

Why Viciebsk Region Lags behind

According to official statistics for April, Viciebsk region owes more money to public sector employees than the rest of Belarus combined. 133 enterprises from the region owe \$3m to their workers. One employee even climbed on a crane to demand payment of his salary arrears.

Currently a quarter of enterprises are loss-making and some are even bankrupt. Even Naftan refinery, the major enterprise on which the whole region remains over-reliant, made 30 times less money in 2015 than in 2014.

The region is experiencing depopulation, and property prices in Viciebsk have dropped more than in other Belarusian towns. It seems that with the outflow of human capital and in the absence of moves to improve public administration and the economic system, the region has no future but further degradation.

Region of Lukashenka's birth and Naftan refinery



Viciebsk region, located in the north west of the country, is the only Belarusian region which borders three other countries: Latvia and Lithuania to the north and Russia to the east.

A few well-known people have origins in the region, such as artist Marc Chagall, writer Vasil Bykau – probably Belarus' best – and Belarusian president [Alexander Lukashenka](#).

The region has quite poor soil and a cold climate, so agriculture is not its strong point. However, [Viciebsk region](#) has a developed industrial sector, especially its oil and chemical industry. The Naftan refinery based in Navapolack is one of two Belarusian refineries, surviving on cheap Russian oil and significantly contributing to the state budget.

Like all [other Belarusian regions](#) except Minsk, Viciebsk has been facing depopulation for a long time. According to official data, between 1996 and 2016 the region's population decreased from 1.4 million to 1.2 million.

How life became worse in Viciebsk

All Belarusian regions are suffering from the economic crisis more than Minsk. According to official statistics, salaries dropped by several percentage points more in the regions than in the capital and migration is flushing out the human capital needed for regional development. But there are a few bits of evidence that show that Viciebsk region is experiencing these pressures more than other regions.

In April 2016, 167 Belarusian enterprises owed debts to employees, according to the Belarusian Statistical Committee (Belstat). 133 of them were based in Viciebsk region.

A number of workers have not received payment for several

months and feel increasingly desperate. On 28 April, a Viciebsk resident climbed on a crane in Minsk demanding payment of the \$4,000 that he was owed from his employees.

Companies are failing to pay wages because many of them remain heavily in debt. Naftan refinery traditionally provided salaries and contracts for the entire region. But in 2015 the enterprise earned only \$4m, 30 times less than in 2014. The company has also been subject to several corruption investigations in recent years.

As Naftan's income has significantly reduced, many other companies have become loss-making. According to [Mikalai Snapkou](#), deputy head of the Presidential Administration, more than a quarter of the region's enterprises worked at a loss in 2015. Several companies are undergoing bankruptcy or readjustment.

One story stands out here. On 10 June, a Belarusian court will announce its decision on Hanna Shareika, former member of the the upper chamber of the Belarusian parliament. Previously, she chaired the Viciebsk broiler farm, which was then one of the most profitable enterprises in the region. But after Shareika's arrest in 2014, the company became loss-making.

According to Shareika, the company lost around \$12m in a year and a half. So far, the Court has dropped most charges against Shareika and the whole trial illustrates that law-enforcement agencies by their actions are contributing to weak economic development.



The entire region is losing hope for the economic future, so even the prices of apartments have fallen here more than in other regions. According to Realt.by, the major site for real estate in Belarus, prices for apartments in Viciebsk have fallen by 50 per cent over the past two years. At the same time, 1,100 fewer apartments were built in Viciebsk in 2015 compared to 2014.

How to break the pattern

Viciebsk's development strategy remains similar to other regions. The main difference is that low oil prices have made the problem obvious. And the public administration cannot recover economic growth, as the Belarusian economy remains over-dependent on a few state-run enterprises like Naftan. So there is no solution other than liberalising the economy and making it more diversified.

Apart from changes to the political economy, Viciebsk region needs new managers with better ideas. Currently, rulers of the region and central government lack good policy proposals for how to fix the problem.

Officials' statements only set different targets. According to the chairman of the Viciebsk Region Executive Committee [Mikalai Sharstniou](#), "200 enterprises should be created in Viciebsk region in 2016". Meanwhile, according to deputy head of the Presidential Administration Mikalai Snapkou, "investments in the region should not be less than \$2.5bn in 2016-2020".

It is no accident that these officials use the passive voice in their statements. No one is taking responsibility for creating these enterprises or bringing in investment. Free elections, or at least co-option of competent representatives from the opposition elite, would bring more accountability and transparency to public management.

But while such changes remain unrealistic, ordinary people have no choice but to leave the region. In just 15 years, the number of school children has dropped from 204,000 to only 111,000 in 2015/2016. There are several factors behind such dramatic depopulation, but one thing seems obvious – with the flight of human capital and without real changes, Viciebsk region will further deteriorate.

**Mercenaries in Ukraine,
Tourism Declines – State**

Press Digest

The Belarusian authorities threaten mercenaries originating from Belarus who participate in the Ukraine conflict with large prison terms. Belarusians cancel their New Year tourist plans because of terror attacks at popular tourist destinations.

