

The avant-guarde of Belarusian hi-tech industry

Agreements concluded in May of this year between the Belarusian High Tech Park and Uber, along with the opening of an R&D centre for the Israeli company Gett, demonstrate the growing [success of the Belarusian IT industry](#).

Dave Waiser, Gett's CEO, compared Belarus to Israel in terms of its small domestic market for retail business, but big opportunities for IT export for worldwide use.

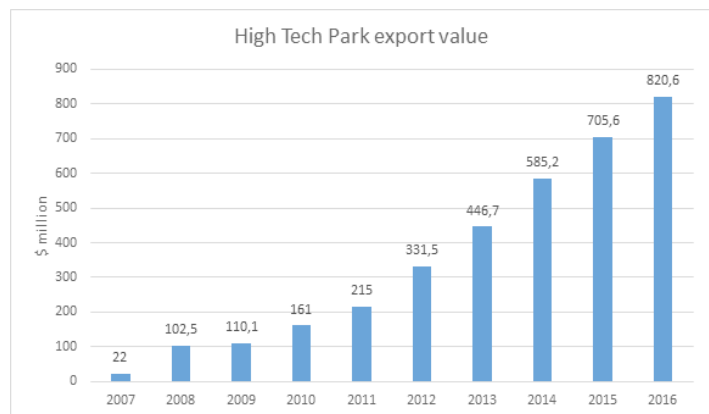
Over the past decade, Belarusian IT services have grown by almost 50, with export reaching \$900m – a number which is growing at a rate of 20 per cent and currently constitutes 12 per cent of Belarusian export.

Out of the 1,000 IT companies in Belarus, only 24 belong to the state. The largest IT companies, which operate in Belarus's most promising industry and do most of their business abroad, put continuous effort into ensuring the industry continues to grow.

While the authorities support the increasing contribution of the IT sector to Belarus's declining economy, it is Belarusian IT companies themselves which play the largest role in boosting IT education, expanding the sector's size and regional reach, and cautiously influencing changes in legislation.

High Tech Park – Belarus's

hub for IT

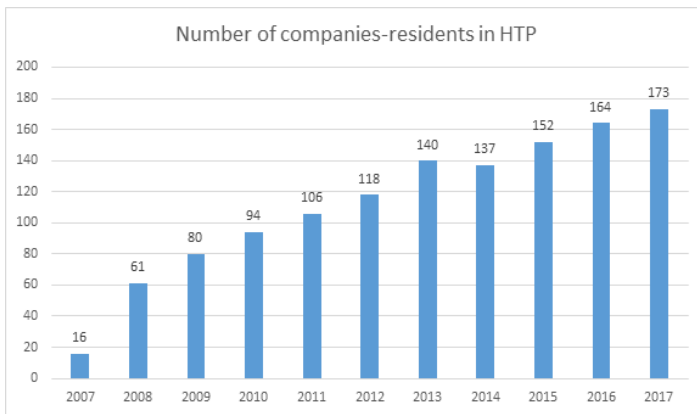


It's been 12 years since High Tech Park opened in Minsk, after the president signed the decree 'On High Tech Park' in 2005. Before the park's opening, Belarus's IT export constituted \$15.2 million.

In 2009, HTP had already reached \$121.5m worth of export. In 2016 it reached \$820.6 million, expanding its activities into the fields of nanoelectronics, mechatronics, data transmission, and other areas.

Currently, the park hosts 173 companies from 67 countries, producing 91% of its software for export and attracting \$169m of foreign direct investment. Thanks to HTP, the export of Belarus's IT services became the second most important contributing factor to the country's current positive trade balance for foreign services.

A few days ago, HTP opened an educational centre in a regional department in the city of Hrodna. The department implements and supports regional ICT projects, cooperates with local universities, and promotes employment in the IT sector. HTP has also opened IT academies in several locations in order to teach programming to school children. In this way, the park can enhance IT education while motivating students to specialise in ICT, consequently increasing the number of potential IT specialists for the growing sector countrywide.



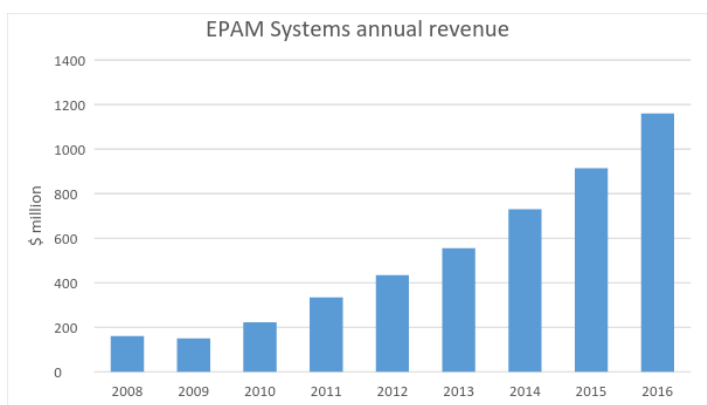
The number of foreign companies entering HTP is increasing thanks to tax benefits and a pool of inexpensive and highly qualified specialists; this creates a [perfect environment for outsourcing](#).

