# BUSINESS IN BELARUS 2013

STATUS
TRENDS
PERSPECTIVES

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# BUSINESS IN BELARUS 2013:
# STATUS, TRENDS, PERSPECTIVES

**Business in Belarus 2013: Status, Trends, Perspectives.** The report discusses the economic situation of small and medium-sized enterprises (SMEs) and prospects for their development. It analyzes the impact of participation of Belarus in the Eurasian integration on SMEs performance and competitiveness. The report evaluates the liberalization of the business environment and studies its effect on foreign direct investment promotion in Belarus. It also focuses on the role of SMEs support infrastructure.
The Appendix contains the results of the SME survey carried out in May 2013.

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# 1. INTRODUCTION

The processes of globalization, technological progress and the growing global market have created new conditions for the development of small businesses opening up new opportunities for fulfilling their potential. In recent decades it has become more evident that it is the small and medium-sized enterprises (SMEs) that are an important generator of new business models, the creator of innovative management, as well as other innovations in the production and sale of goods and services.

The world experience shows that small and medium-sized businesses make a significant contribution to the economy. They play an important role in the economic growth of the country and its innovative development, and they also have a positive impact on the living standards of the population and employment. The results of studies conducted in the 2000s show a positive relationship between the contribution of SMEs to the gross domestic product (GDP) and the level of income per capita. In countries with a low level of income per capita SMEs account for an average of about 16% in the GDP; in middle-income countries – 39%, while in high-income countries – 51%. In countries with a high income small and medium-sized business generates more than 60% of jobs, in countries with an average level of income – of about 55%, and with a low level of income – a bit over 30%.[1]

According to the Organization for Economic Cooperation and Development (OECD), more than 95% of enterprises in developed countries are SMEs. These companies account for almost 60% of employment in the private sector and make a significant contribution to their innovative development. Small and medium-sized businesses are equally important in developing countries. Studies show that SMEs account on average for 45% of employment and 33% of GDP in such countries.[2]

Small and medium-sized enterprises are more flexible in terms of decision-making; they are better adapted to the changing environment and are more susceptible to the latest technical developments and entrepreneurial experience. In general, rapid and stable development of SMEs in developed countries is driven by the interest of national and regional authorities in the development of this sector through the involvement of various groups of the population in business activities. For example, small business in Europe stimulates competition forcing large companies to adopt new technologies and improve efficiency.

Thus, developed countries actively develop and finance programs to support small and medium-sized businesses at the state level. These programs include such support mechanisms as tax incentives, preferential loans, simplified reporting and audits, creation of various types of clusters and incubators for investment with a high level of risk, etc. They widely promote the policy of penetration of small business in new industries – engineering, instrumentation, energy, electrical engineering, logistics, computer science, microelectronics, telecommunications and other high-tech manufacturing industry.

The development of small and medium-sized businesses was not always a focus of attention in the Republic of Belarus. In the late 1990s – early 2000s favorable terms of trade and economic cooperation with Russia (access to relatively cheap raw materials and the Russian market to sell Belarusian finished products) created a favorable environment for profitable business activities of public enterprises. This also gave the grounds for the conceptualization at the state level of a special Belarusian economic model, where the state can act as an effective owner just like the private sector.

However, subsequent changes in the environment became a serious challenge for the Belarusian economy. In this context we can mention the deterioration of the terms of cooperation with Russia in the mid–2000s, and the lack of progress in the dialogue with the countries of the European Union, which significantly limited the bilateral trade and prevented from opening the full export potential of Belarus in a number of industries. In addition, the global financial crisis of 2008 led to a global decline in the demand for Belarusian goods. Thus, these events raised the urgent need to find a new source of economic growth and development of innovation and competitiveness of the Belarusian economy.

The improvement of conditions for doing business in Belarus in late 2000s – early 2010 is evidenced by a significant improvement in the

[1] Saleem Q. Overcoming Constraints to SME Development in MENA Countries and Enhancing Access to Finance // International Finance Corporation (IFC, World Bank Group) [Electronic resource] Mode of access: http://www.ifc.org/wps/wcm/connect/1e6a19804fc58e529881fe0098cb14b9/IFC+Report_Final.pdf?MOD=AJPERES.

[2] Report on Support to SMEs in Developing Countries Through Financial Intermediaries. 2011; see http://www.eib.org/attachments/dalberg_sme-briefing-paper.pdf.

country's rank in international rankings. For instance, in 2008 Belarus ranked 85th out of 183 countries in the *Doing Business* report annually published by the World Bank, and in 2009 its position improved to 64th rank. After that there was some "rollback" to the previous positions (91st in 2010), but in the last two years Belarus stabilized its rank in the middle of the first hundred rankings (60th – in 2011, and 58th – in 2012).[3]

In recent years the importance of small and medium-sized businesses in the Belarusian economy has been repeatedly emphasized and confirmed at the highest government level. The Program of State Support of Small and Medium-Sized Business in Belarus for 2013–2015, approved by the Council of Ministers of the Republic of Belarus in December 29, 2012, states that it is planned to increase the share of small and medium-sized businesses in the GDP to 30% (currently 23.6%) and ensure employment in the sector of up to 1.8 million people by 2015. Moreover, Nikolai Snopkov, Minister of Economy of the Republic of Belarus, speaking at the Assembly of Business in March 2013, spoke of the need to develop the country's small and medium-sized businesses and even stated that "there is dynamics in this area, and there are also ambitions to achieve the share of small and medium-sized businesses in the GDP at 50%", which should be implemented by 2020.[4]

However, while we cannot state without any doubt that the improvement of the conditions of doing business in Belarus led to its significant growth of the economy. No doubt, Belarus is still ahead of its partners in integration associations – Russia and Kazakhstan – by this indicator (22% vs. 20% and 19% respectively), however, it is still far behind developed Western economies: the United Kingdom (50–53%), Germany (50–52%), Italy (57–60%), France (55–62%), and EU countries on average (63–67%), and the USA (50–52%).[5]

It is noteworthy that entrepreneurs themselves see the main obstacles to sustainable and dynamic development of local SME not only and not so much in administrative conditions as macro-economic conditions of doing business. Despite the efforts taken at the government level, a high level of inflation and interest rates on loans still have a negative impact on small and medium-sized businesses in Belarus preventing them from adequate opening and fulfilling their potential. In other words, it can be concluded that the measures aimed at improving the administrative environment cannot be effectively used by entrepreneurs without proper macroeconomic environment.

