarusian business associations.

The study assesses various factors, including the number of small enterprises per 1,000 inhabitants and the share of small businesses in the overall number of the employed, the amount of taxes paid and investments. The jury also takes into account opinions of local business associations about the

attitudes of local authorities to businessmen, the image of entrepreneurship in local media and opportunities for young people and particularly women to run their own business.

This year the authorities of 76 (out of 118) districts submitted their documents for the competition, the highest number ever. This could be an indication that local authorities are becoming increasingly interested in attracting private investments. But probably the official support of the Ministry of the Economy played a more important role.

The jury named the following winners:

- among the towns/districts with fewer than fifty thousand of population – Narauliany District of Homel Oblast (eastern Belarus);
- among the towns/districts with more than fifty thousand of population – Maladzechna District of Minsk Oblast (central Belarus)
- among the 6 oblasts of Belarus – Homel Oblast (eastern Belarus);
- among the districts of the capital city – Frunzenski District of the City of Minsk.

The assessment results revealed a number of interesting facts. For example, the city of Minsk has the biggest share of population employed by small enterprises (more than a quarter of the working population). In the east of Belarus this share is significantly smaller than in the West. In some districts of the east less than three percent of the population work for private firms.

The share of taxes paid by small businesses is the highest in central Belarus. In some districts the share reaches a half of all the taxes collected. In eastern Belarus this share is generally the lowest.

Perhaps, the most telling data concerns capital investments by small businesses. It shows where in Belarus entrepreneurs feel

more secure and can make long-term plans. According to the competition jury, after the 2011 economic crisis there were simply no “safe havens” for long-term investments in the country. However, in some regions of Belarus private investors are still active. For example, certain parts of central Belarus receive more than 40% of all investments from small businesses. Whereas, in some areas in the West this indicator is close to zero.

### **Alarming Expectations**

The XIII Assembly of the Business Circles of Belarus, where the competition results were announced, shed light on the very alarming expectations shared by entrepreneurs and even state officials.

The main organiser of the Assembly – the Republican Confederation of Entrepreneurship – presented an updated version of the National Business Platform. This document represents the business community's vision of desirable market reforms. The Platform focuses on the new economic realities that Belarus faces in the Common Economic Space with Kazakhstan and Russia. It articulates the idea that the Belarusian economy is doomed if the government fails to carry out fully-fledged market reforms.

The discussion of the Platform revealed that almost all participants of the Assembly (including state officials) see market reforms as the only way to raise the competitiveness of the Belarusian economy. All speakers were vocal about the need to launch a structural transformation and seriously improve the business climate. But at the same time there was a great deal of pessimism and even despair in the speeches of the Assembly. And this state of despair is easy to explain.

### **Insurmountable Economic Voluntarism**

In a country where economic policy is so susceptible to the arbitrary decisions of just one man (even though he is the

President) no one knows what a new day will bring. And when social populism generously supported by [Russian energy subsidies](#) permanently prevails over economic analysis, the chief decision-maker is very unlikely to start listening to economic arguments. As a result, even top officials turn into desperate pessimists.

This desperate pessimism makes the goal of becoming a top-30 jurisdiction for doing business sound more like a bad joke. And the competition for the best business climate in Belarus becomes just a nice public speaking exercise.

Yauheni Preiherman

*Yauheni Preiherman is Policy Director at the Discussion and Analytical Society Liberal Club in Minsk*