Four Companies with Belarusian roots (EPAM Systems, IBA Group, Intetics, and Itransition) are ranked among the world's largest outsourcing companies in *2016 Global Outsourcing 100*. Another ranking, *SoftwareMag*, includes EPAM, IBA and eight more HTP residents among the top 500 IT service providers.

Top outsourcing companies

EPAM Systems is the largest Belarusian IT company, registered in the US with 25 branches around the world. [Arkadz Dobkin](#), a Belarusian immigrant to the US, founded EPAM in 1993. Today, EPAM employs 22,000 people, including 8,000 in Belarus, where the company has branches in all regional centres. With revenue of over \$1 billion and IPO at the New York Stock Exchange, EPAM is the fastest-growing IT company in Belarus and among the fastest in North America. Over the past six months alone, the Belarusian branch of EPAM increased its staff by more than a third.

EPAM invests millions of dollars into real estate for Belarusian programmers, finances university training programmes, and runs start-up initiatives. Moreover, the company is listed among the winners of the 'Best



Exporters of 2016' for its leading position in Belarus's IT services export.

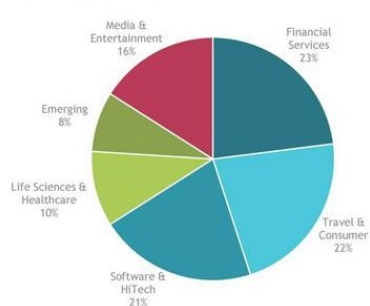
However, EPAM's overall revenue structure shows that North America takes the largest share (59.2 per cent), while CIS receives 14 times less (4.2 per cent), and this gap is widening. Hence, most of EPAM's revenue falls outside Belarus, the country with the most employees.

IBA Group, the third largest IT exporter and second biggest supplier to Belarusian market, is another major Belarusian outsourcing company. IBA owes its creation to the US company IBM, which established a joint venture with the Minsk Research Institute of Computers in the early 1990s. Today IBA is headquartered in Prague, while the Minsk-based office remains the key to the company. IBA has developed several projects for the Belarusian market, including an e-tax system for the Ministry of Taxes and Duties, a ticket system for public transportation, and budgeting systems for banks.

REVENUE BY GEOGRAPHY



INDUSTRY FOCUS



In August 2016, the media claimed that Belarusian police had detained IBA's top managers. While IBA CEO Siarhiej Liaŭciejeŭ denied this information, he confirmed certain claims by national law enforcement agencies. Nonetheless, IBA, EPAM, and other top IT companies, such as Itransition, ISsoft Solutions, and iTechArt, remain among the top Belarusian IT service providers to this day.

Conquering the world with tanks and augmented reality

While the Belarusian IT industry largely focuses on services, product development continues to be the most profitable sector. Wargaming, founded in Minsk in 1998, is a primary example. Last week, the world's fifth most popular PC gaming company held its 2017 Grand Finals in Moscow, gathering 12 teams to compete for a \$300,000 prize. Officially registered in Cyprus, Wargaming garners international recognition for its game World of Tanks, played by 110 million users. The game turned the company into an international corporation.

Wargaming's CEO [Viktar Kisly](#) became the first gaming industry billionaire from the CIS included in the Bloomberg index, which valued Wargaming's business at \$1.5 billion. However, since World of Tanks, no other game has had similar success. Stagnation of the business could have influenced the decision of co-founder Ivan Michnievič to leave Wargaming in 2014. While the Minsk-based Game Stream Studio continues developing new projects, recent games such as World of Warplanes and World of Warships have failed to take off.

Other fresher examples of Belarus's IT development is the company Banuba Development, registered in Hong-Kong with a development centre in Minsk. Backed by \$5m of funding from the Gutseriev family's Larnabel Ventures and [Viktor Prokopenya](#)'s VP Capital, the team of 45 Belarusian programmers are currently developing augmented-reality-enabled mobile apps. Already boasting 11 US patents, Banuba expects to present its first application this year.

Emerging trends

During Lukashenka's visit to several IT companies, the president made clear that the state has given a green light to the development of the IT industry. Lukashenka praised [the achievements of Belarusian IT companies](#), promising to expand state support for new projects.

The fact that Belarus already has EPAM and InterActiveCorp (IAC), which owns the HTP-registered mobile apps developer Apalon, shows that the right steps are being taken towards involving large corporations in Belarus's IT sector. Nevertheless, further revenue growth requires a new legal system to support the IT product model and attract more public IT companies with traded shares on stock exchanges.

While Belarusian and Russia-oriented exports continue to shrink, the West-oriented IT industry is growing by leaps and bounds. The government supports Belarus's high-tech achievements by asking for its 5 per cent share in GDP, while IT businessmen carefully push for reforms in economic legislation. As long as the interests of IT business and the government in making Belarusian economy more innovative coincide, HTP residents can expect production and revenue growth, as well as more IT corporations coming.