At the same time there are new challenges for the Belarusian economy in general and the Belarusian business as its important component. These challenges are related to the participation of Belarus in the Customs Union and the Common Economic Area and further deepening of Eurasian integration. In the current macroeconomic environment the Belarusian economy is highly vulnerable to external competition. This raises the question of the competitiveness of Belarusian businesses in the single market of the three countries. Notably, this problem will become more acute as the stabilization of the situation in the Belarusian domestic market and growth in living standards that will inevitably make Belarus more attractive for competitive foreign companies.

To address these challenges it is necessary to consolidate work of the government and business aimed at finding effective opportunities to fulfill their potential in the new international environment. What is particularly important in this situation is that almost a third of the population (30.4%) put their hopes for the economic development of the country on the Belarusian businesses.[6] The public-private partnership developed in recent years should be taken to a new level. It is important to note that in the dialogue between business and government both sides need to take a more active role: the state should focus on the protection of national interests and interests of domestic business as an integral and most effective component of the national economy, while the business should concentrate its efforts on the search of new mechanisms to fulfill their potential, their discussion with the government and participation in their application in practice. It is this cooperation that is seen as the basis for future development of small and medium-sized enterprises in Belarus.

This edition of the annual report *Business in Belarus: Status, Trends and Perspectives* touches upon the key issues of development of small and medium-sized enterprises in Belarus in 2012–2013. It has the following structure. The *second section* analyzes the situation of SMEs and prospects for their further development. The *third section* is devoted to the prospects of SMEs in the context of the Eurasian integration and the need to improve their performance. The *fourth section* assesses the process of liberalization of the business environment in Belarus and analyses its impact on foreign direct investment promotion in the economy. The *fifth section* describes the development of the infrastructure to support small and medium-sized businesses in Belarus and the role of business associations in promotion of interests of SMEs in the public private dialogue. The report also includes the Appendix with detailed results of the SME survey held in April-May 2013.

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[3] Doing Business Reports; see http://www.doingbusiness.org.

[4] See: http://naviny.by/rubrics/finance/2013/03/14/ic_articles_113_181122/print/.

[5] Data for 2011. Лымарь Е.Н. Эффективность государственной поддержки малого и среднего бизнеса как участников рынка с монополистической конкуренцией // Вестник Челябинского государственного университета. 2012. № 10. С. 95–101.

[6] http://iiseps.org/dannye/41.

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# 2. PERFORMANCE OF SMALL AND MEDIUM-SIZED ENTERPRISES IN 2012

## 2.1. Small and medium-sized business in the economy of Belarus

In recent years the importance of small and medium-sized businesses in the Belarusian economy has been repeatedly emphasized and confirmed at the highest government level. Acording to the Program of State Support of Small and Medium-Sized Business in Belarus for 2013–2015, approved by the Council of Ministers of the Republic of Belarus in December 29, 2012, it is planned to increase the share of small and medium-sized businesses in the GDP to 30% (currently 23.6%) and ensure employment in the sector up to 1.8 million people by 2015.[7] Moreover, Nikolai Snopkov, Minister of Economy of the Republic of Belarus, speaking at the Assembly of Business in March 2013, spoke of the need to develop the country's small and medium-sized businesses and even stated that "there is dynamics in this area, and there are also ambitions to achieve the share of small and medium-sized businesses in the GDP at 50%", which should be implemented by 2020.[8]

However, the performance of the Belarusian small and medium-sized enterprises (SMEs) in 2011 evidenced not so much the economic growth and strengthening of national institutions, but restoring the pre-crisis conditions and the market position. This is due to the fact that, given the deterioration in the macroeconomic environment in the Belarusian economy and the continuing disbalances in the business environment, almost all performance indicators of domestic SMEs significantly decreased.

In Belarusian state statistics, small and medium-sized businesses are defined in accordance with a number of the criteria as specified by Law No. 148–3 of the Republic of Belarus of July 1, 2010 *On Support to Small and Medium-Sized Businesses*:

- individual entrepreneurs registered in the Republic of Belarus;
- micro-businesses are enterprises, registered in the Republic of Belarus, with an average number of employees of up to and including 15 in a calendar year;
- small organizations are enterprises, registered in the Republic of Belarus, with an average number of employees from 16 to and including 100 in a calendar year;
- medium-sized businesses refer to enterprises, registered in the Republic of Belarus, with an average number of employees from 101 to and including 250 in a calendar year.

According to the National Statistical Committee of the Republic of Belarus, the trend towards the increase in the number of small and medium-sized businesses continued in 2012, and their total number (excluding individual entrepreneurs) reached 85,154. Thus, the number of these businesses increased by 6.2% compared with 2011. At the same time, while the number of micro- and small businesses increased, the number of medium-sized businesses kept decreasing within the last three years. As a result, the share of medium-sized businesses in the total number of small and medium-sized businesses in 2012 decreased by 2 percentage points[9] down to 3.0%, while the share of micro-businesses increased by 1.1 percentage points to 83.3%. However, despite the number of small businesses somewhat increased, their share also decreased by 0.8 percentage points down to 13.7% (Table 2.1).