The trade ministry tries to regulate the rapidly growing sector of online commerce. The hotel sector in Minsk faces hard times. The government plans to introduce changes to immigration rules.

All of this and more in the new edition of the Belarus State Press Digest.

Politics

[Mercenaries from Belarus who participate in the Ukrainian conflict can receive up to 7 years in prison.](#) *Narodnaja Hazieta* discusses the problem of Belarusian mercenaries, who undermine the authorities' peacekeeping efforts and provoke the continuation of armed conflict in search of income. It points to the recent case of a mercenary who fought for the Ukrainian Right Sector and was recently arrested at Minsk railway station in possession of weapons and explosives. The newspaper compares the Belarusian fighters with ISIS radicals. However, it mentions only mercenaries who fight on the side of Ukraine, while being silent on the pro-Russian fighters. According to the Belarusian security services, the numbers of both groups are the same.

Economy

[This year few Belarusians wish to travel to Western Europe and Egypt for New Year.](#) The companies admit that recent attacks on popular tourist destinations have discouraged their customers from travelling, writes *Belarus Segodnya*. They prefer to sit at home rather than risk their lives. Stable interest remains only for tours in the Baltic countries and Scandinavia. Meanwhile, inbound tourism remains almost entirely dependent on the Russian market, which fell by 40 per cent this year. Currently Russians often prefer to spend a holiday in their own country, where some excellent health resorts are emerging.

[More than 700 applicants from across the country participated in the first competition for local initiatives under the EU/UNDP project.](#) Overall, the jury approved 87 projects within the Support to Local Development in the Republic of Belarus programme. In Mahilioŭ region 17 institutions and organisations have received financial support to put forward their ideas: from popularising traditional handicrafts to the festival of folk art. *Siel'skaya Gazeta* reports on the grant winners from Kličau district, who put forward a business project of greenhouse vegetable production and received full support from the local authorities during the application procedure. Environmentally friendly production was one of the conditions of the UN grant programme.

[Ministry of Trade will strengthen control over online commerce.](#) *Zviazda* newspaper published a number of initiatives that the Ministry of Trade will take to regulate the rapidly growing sector. The authorities are discussing a tax on purchases in foreign online shops. Social media also appeared in focus because the goods and services advertised there are often illegal or fail to meet quality standards. The online alcohol trade in Belarus is likely to largely disappear in the near future, as the Ministries of Health and the Interior oppose it. The government also plans to launch an attestation

for internet shops which sell electronics like laptops and mobile phones, which make up a vast shadow market. This year 35 internet shops were closed by the order of the ministry for violation of law.

[Belarusians show low use of banking services.](#) *Belarus Segodnya* analyses the research ordered by the National Bank in September, which reveals curious tendencies in the financial behaviour of the Belarusian population. Belarusians are considered to be prudent, cautious and thrifty, but the results of the study call this view into question. Almost one in ten Belarusians do not use banking services at all. Only 21.5 per cent of the population and less than a third of households invest their savings in banks. Meanwhile, every fourth Belarusian, and almost 40 per cent of households use bank loans, and the figures have been the same for the last few years. The study concludes that Belarus is a country with relatively low use of financial services.

[Hotel business in Minsk faces hard times.](#) Although competition on the hotel market is growing year by year, prices remain quite high and the quality of service low, *Respublika* newspaper reports. 2015 and especially the beginning of the year were tough for hotels, as the number of tourists from Russia fell sharply. Today the sector is divided into successful and unsuccessful hotels, where the former have sufficient number of customers and the latter critically lack them. The hotels expect to increase the flow of tourists through the ever-changing geopolitical environment around Belarus. Otherwise, less successful hotels will suffer even more as competition in the market increases. In the next two years 15 new hotels are expected to appear in Minsk.

Society

[Belarusian authorities plan to check migrants' knowledge of the Constitution.](#) At first this will only apply when obtaining

citizenship, *Souyz* newspaper reports. In 2015 the flow of migrants increased markedly, and 1,160 people from 23 countries applied for refugee status. Most of them come from Ukraine (75%), Syria (17%) and Afghanistan. Although the largest number of Ukrainian refugees settled in Russia, Belarus took most if counted per capita. About 150,000 Ukrainian citizens arrived in Belarus in the last two years, according to the Interior Ministry.

[Administration of the Brest Fortress memorial complex is worried about the increase in illegal guided tours.](#) *Zaria* newspaper from Brest reports on the tricks of illegal guides in Brest Fortress, a memorial famous across the post-Soviet world. Unlicensed guides recruit tourist groups via the Internet, catch them near hotels, or even in the territory of the memorial. If approached, they argue that they simply walk with their relatives or friends, and the facts of payment for the service is hard to spot. The administration argues that illegal guides discredit the image of the Soviet defenders, the memorial, the residents of the city and Brest itself by their unprofessionalism. Many of them do not even know the key dates of history and confuse simple facts.

The State Digest Digest is based on review of state-controlled publications in Belarus. Freedom of the press in Belarus remains restricted and state media convey primarily the point of view of the Belarusian authorities. This review attempts to give the English-speaking audience a better understanding of how Belarusian state media shape public opinion in the country.