This article is a part of a series of publications on IT sector in Belarus supported by [VP Capital](#).

Is the IT sector Belarus's

most successful industry?

On 24 May, [Usievalad Jančeŭski](#), the Head of Belarus's High Technologies Park (HTP), and Pierre-Dimitri Gore-Coty, Head of the EMEA region at Uber, agreed to an R&D centre for Uber in HTP for driverless vehicles.

Uber's decision to cooperate with HTP does not come as a surprise, given Belarus's reputation on the East European IT market. Belarus hosts more than 1,000 IT companies with over 30,000 employees. Boasting many well-educated and relatively inexpensive specialists, the country provides excellent hi-tech outsourcing services for foreign enterprises.

The majority of IT clients come from North America and Europe, while a number of famous IT firms, such as EPAM Systems and IBA Group, have roots in Belarus. The IT industry was successful thanks to limited government interference and a large pool of highly-skilled professionals.

Despite the favourable business climate, however, the unstable tax system, loosely defined property rights, the government's capricious behaviour, and Western sanctions are barriers to the Belarusian IT business.

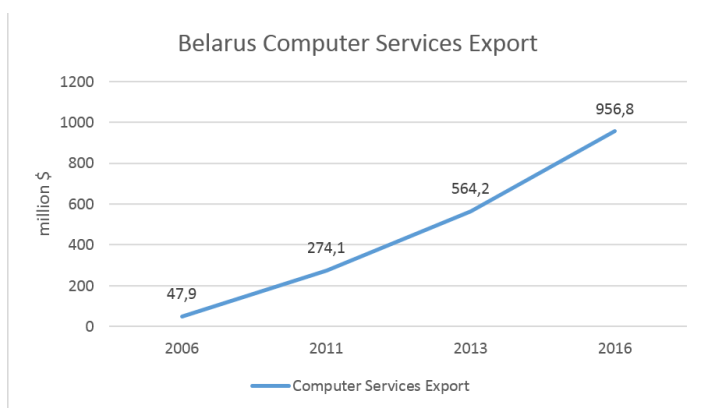
The history of tech innovation in Belarus

During Soviet times, Belarus was an epicentre of technological research and development: Belarusian engineers designed 60 per cent of the USSR's computers. Once the Soviet Union fell apart, Belarus's legacy of software expertise and scientific research became the foundation for today's independent IT entrepreneurial activity. Young programmers kept their small companies away from state control; in some cases they

eventually entered the global market.

In 2005, after Lukashenka signed a presidential decree entitled 'On the High Tech Park', Belarus got its own version of Silicon Valley. The establishment of the High Tech Park has done much to foster the development of information and communication technologies (ICT) in Belarus, producing computer services for export. With simplified regulations regarding hi-tech business and taxation, Belarus became one of Europe's main outsourcing destinations, competing with other East European countries.

Given the overall economic decline, the authorities see the IT industry as a [potential solution to the Belarusian economy's woes](#), leading them to promote Belarus's self-branding as an 'IT country'. Meanwhile, foreign clients choose



Belarus because it's IT services are high-quality and cost-efficient. Although Belarusian developers charge more than South-East Asian ones, they still demand less in wages than West Europeans and Americans; they are thus among the cheapest IT specialists in Eastern Europe. Foreign enterprises make Belarus's IT market grow, currently contributing 1.5 per cent to the GDP; this number is expected to rise to 4-5 per cent by 2020.

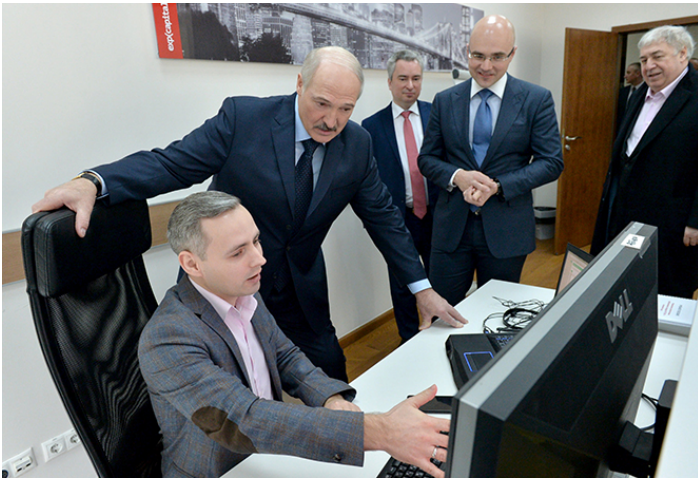
During Lukashenka's visit to HTP in March 2017, the president asserted that the state would continue to assist the IT sphere in legal and other aspects. Besides state investments, the ICT sector is growing mainly thanks to limited governmental control and relaxed taxation. The 2005 presidential decree exempted High Tech Park companies from corporate and profit tax payments, and HTP residents from custom duties. Additionally, HTP residents receive special rent and insurance

rates, pay a fixed 9 per cent income tax instead of the usual 13 per cent, and receive the benefits of the Social Security Fund despite earning above average salaries (BYN 777 or \$420 in April 2017).