In the past three years the average number of employees in small and medium-sized enterprises decreased. For example, in 2012 these enterprises employed 1,209.9 thousand people, which is by 13.7 thousand people less than in 2011. Mostly they were employed in small enterprises (37.4%). Medium-sized enterprises had about 33.3% of employees, and this number had a strong tendency to decrease in 2009 – 2012. Micro-businesses had 29.3% of employees (Table 2.2).

In 2012 the average share of small and medium-sized enterprises in the gross domestic product of Belarus continued to increase (Table 2.3). Thus, compared with the 2011, the contribution to GDP increased by 2.4 percentage points, reaching 23.6% (the highest figure among the countries of the Customs Union). While at the same time it should be noted that this percentage is substantially inferior to the developed Western economies, such as the European Union (60%) and the USA (50%). Regionally, the largest contribution to the national GDP is made by Minsk City (10%) and the Minsk region (4.1%). Contributions of other regions in each case do not exceed 2.3%.

The share of small and medium-sized businesses in the proceeds

[7] http://pravo.by/main.aspx?guid=3871&p2=5/36745.

[8] http://bel.biz/print/managment/polovinu_ekonomiki_chastnikam_gosudarstvo_obeschaet_biznes_ne_verit.

[9] pp – percentage points.

**Table 2.1. Number of enterprises operating in 2009–2012**

| | 2009 | | 2010 | | 2011 | | 2012 | |
|---|---|---|---|---|---|---|---|---|
| | Number | % | Number | % | Number | % | Number | % |
| Micro-businesses | 56,597 | 79.1 | 62,633 | 81.3 | 65,959 | 82.2 | 70,904 | 83.3 |
| Small businesses | 12,144 | 17.0 | 11,613 | 15.1 | 11,646 | 14.5 | 11,708 | 13.7 |
| Medium-sized businesses | 2,773 | 3.9 | 2,753 | 3.6 | 2,604 | 3.2 | 2,542 | 3.0 |
| Total | 71,514 | 100.0 | 76,999 | 100.0 | 80,209 | 100.0 | 85,154 | 100.0 |

*Source:* National Statistical Committee of the Republic of Belarus.

**Table 2.2. Average number of employees in SMEs in 2009–2012**

| | 2009 | | 2010 | | 2011 | | 2012 | |
|---|---|---|---|---|---|---|---|---|
| | Thousand people | % | Thousand people | % | Thousand people | % | Thousand people | % |
| Micro-businesses | 309.9 | 24.9 | 336.1 | 26.9 | 347.1 | 28.4 | 354.2 | 29.3 |
| Small businesses | 463.4 | 37.3 | 448.9 | 36.0 | 447.6 | 36.6 | 452.4 | 37.4 |
| Medium-sized businesses | 469.6 | 37.8 | 462.4 | 37.1 | 428.8 | 35.0 | 403.3 | 33.3 |
| Total | 1,243.0 | 100.0 | 1,247.4 | 100.0 | 1,223.6 | 100.0 | 1,209.9 | 100.0 |

*Source:* National Statistical Committee of the Republic of Belarus.

**Table 2.3. Share of small and medium-sized businesses in the gross domestic product, % to the total in the country**

| | Micro-businesses | Small businesses | Medium-sized businesses | Total of SMEs |
|---|---|---|---|---|
| 2009 | 3.9 | 7.5 | 7.4 | 18.8 |
| 2010 | 4.3 | 8.0 | 7.5 | 19.8 |
| 2011 | 5.0 | 9.5 | 6.7 | 21.2 |
| 2012, *incl.* | 6.1 | 9.0 | 8.5 | 23.6 |
| Brest region | 0.4 | 0.7 | 1.1 | 2.2 |
| Vitebsk region | 0.3 | 0.8 | 1.2 | 2.3 |
| Gomel region | 0.3 | 0.5 | 0.8 | 1.6 |
| Grodno region | 0.3 | 0.7 | 0.7 | 1.7 |
| Minsk City | 3.6 | 4.2 | 2.2 | 10.0 |
| Minsk region | 0.9 | 1.6 | 1.6 | 4.1 |
| Mogilev region | 0.3 | 0.5 | 0.9 | 1.7 |

*Source*: National Statistical Committee of the Republic of Belarus.

**Table 2.4. Share of small and medium-sized businesses in the revenues from the sale of products, goods and services, % to the total in the country**

| | Micro-businesses | Small businesses | Medium-sized businesses | Total of SMEs |
|---|---|---|---|---|
| 2009 | 10.2 | 18.1 | 9.4 | 37.7 |
| 2010 | 10.7 | 17.2 | 9.3 | 37.2 |
| 2011 | 8.9 | 20.5 | 10.1 | 39.5 |
| 2012, *incl.* | 9.8 | 16.9 | 11.0 | 37.7 |
| Brest region | 0.6 | 1.0 | 1.0 | 2.6 |
| Vitebsk region | 0.5 | 1.7 | 0.7 | 2.9 |
| Gomel region | 0.5 | 0.7 | 0.7 | 1.9 |
| Grodno region | 0.5 | 0.9 | 0.5 | 2.0 |
| Minsk City | 5.9 | 10.0 | 6.0 | 22.0 |
| Minsk region | 1.3 | 1.9 | 1.4 | 4.6 |
| Mogilev region | 0.6 | 0.6 | 0.6 | 1.7 |

*Source*: National Statistical Committee of the Republic of Belarus.

from the sale of products, goods and services is even more significant. Despite the fact that in 2012 this figure decreased slightly (by 1.8 percentage points), the share of Belarusian SMEs was impressive 37.7% (Table 2.4). Here, the share of enterprises of Minsk City is also the highest – 22% of the total number. Despite the fact that the share of small enterprises in the revenue decreased by 3.6 percentage points compared to 2011, their contribution is still the largest – 20.5% of the total in the country.