Nevertheless, the IT industry remains vulnerable to the whims of the authorities. For instance, in March 2017, Lukashenka dismissed [Valiery Capkala](#), HTP's former head, with no explanation. One version suggests that Capkala did not aim at deploying the IT sector fully in favour of the Belarusian economy. If such incidents occur more often, they may negatively affect the IT investment climate, creating uncertainty among potential investors.

Young and well-educated IT talents

IT-sector growth became possible thanks to the huge IT talent pool. Despite the many issues in the Belarusian education system, it maintains a focus on mathematics, hard sciences, and logical thinking. Around 16,000 STEM students graduate from 54 universities every year, 4,000 of which are IT specialists. Because the IT sector guarantees a well-paid job, admissions for IT degrees are highly competitive. For example, the admissions rate for the Information Systems and Technologies degree at Belarusian State University of Informatics and Radio-electronics (BSUIR) reached 7.3 people per place in 2016; 373 out of 400 applicants had a passing score.



Therefore, most Belarusian IT students have deep knowledge of their subject and participate in numerous national Olympiads and international competitions. For example, Belarusian sport programmer Hienadz Karatkievič won the *Google Code Jam* competition three

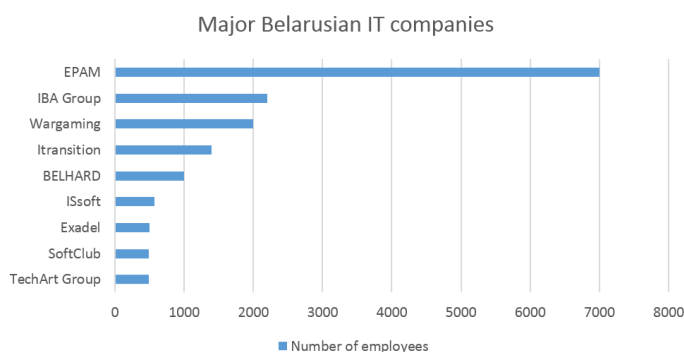
times in a row in 2014-2016, breaking the world record. What's more, Belarusian students won several prizes in the *IEEEExtreme* competition, International Mathematics Competition, and Informatics Olympiad. Such results demonstrate the high level of technical and scientific knowledge that allows Belarusian programmers to compete with their rivals from Western countries.

It comes as no surprise that many IT firms maintain close contacts with Belarusian universities, providing special trainings for students, taking on interns, and hiring recent graduates. These graduates constitute 11 per cent of IT employees, while one third have a 7-year working experience. Thus, with an average age of 28.6, [young people dominate the Belarusian IT industry](#) and enjoy a standard of living several times higher than the national average.

Local product development, geography and mentality

Localised product development also contributes to Belarus's self-branding as an IT country. Recently, the mobility company Gett acquired the Belarusian start-up Juno, while document management startup PandaDoc scored \$15 million of investment. Other examples of famous [Belarusian IT projects](#) include MSQRD,

one of the top 2016 iPhone apps, popular messaging service Viber, the video game *World of Tanks*, and the mapping service *Maps.me*.



In some cases, Belarusian emigrants contribute to IT growth by bringing leading software enterprises back to their home country. This was the case for [Arkadź Dobkin](#), who opened multiple franchises of his company

EPAM Systems and began collaborations with local universities to train and recruit students. EPAM, together with IBA Group and Wargaming, are perennially at the top of the list of Belarusian IT companies.

Finally, the geographic location of Belarus makes it attractive to IT companies, which prefer physical proximity to outsourced personnel. What's more, Belarusians are more familiar with the Western mind-set, and have no trouble adapting to company etiquette. Belarusian IT specialists have earned a reputation for being hard-working, tech-savvy, mobile, and eager to be relocated if necessary.

Whether the Belarusian IT industry will keep growing depends primarily on the demand for Belarusian software services and custom development from international clients. Unless the government puts more pressure on the IT sector, Belarus will probably see more foreign tech enterprises coming.

Nevertheless, these companies still opt for registration abroad to avoid economic vulnerability and political risks. This demonstrates a lack of confidence in Belarus's business environment, which may lose its attractiveness once HTP's privileges come to an end in 2020.

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Who Invests In Belarus?

On 17 April 2013 Standard and Poor's upgraded its outlook on Belarus sovereign rating from stable to positive. According to the agency, strengthening economic stability was brought on by tightened monetary and fiscal policies.