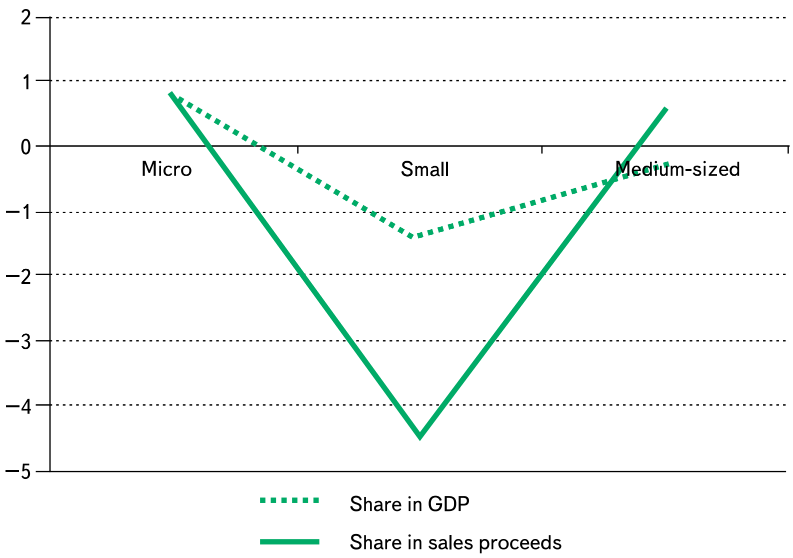
The most significant changes in 2011–2012 occurred in small businesses (with the number of employees from 15 to 100 people) located in Minsk City. For instance, the share of these businesses in GDP declined by 1.4 percentage points (from 5.6% to 4.2%), and in the revenues – by 4.5 percentage points of the total in the country (from 14.5% to 10%). For comparison, micro- and medium-sized businesses of Minsk City had less significant changes in these figures (Figure 2.1). Apparently, these changes can be motivated by a set of different factors, the most obvious of which is the fact that small businesses have a kind of an “intermediary” position between the micro- and medium-sized businesses. In other words, any increase or reduction in the number of employees of such firms may lead to their reclassification.

However, we can also mention other factors reducing the presence of small enterprises of Minsk in the national economy. The largest number of enterprises in Minsk operates in trade (44.1%), which underwent the following changes in 2012. Intensive development of the network of trade led to an increase in the number of medium-sized businesses and a decrease in the number of small businesses gradually losing their customer base. At the same time, many small businesses resorted to leasing out their premises, which led to a reduction in the number of their employees and their transformation into micro-businesses.

At the same time, we should mention Decree No. 6 of the President of the Republic of Belarus of May 7, 2012 "On Stimulation of Entrepreneurial Activity in the Medium and Small Towns, and Rural Areas".[10] According to this document, a number of small and medium-sized businesses "registered in the Republic of Belarus and located (with the address) in medium and small towns and rural areas" and "conducting production of goods (work and provision of services) in the medium and small towns and rural areas" under certain conditions and within seven calendar years from the date of state registration shall be exempt from a large number of tax obligations.

Such businesses are exempt from assessment and payment of income tax (commercial organizations) and personal income tax (individual entrepreneurs), and from payment of the state duty for the issuance of a special permit (license) for legal entities and individuals conducting certain types of activities. They are also exempt from mandatory sale of foreign currency, etc. At the same time, commercial organizations of the Republic of Belarus within seven calendar years from the date of the decision adopted following the established procedure of creating a separate unit (e.g. branches) in medium and small towns and rural areas are relieved from assessment and payment of income tax in respect of profits received by a separate unit from the sale of goods (work, services) of own production, a real estate tax on the value of buildings/constructions, car-places on balance of the separate unit located in the middle and small towns and rural areas, innovative contributions to funds, etc.

**Figure 2.1. Trends in the share of enterprises located in Minsk in 2011–2012 in economic indicators in the economy, percentage points**




*Source*: National Statistical Committee of the Republic of Belarus.

Thus, the adoption of this document facilitated the relocation of a number of small businesses from Minsk City to the Minsk region, which also had an impact on reducing the share of businesses of Minsk in the above indicators. In general, except for the cases studied in 2012, Belarus had no significant changes in terms of the activities of small and medium-sized businesses.

Broken down by sectors, the greatest number of micro- and small businesses in 2012 still accounted for "trade, repair of vehicles, household goods and personal items" (41.2%) (Table 2.5), followed by manufacturing (15.2%), real estate, renting and consumer services (12.7%), and transport and communications (9.6%). The largest number of medium-sized businesses is in agriculture, hunting and forestry (28.4%), as well as processing industry (23.3%), followed by the areas such as construction (16.6%) and trade (11.3%).

According to the official statistics, the largest number of small and medium-sized enterprises account for private ownership (Table 2.6). For example, among small and medium-sized enterprises the share of private businesses in the total number is nearly 95%, while state ownership accounts for only 1.5%. Among medium-sized enterprises the share of private firms is also the highest, although it is much lower – 69.3%. 27.3% of businesses are in state ownership, and only 3.4% of businesses are in foreign ownership. In all cases (including micro-, small and medium-sized businesses) the share of private enterprises increased in 2012.

In summary, we can state that amidst the continued importance of small and medium-sized business in the Belarusian economy, private businesses remained being the main contributors to its development in 2012. This means that the final state and development trends of Belarusian small and medium-sized businesses will mainly depend on their performance.

[10] http://www.belta.by/ru/articles/officially?cat_id=1515.

**Table 2.5. Share of small and medium-sized businesses in GDP, % in the total for the country**

| | Micro- and small businesses | | Medium-sized businesses | |
|---|---|---|---|---|
| | 2011 | 2012 | 2011 | 2012 |
| Agriculture, hunting and forestry | 3.4 | 3.2 | 29.1 | 28.4 |
| Manufacturing | 15.5 | 15.2 | 22.6 | 23.3 |
| Construction | 9.3 | 9.1 | 15.7 | 16.6 |
| Trade; repair of motor vehicles and household and personal goods | 41.5 | 41.2 | 11.1 | 11.3 |
| Transport and communications | 9.2 | 9.6 | 4.9 | 4.5 |
| Real estate, rental, leasing and business services | 12.3 | 12.7 | 8.4 | 7.7 |
| Utility, social and personal services | 4.3 | 4.3 | 3.3 | 3.1 |
| Others | 4.5 | 4.7 | 4.9 | 5.1 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 |

*Source*: National Statistical Committee of the Republic of Belarus.

**Table 2.6. Number of businesses by forms of ownership**

| | 2010 | | 2011 | | 2012 | |
|---|---|---|---|---|---|---|
| | Number | % | Number | % | Number | % |
| | | | *Micro- and small businesses* | | | |
| Private | 70,509 | 95.0 | 73,549 | 94.8 | 78,365 | 94.9 |
| Public | 1,378 | 1.9 | 1,296 | 1.7 | 1,247 | 1.5 |
| Foreign | 2,359 | 3.2 | 2,760 | 3.6 | 3,000 | 3.6 |
| Total | 74,246 | 100.0 | 77,605 | 100.0 | 82,612 | 100.0 |
| | | | *Medium-sized businesses* | | | |
| Private | 1,824 | 66.3 | 1,765 | 67.8 | 1,762 | 69.3 |
| Public | 842 | 30.6 | 759 | 29.1 | 693 | 27.3 |
| Foreign | 87 | 3.2 | 80 | 3.1 | 87 | 3.4 |
| Total | 2,753 | 100.0 | 2,604 | 100.0 | 2,542 | 100.0 |

*Source*: National Statistical Committee of the Republic of Belarus.

**Table 2.7. Belarusian SMEs distribution by types of activity in 2012**

| | Number | % |
|---|---|---|
| Trade | 122 | 29.8 |
| Catering | 23 | 5.6 |
| Manufacturing | 71 | 17.4 |
| Construction | 59 | 14.4 |
| Transport and communications | 35 | 8.6 |
| Consumer services | 25 | 6.1 |
| Consulting services | 2 | 0.5 |
| Education | 3 | 0.7 |
| IT services | 20 | 4.9 |
| Tourism | 15 | 3.7 |
| Advertising | 8 | 2.0 |
| Publishing | 7 | 1.7 |
| Real estate | 12 | 2.9 |
| Others | 7 | 1.7 |
| Total | 409 | 100.0 |

*Source*: IPM Research Center.

## 2.2. Performance of private SMEs and competition in the Belarusian market

According to the survey conducted in May 2013,[11] the majority of private small and medium-sized businesses operated in the area of trade – 29.8% (Table 2.7), followed by manufacturing (17.4%), construction (14.4%), transport and communications (8.6%), consumer services (6.1%) and public catering (5.6%). The surveyed Belarusian private SMEs mainly include unitary enterprises (44.5%) and limited and additional liability companies (24.4% and 13%, respectively). Also, the small and medium-sized business is dominated by small enterprises, employing up to 50 people – these businesses comprise 66.3% of the surveyed respondents (Table 2.8).

According to the survey, almost two-thirds of the representatives of the domestic small and medium-sized businesses rated their performance as stable (61.9%). Compared to 2012, such assessment was given by 56.2% of the respondents (Table 2.9). At the same time the number of those who characterize their economic situation as above average or good increased by 1.4 percentage points over the past year. On the contrary, the number of

[11] The survey was conducted by the Laboratory of Axiometrical Studies NOVAK for the IPM Research Center in May 2013. The survey covered 409 small and medium-sized private enterprises in the Republic of Belarus. The survey examined the economic situation of small and medium-sized businesses and prospects of their development, the impact of Belarus' participation in the Eurasian integration on the performance of small and medium-sized enterprises and their competitiveness, the extent of liberalization of the business environment and the role of business associations in the promotion and protection of their interests. Then, both the data of the survey in 2013 and the survey data of small and medium-sized enterprises in Belarus over the past few years were used.

SMEs with the economic situation of below average or bad decreased by 8.1 percentage points.

Broken down by the area of activities, SMEs operating in trade provide most positive assessments of the position of their company (bad or below average – 23.8%, stable – 63.9%, above average or good – 12.3%) and transport and communication (20%, 68.6% and 11.5 %, respectively). The situation seems worse in the areas of catering (poor or below average – 30.4%, stable – 65.2%, higher than the average or good – 4.3%) and manufacturing (33.8%, 57.7% and 8.5%, respectively). The most controversial event was in construction. On the one hand, the level of those who give a positive assessment of the economic situation of their enterprises, i.e. construction companies, is somewhat higher than the average (11.9% vs. 11.2%). On the other hand, there are many companies in manufacturing, who assessed the economic situation of the company as poor – about 6.8% of the respondents (Figure 2.2).

The survey found no clear correlation between the economic situation of the company and the number of its employees (Figure 2.3). At the same time, it can be noted that the economic situation of SMEs was most highly assessed by representatives of SMEs founded from 1997 to 2006. The companies founded before 1996, as well as companies founded after 2007, experienced relatively greater difficulties in running a business.

Despite the fact that the results of 2012 for the indicators such as turnover (sales), profits, employment and investment, the representatives of domestic SMEs often stated their reduction than growth, these figures are characterized by a significant improvement compared with the results of the survey last year. So, if in 2011 a decrease of turnover, profits, employment and investment was stated by 44.2%, 48%, 30.5% and 32.8% of the respondents, in 2012 these figures were 27.6%, 33%, 19.6% and 23.7% respectively (Table 2.10). This significantly increased the number of companies characterized as stable by the following indicators: the turnover (sales) – 48.7% (an increase of 13.9 percentage points), profit – 47.4% (an increase of 13.6 percentage points), employment – 65.8% (an increase of 10.3 percentage points), and investments – 47.9% (up 8.9 percentage points).