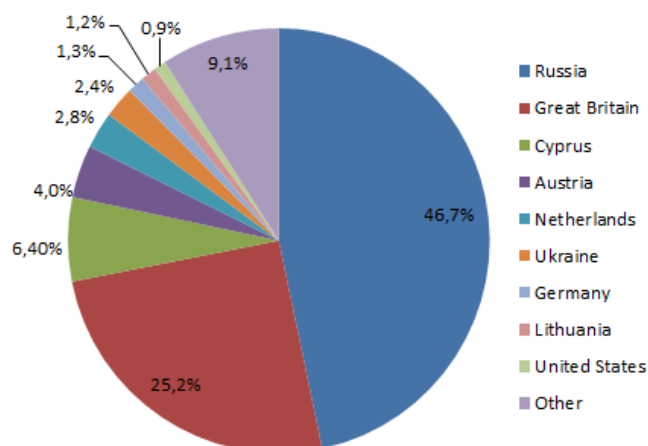
The beneficial change means more than a pleasant evaluation of the country's performance, but also a signal to foreign investors, which Belarus needs now more than ever. While the Middle East countries continue to speak highly of the country's investment attractiveness, the less friendly West invests in Belarus much more.

The facts suggest that Belarus' politics plays a less significant role for foreign investments' inflow than one could imagine. Even more, statistics shows increase of European investments into Belarus against the background of deterioration of Belarus-EU political relations.

Map of Foreign Investments in Belarus

The origin of foreign investments coming to Belarus remains quite stable. Traditionally, the largest amounts come from Russia and the European Union countries. Since 2007 Russia, Great Britain and Cyprus have never left the Top-5 countries investing in Belarus, regardless of whatever changes in Belarus' external policy. Austria, Germany, Netherlands, Switzerland, Lithuania, Ukraine, the United States and China also head the list of active contributors to Belarusian economy.

Foreign Investments to Belarus in 2012



At the same time, the widely declared plans of Belarus' government to attract investments from the East, namely, from the Middle East remain far from full implementation.

Even with the rare existing investment projects of the Eastern countries in Belarus considerable troubles occur. The most notorious ones include refusal of Oman investor from carrying out a major investment project in June 2012 – a couple of years after entering into an investment agreement with Belarus.

In 2010, the Oman investor obtained a 2.6 hectares' land plot in the very centre of Minsk and a number of other preferences granted by the Belarusian President.

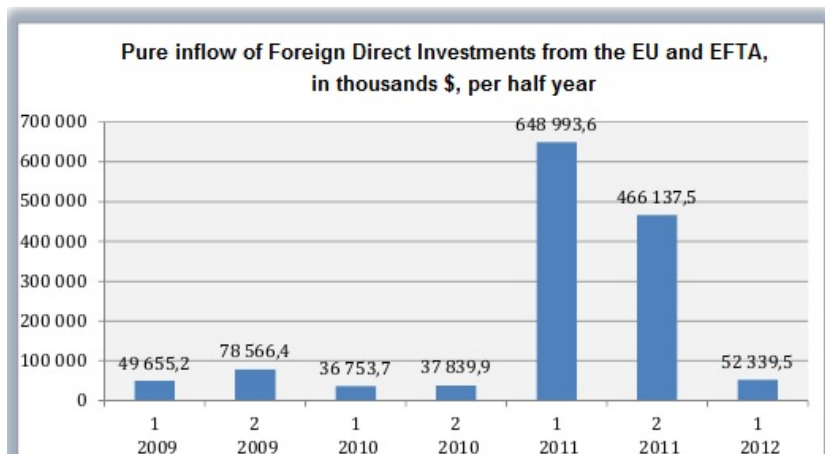
According to Minsk city authorities, the investor's refusal from the project resulted from the 2011 economic crisis. At the same time, for example, Qatar investments until now appear to be working well and tend only to increase.

The situation with foreign investments from [China](#) remains unclear. Belarusian media devote much attention to Belarus-China economic cooperation but in reality the country's investments into Belarus still remain modest, although higher than those from the Middle East states. The major contributions came to Belarus from China as earmarked loans of

Chinese banks for a implementation of projects involving the use of Chinese goods and workers.

Politics of Profits?

The low responsiveness of foreign investments to political developments became obvious in 2011. Despite Belarus-EU relations hitting a new low after the 2010 presidential elections, the inflow of European investments into Belarus in 2011 exceeds the level of 2010 and 2009. Belarusian Internet resource Doingbusiness.by provides the following chart of foreign direct investments inflows to Belarus from the EU and the European Free Trade Association countries:



Importantly, Europeans themselves do not hide that economic interests prevail over political disagreements. Therefore, the dislike of the West of the Belarusian regime hardly reflects on FDI flows. Even Belarus Prime-Minister Mikhail Miasnikovich complains about the insufficient profitability of investments into Belarusian industry: the \$31,5 bn invested into Belarusian industry have brought only \$19,2 bn increase of value added during the last 7 years.

The United States, despite a firm stand on the political situation in Belarus, also invest in Belarus. As of now, the most preferred destination of American investments in Belarus is the High-Technology Park. Three American companies included into The 2013 Global Outsourcing 100 rating – EPAM Systems, Intetics and Itransition – reside in the High-

Technology Park. Some of them were founded by ethnic Belarusians.