However, Belarusian small and medium-sized businesses forecast further improvement of the four indicators of its activity the following year (Table 2.11). It is noteworthy that, compared to the performance, there is a significant increase in the proportion of respondents who anticipate growth in sales, profits, employment and investment. Thus, the forecast for the turnover is above the results in 2012 by 12 percentage points (34.2%), for profits – by 16.2 percentage points (34%), employment – by 10.2 percentage points (24.4%), and investments – by 9.6 percentage points (21.3%).

Such relatively optimistic forecasts for the performance of small and medium-sized businesses are related, among other things, to the fact that for the first time in the last few years the number of respondents reporting about the increasing competition in the Belarusian market decreased, although their share was still relatively high (Table 2.12). At the same time, the share of those who believed that the level of competition remained the same increased by 4.5 percentage points up to 31.5%.

By the areas of activities of small and medium-sized enterprises the

**Table 2.8. Distribution of SMEs in Belarus by the legal structure, number of employees and the year of company's foundation**

| | Number | % |
|---|---|---|
| *Business legal structure* | | |
| Unitary enterprise (UE) | 182 | 44.5 |
| Limited liability company (LLC) | 100 | 24.4 |
| Additional liability company (ALC) | 53 | 13.0 |
| Open joint-stock company (OJSC) | 32 | 7.8 |
| Closed joint-stock company (CJSC) | 15 | 3.7 |
| General partnership (GP) | 3 | 0.7 |
| Production cooperative (PC) | 6 | 1.5 |
| Other | 18 | 4.4 |
| Total | 409 | 100.0 |
| *Number of employees* | | |
| From 1 to 10 | 130 | 31.8 |
| From 11 to 50 | 141 | 34.5 |
| From 51 to 100 | 51 | 12.5 |
| From 101 to 200 | 35 | 8.6 |
| Over 200 | 52 | 12.7 |
| Total | 409 | 100.0 |
| *Year of foundation* | | |
| Before 1996 | 70 | 17.1 |
| 1997–2004 | 117 | 28.6 |
| 2005–2007 | 91 | 22.2 |
| 2008–2010 | 95 | 23.2 |
| 2011–2012 | 36 | 8.8 |
| Total | 409 | 100.0 |

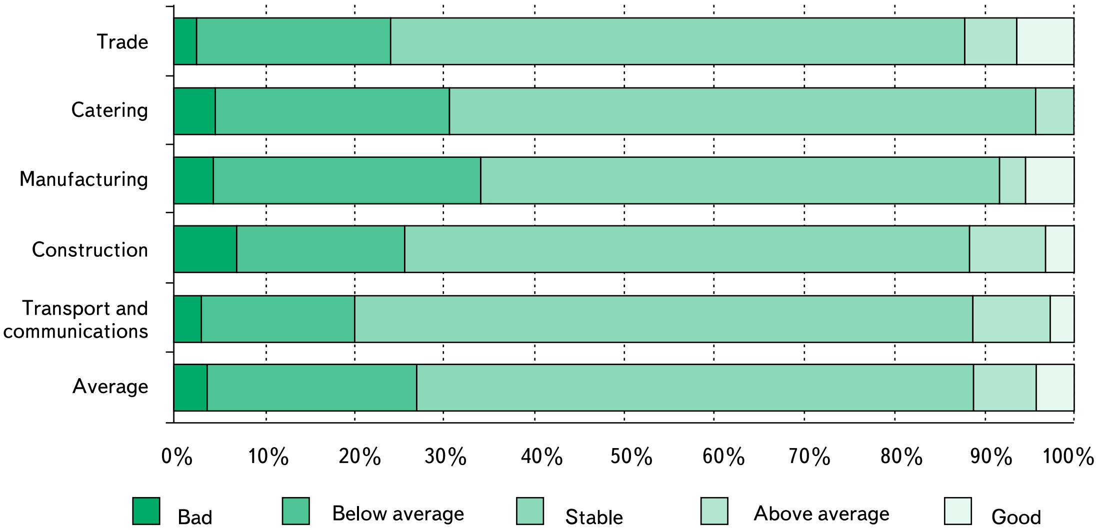
*Source*: IPM Research Center.

**Table 2.9. Performance of SMEs in Belarus in 2011–2012**

| | 2011 | | 2012 | |
|---|---|---|---|---|
| | Number | % | Number | % |
| Bad | 24 | 6.0 | 15 | 3.7 |
| Below average | 116 | 29.0 | 95 | 23.2 |
| Stable | 225 | 56.2 | 253 | 61.9 |
| Above average | 15 | 3.8 | 28 | 6.8 |
| Good | 20 | 5.0 | 18 | 4.4 |
| Total | 400 | 100.0 | 409 | 100.0 |