Considering investments from Russia, politics does influence them, although with certain peculiarities. Using financial and fuel dependence of Belarus from its big neighbour, Russian businesses can secure their investment interests in Belarus. It is no secret that the Russia-Belarus agreement on the sale of [Beltransgaz](#)' shares to Russian Gazprom appeared on the same day as the treaty on lower Russian gas prices for Belarus. So, the irony of the Russia-Belarus relations was that the largest Russian investment into Belarus made the result of gas disputes between the countries.

Dividends' Taxation Decides

A range of reasons for which these, but not the others, European countries invest in Belarus is wide. Together with strength of such countries' national economies in some cases and geographical closeness to Belarus in the others, go tax regulations.

Belarus concluded double taxation treaties with 63 countries, including, those which invest in it. Predictably, the treaties with the actively contributing in Belarus countries provide their residents with the best investment opportunities. The low tax on dividends – for which the statutory rate in Belarus is 15% – plays an important role.

Great Britain firmly ranks second among states of origin of investments coming to Belarus. A great deal of funds from this country concentrates in Belarusian free economic zones and High-Technology Park. Doing business in these areas ensures considerable taxation and other privileges for its residents, but British investors are in a favourable position a priori. According to the Great Britain-Belarus double taxation treaty British companies and natural persons pay no taxes on dividends at all.

Provisions of the double taxation treaty with Cyprus, Netherlands, Germany and Austria are less attractive. Still, under certain conditions they provide for the tax rate of only 5% on dividends. Thanks to this rule, investing from these countries becomes more profitable than from almost all the others.

The Cyprus' extremely beneficial national taxes coupled with benefits from the double taxation treaty, it is easy to understand why this small country headed the list of countries investing into Belarus during all these years up to recently. Moreover, many businesses from Belarus and other former Soviet Union countries use entities incorporated in Cyprus to do business back at home.

Double taxation treaties between Belarus and many Middle East countries also establish good conditions for businesses.

So, European investors are still far more active in Belarus than their Asian competitors despite high politics. Whether the tendency will last remains still unclear because the Eastern countries are expanding their capital over the world. In Belarus their state will not be essentially worse than that of the Europeans – at least from the point of view of taxation.

Belarus simply needs investments in big volumes and does not care a lot about their sources. While international political relations can influence foreign investors' intentions, their first priority is profits. But as of now, Belarus' financial attractiveness is still not high, both because of low profitability and [the lack of stability of Belarusian laws and economy](#).

According to a study of the United Nations Commission on Trade and Development, in 2009 the cumulative FDI inflow per capita in Belarus was just \$878, compared to \$1,138 in Ukraine, \$1,792 in Russia, and \$4,801 in Poland.

Belarus still has many lessons to learn how to attract foreign investors.

Belarus Sends Confusing Messages to Investors

Last year net foreign direct investments into the real sector of Belarusian economy dropped by 75 per cent compared to 2011, according to recently release figures of the Belarusian Statistics Committee.

The pretext for sentimental patriots to moan is another reason for state authorities to rack their brains. They have eased tax burden, extended territories with privileged regimes, and achieved impressive results in the World Bank's Doing Business ranking.

But investors ignore the country with qualified, quite cheap and hard-working employees with opens access to the Russia-Belarus-Kazakhstan Customs Union with its market of 170 mln people. Big foreign businesses may secure unique privileges and cordial greeting, but then expose themselves to significant risks.

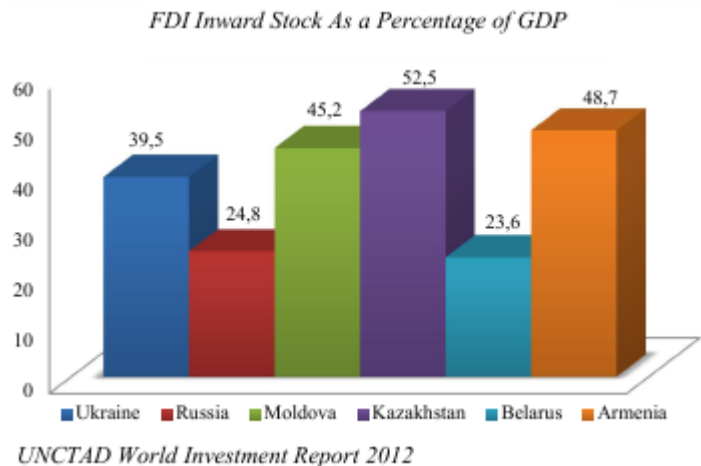
Small enterprises risk less, but are to go through all thickets of Belarusian bureaucracy, which is often unbearable even for local dwellers. Bad image in the Western media and political unpredictability also add to investors' unwillingness to invest.

Still, these factors can hardly explain the 75 per cent fall of net foreign investments.

Picky Underperformer

Belarus' underperformance at attraction of foreign investments is no news. Even compared to other states of the Commonwealth of Independent States its achievements are poor.