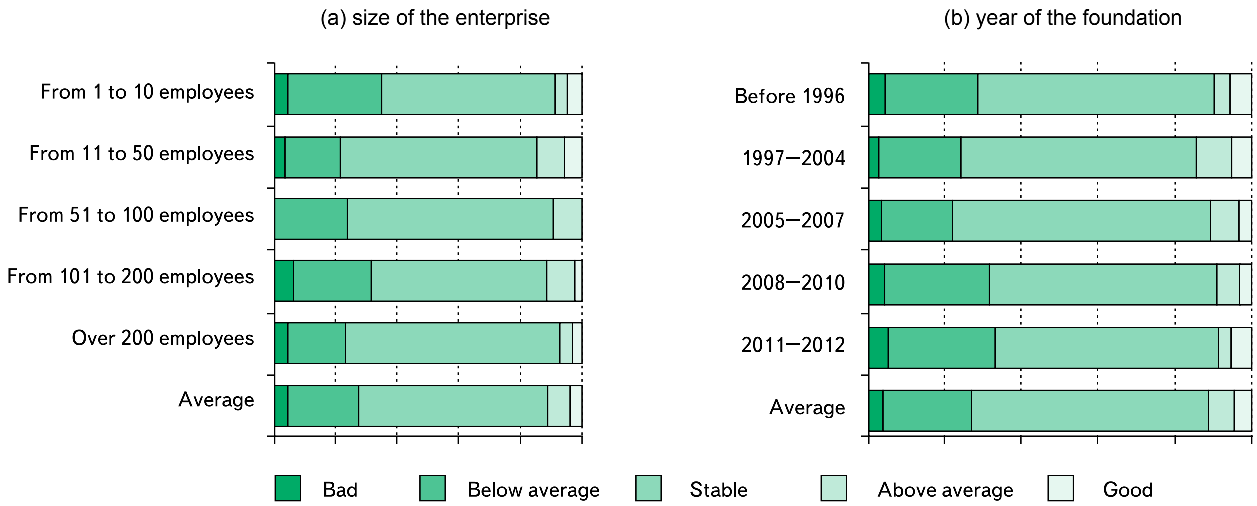
*Source*: IPM Research Center.

**Figure 2.2. Performance of SMEs in Belarus by type of activity**




*Source*: IPM Research Center.

**Figure 2.3. Performance of SMEs in Belarus by size and year of foundation of the enterprise**




*Source*: IPM Research Center.

**Table 2.10. Performance indicators of SMEs in Belarus in 2012, %**

| | Decreased | Were stable | Increased | NA/don't know | Total |
|---|---|---|---|---|---|
| Turnover (sales) | 27.6 | 48.7 | 22.2 | 1.5 | 100 |
| Profit | 33.0 | 47.4 | 17.8 | 1.7 | 100 |
| Employment | 19.6 | 65.8 | 14.2 | 0.5 | 100 |
| Investment | 23.7 | 47.9 | 11.7 | 16.6 | 100 |

*Source*: IPM Research Center.

**Table 2.11. Forecast for the performance of SMEs in Belarus in 2013, %**

| | Will decrease | Will remain stable | Will increase | NA/don't know | Total |
|---|---|---|---|---|---|
| Turnover (sales) | 15.6 | 49.4 | 34.2 | 0.7 | 100 |
| Profit | 18.3 | 47.2 | 34.0 | 0.5 | 100 |
| Employment | 12.5 | 62.8 | 24.4 | 0.2 | 100 |
| Investment | 14.9 | 47.2 | 21.3 | 16.6 | 100 |

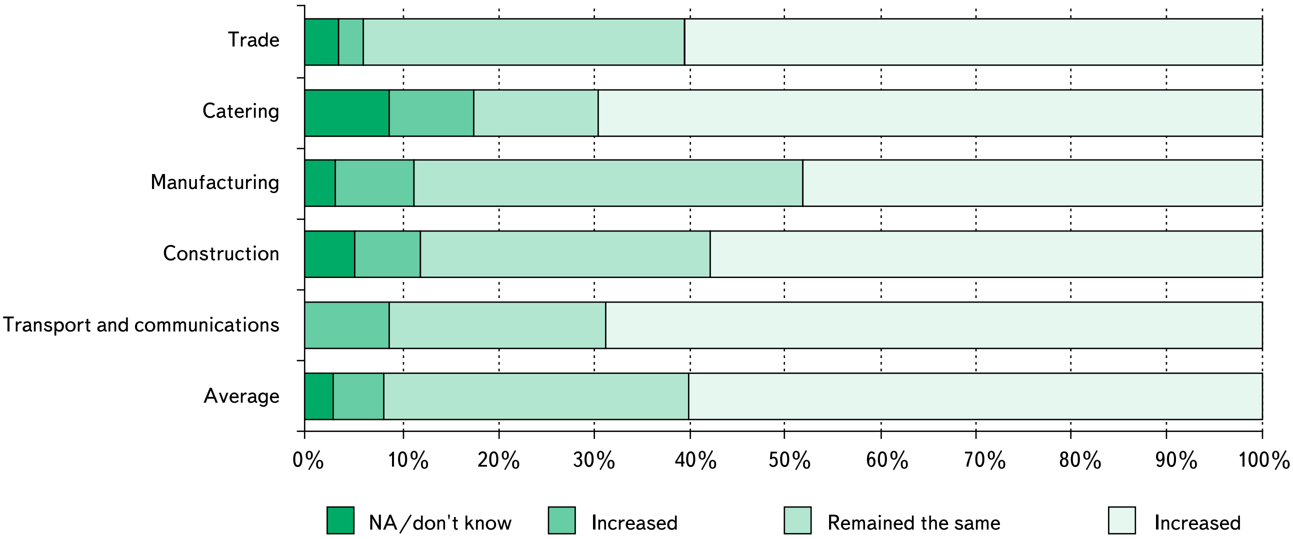
*Source*: IPM Research Center.

**Table 2.12. Trends in the market competition in Belarus in 2011–2012**

| | 2011 | | 2012 | |
|---|---|---|---|---|
| | Number | % | Number | % |
| Competition increased | 268 | 67.0 | 247 | 60.4 |
| Competition remained the same | 108 | 27.0 | 129 | 31.5 |
| Competition decreased | 24 | 6.0 | 21 | 5.1 |
| NA/don't know | – | – | 12 | 2.9 |
| Total | 400 | 100.0 | 409 | 100.0 |

*Source*: IPM Research Center.

**Figure 2.4. Trends in the market competition in Belarus in 2012 by type of activity of the enterprise**




*Source*: IPM Research Center.

greatest increase in competition in 2012 was observed in the areas of catering (increased competition was noted in 69.6% of cases) and transport and communications (68.6% of cases). In contrast, in the field of manufacturing the competition intensified in a relatively low number of cases – 47.9%, with 40.8% of the respondents stating it remained the same in 2012 (Figure 2.4).