With this gloomy background, the 75 per cent fall of net foreign direct investments within a single year surprises even more.

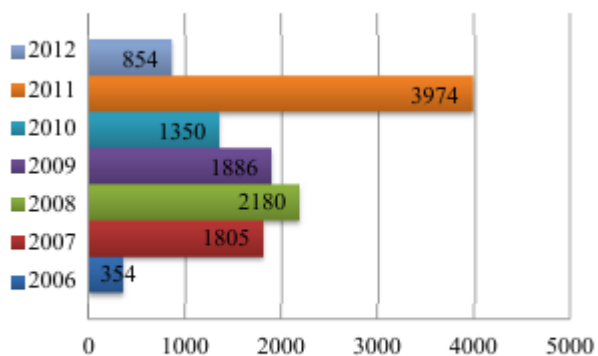


More specific figures help to ease the astonishment. The \$3,974 mln of net foreign direct investments in 2011 were unprecedented for Belarus and mainly appeared from one big deal.

Russian giant Gazprom purchased [Beltransgaz](#)'s stock for \$2,500 mln. Without this transaction, the index' decrease would be more modest.

In 2012 Belarus failed to privatise any big state company. Or, perhaps, it did not really need it. As Belarusian economist, Leanid Zaika, explained to Deutsche Welle, "the use of grey schemes in "solvents business" has brought to Minsk about \$ 2,500 m, which has fully replaced foreign investments".

Net Foreign Direct Investments to Belarus, \$ ml



Data on 2006-2011 taken from
<http://www.economy.gov.by/ru/invpolicy/invest-klimat/pezzultat>

Thanks to the [solvents scheme](#), Belarus could continue behaving like a picky girl, or sooner Lukashenka – acting like her austere father. To please him foreign investors should bring significant resources, latest technologies, and welcome state's representatives at their company's Advisory Board.

But such investors are rare, if not unreal.

However pleasant the process of being choosy can be, Lukashenka will probably have to give up this privilege. In 2013, Belarus is supposed to say goodbye to another \$3 bn for covering its external debt.

The solvents business has stopped. Chances for cheap foreign credits for the debt's covering have lowered. The need for investments is growing.

Spartak, Kommunarka, Luch. What Is Next?

The government failed to attract enough investments to Belarus in 2012, it has also damaged the country's investment climate. Last November the conflict between Lukashenka and a foreign investor – Marat Novikov – resulted in more than two times' increase of the state's shares in Kommunarka and in Spartak, dissolution of both companies' Advisory Boards and assigning state officials as their sole directors.

But Belarus did not stop there. On 28 December 2012 an extraordinary general shareholders meeting of OJSC "Luch" voted for transfer of 5.4 per cent of the company's stock to the state. Before that, the state's share constituted only 0.18 per cent of stock.

It was the state's representative in the Advisory Board of Luch, who initiated such voting. Initially, the representative

spoke about increase of the share up to 25 per cent. But further steps of the state with regard to the company's stock are still unclear.

Reaction to these facts was quick. The terms nationalisation and "reprivatisation" seem to be the most popular among investment analysts and potential investors, when they speak about Belarus now. In such environment Lukashenka's words during entrance speech at the 7th Belarus Investment Forum that "we guarantee the best conditions for doing business to investors" sound like an empty promise.

Peculiar Attractors for Investment

Still the Belarusian government is trying to attract foreign investments. Belarusian lawyers are working on perfection of laws on investments, concessions and public-private partnership. The complicated tax system is becoming simpler. Investment forums are growing both in scale and in number. Belarus' rating in Doing Business is rising.

Belarus has also been providing the most wanted foreign investors with privileges and benefits on a case-by-case basis. Among the newest appeals is the creation of [Chinese-Belarusian Industrial Park](#) – today the most favourable place to do business in Belarus.

While trying to get investors interested in entering the Chinese-Belarusian Industrial Park, the state uses again its probably most effective novelty in terms of investments over recent years: [High-Technology Park](#)'s tax privileges. In the Chinese-Belarusian Industrial Park, the taxes are even lower.

Investments' attraction through diplomatic cooperation is another tool. Recently, Lukashenka has assigned the special task of each Belarus' foreign ambassador to attract investments. Traditionally, the assignment looked more like an order and the ambassadors are now responsible for the tasks received.

Lukashenka himself also is active in cooperation with selected foreign ambassadors. Last December he had a very friendly meeting with the Iranian ambassador Seyyed Abdollah Hosseini. Lukashenka's warm attitude to the ambassador is quite explicable. During four years of his stay in Belarus Iranian investments in Belarusian economy rose from \$6m to \$960m.

However tough are the efforts, friendly political relations and privileged tax treatment are not enough to satisfy Belarus' financial hunger. Not so many countries in which state authorities dispose of investments instead of private parties still exist. And capital from Russia, Venezuela, Azerbaijan and Iran make only a small part of the world's investments.

Businessmen from most other countries want the host state of their investments to have stable economy, predictable legislation and trustworthy government. Belarus makes different efforts for investments' attraction, but among the most important factors, it still does not have much to offer.

Programmers in Belarus: the Cream of Society

The 2012 university admissions campaign in Belarus has just finished and reflects a very interesting trend. However good Belarusian higher education is for engineers, physicists, and mathematicians, that does not seem to matter to young people anymore. They want to become programmers. That means representatives of almost the only profession that guarantees them independence and a decent living standard immediately after and even before graduation.

A decade ago the cliché IT specialist image in Belarus included uncut hair, a worn-out sweater and other attributes of a modest bachelor's life. Now they form a distinct Belarusian – primarily Minsk – cohort with a label of successfulness and independence unparalleled in other sectors of the struggling Belarusian economy. To a large extent this happened due to the reasonable regulatory approach to the IT industry in Belarus.

Wealthy Boys and Girls

According to the Belarusian National Statistics Committee, the average programmer's salary approaches \$1,300 per month. It is about three times higher than the average salary across the country, which currently is less than \$450. Employment websites are full of vacancies for IT specialists. Competitions for the title of the *Best IT Company to Work For* become more popular to attract the brightest. Public respect is taken for granted. All these advantages target primarily a group of young people in their 20s who have recently graduated from Belarusian universities.

Saying that programmers are just lucky would be unjust. Their efforts and talent deserve real respect. This year once again, in the Belarusian State University passing scores to the programmers' alma mater – Faculty of Applied Mathematics – were considerably higher than to any other natural science faculty: 321-345 (depending on speciality) out of 400 possible points. Passing scores for most other natural science specialities remained well below 300.

But even the admittedly talented students find curriculum of the Faculty of Applied Mathematics difficult. At the same time, they have to do plenty of extra-curriculum studies, because the university provides only basic knowledge of programming languages.

However, the graduates get paid for every drop of their

efforts because the Belarusian IT industry is ready to remunerate their skills and continues to grow.

High Technologies Park

The favourable environment for IT business in Belarus started to develop in 2005 with the adoption of the presidential decree "On the High Technologies Park". The decree established the High Technologies Park for 15 years to support the national software industry. Since that time the High Technologies Park represents a specific part of the territory of the city of Minsk and its residents have a number of benefits in the spheres of taxation, immigration and foreign currency transactions.

Tax benefits are probably the most impressive. For instance, the High Technologies Park's residents are not subject to profits tax, VAT on turnover from sale of goods and rendering services in the territory of Belarus, or customs duties and VAT with respect to goods imported into Belarus. Preferential personal income tax rate (9 per cent instead of statutory 12 per cent) applies to profits of individuals earned working at the High Technologies Park. Withholding tax rate on income from dividends, interests, royalties if the source of payment of such income are significantly lower than the normal rate.

Thanks to the favourable legal environment, the High Technologies Park has expanded quickly and currently hosts 109 residents. Half of them are foreign companies and joint ventures. Branches of world leaders in software production of Belarusian origin such as EPAM Systems, Sam Solutions and IBA Group are also among the High Technologies Park's residents. The list of consumers of the High Technologies Park's software includes Mitsubishi, British Petroleum, London Stock Exchange, World Bank, Coca-Cola and many others.

Stop the Brain Drain

There is nothing unusual about big demand for Belarusian

programmers. Respect for post-soviet schools of math and physics that laid the foundation for programmers' qualification has always been high. But until recent years that resulted in a huge outflow of bright graduating students to foreign countries.

Despite their interest in Belarusian programmers, major international companies were unwilling to enter the market even for outsource out of prudence. The High Technologies Park's tax incentives became the second and decisive reason for starting an IT business in Belarus. Success of the first foreign IT companies attracted others, and finally Belarusian programmers became able to find good jobs in their home country.

Belarusian programmers still earn much less than their USA colleagues – about \$88,000 a year in the USA compared to approximately \$15,000 in Belarus. However, this can allow for quite a well-off life thanks to Belarus's relatively low cost of living. For example, monthly rent for a good two-bedroom flat is about \$370. Since the difference in real income is not that striking, programmers take into account their wish to be with families and friends and often choose to stay in Belarus rather than go overseas.

End of the Fairy Tale?

While programmers prosper in Belarus now, many predict the end to their era and explain such apprehensions by the forthcoming oversaturation of the Belarusian labour market with skilled specialists. However right was the concept of diminishing marginal utility as such, it is too early to apply it to IT in Belarus. The export share in the total production volume of the High Technologies Park is 80 per cent. That means that it is only the world's labour market saturation which they should be afraid of, which is very unlikely.

In the meantime, what seems to be a real threat to the current

peace and quiet is that in 2020 the privileges of the High Technologies Park will terminate. Will doing business in Belarus still be so attractive to IT companies? It is not only programmers who worry about this. The best of them will always have the chance to get a job abroad. But the IT sphere feeds a number of related professions and administrative staff, provide the country with foreign currency and accelerates consumption in the country. This is a challenge Belarus is going in eight years, and it is already time to think about it.