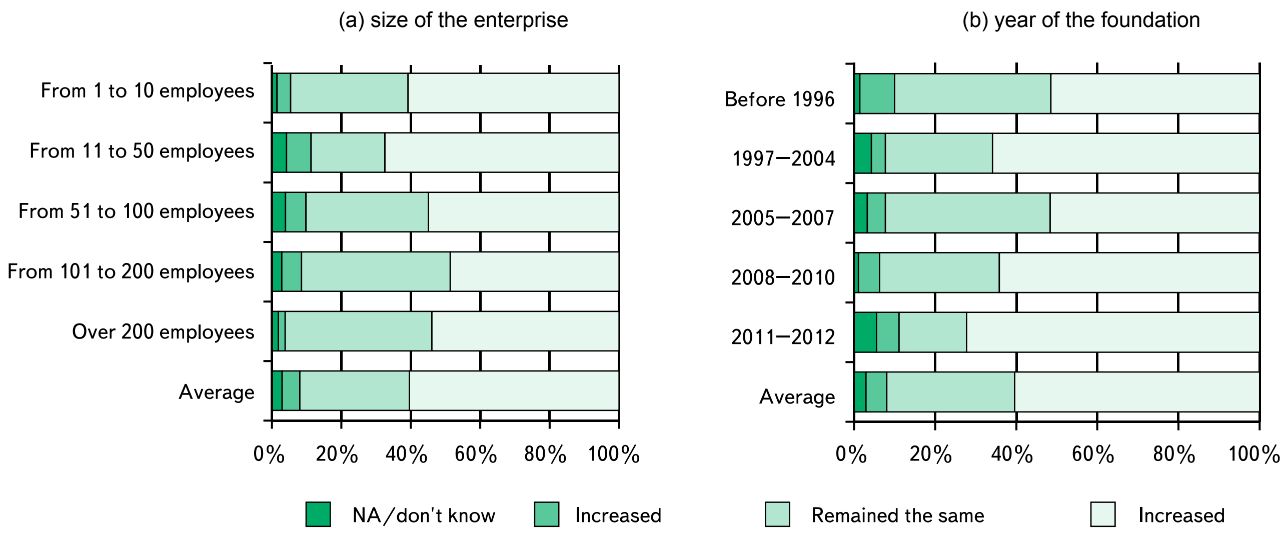
There is some relationship between reporting an increase in competition in the Belarusian market and the size of the enterprise. Thus, small businesses, employing up to 50 people, more likely to report increased competition due to a much greater presence in the country of businesses of this category. Most often, the increased competition is stated by relatively new companies founded after 2008 (Figure 2.5). Obviously, the entry to the Belarusian market (especially in the areas where the competition is already quite high) requires high costs than maintaining the achieved level of development.

Thus, in 2012 the situation of private small and medium-sized enterprises in Belarus remained quite ambiguous. On the one hand, representatives of Belarusian SMEs noted some improvement in the economic situation of the company as compared to the crisis in 2011, when small and medium-sized businesses faced a sharp decline in the purchasing power of the population, high rates of inflation and raising interest rates on loans. However, the improvement in the economic situation did not mean that the management of Belarusian SMEs solved the problems that emerged in 2011–2012. At the same time, on the other hand, the competition that continued to grow in the Belarusian market demanded from small and medium-sized businesses to attract new resources for future economic growth and development implying the involvement of both internal and external factors for increasing competitiveness of domestic enterprises.

## 2.3. Main challenges of SMEs in Belarus

Despite a relative stabilization of the macroeconomic situation in Belarus in 2012, the events of the last two years have shown that the representatives of domestic small and medium-sized enterprises are most sensitive to the decline in the purchasing power of the population in the country among all the negative changes in the environment. In the course of the survey this was stated by more than 70% of the respondents (Table 2.13). These changes were followed by such changes as reorientation towards cheaper suppliers (38.4%), delayed payments or non-payments for delivered products (37.9%), limited access to banks' financial resources (25.4%) and shortage of skilled labor (24.4%).

**Figure 2.5. Trends in the market competition in Belarus in 2012 by size and year of foundation of the enterprise**




*Source*: IPM Research Center.

**Table 2.13. Responses to the question "What negative external changes is your company the most sensitive to?"**

| | Number | Frequency[12] |
|---|---|---|
| Decline in the purchasing power of the population across the country | 289 | 70.7 |
| Delayed payments or non-payments for delivered products | 155 | 37.9 |
| Decrease of demand from SOEs | 73 | 17.8 |
| Customers' reorientation towards cheaper suppliers | 157 | 38.4 |
| Limited access to banks' financial resources | 104 | 25.4 |
| Decreased demand for company's products in foreign markets | 61 | 14.9 |
| Restrictions in the currency market | 44 | 10.8 |
| Decreased demand from authorities (public procurement) | 37 | 9.0 |
| Shortage of skilled labor | 100 | 24.4 |
| Others | 5 | 1.2 |
| NA/don't know | 27 | 6.6 |

*Note*. 409 enetrprises were ssurveyed. Respondents could choose more than one option.

*Source*: IPM Research Center.

Decline in the purchasing power of the population has the most negative impact on small and medium-sized business and operations in the areas of trade and consumer services (83.6% and 88%, respectively) (Figure 2.6). The least susceptible to this change were the construction sector (59.3%) and transport and communications (54.3%). Delayed payments or non-payments for delivered products have the most profound effect on SMEs in manufacturing (54.9%), construction (45.8%) and transport and communications (54.3%). The negative impact of limited access to financial resources is most often observed in construction (32.2%), catering (30.4%) and trade (26.2%).[12]

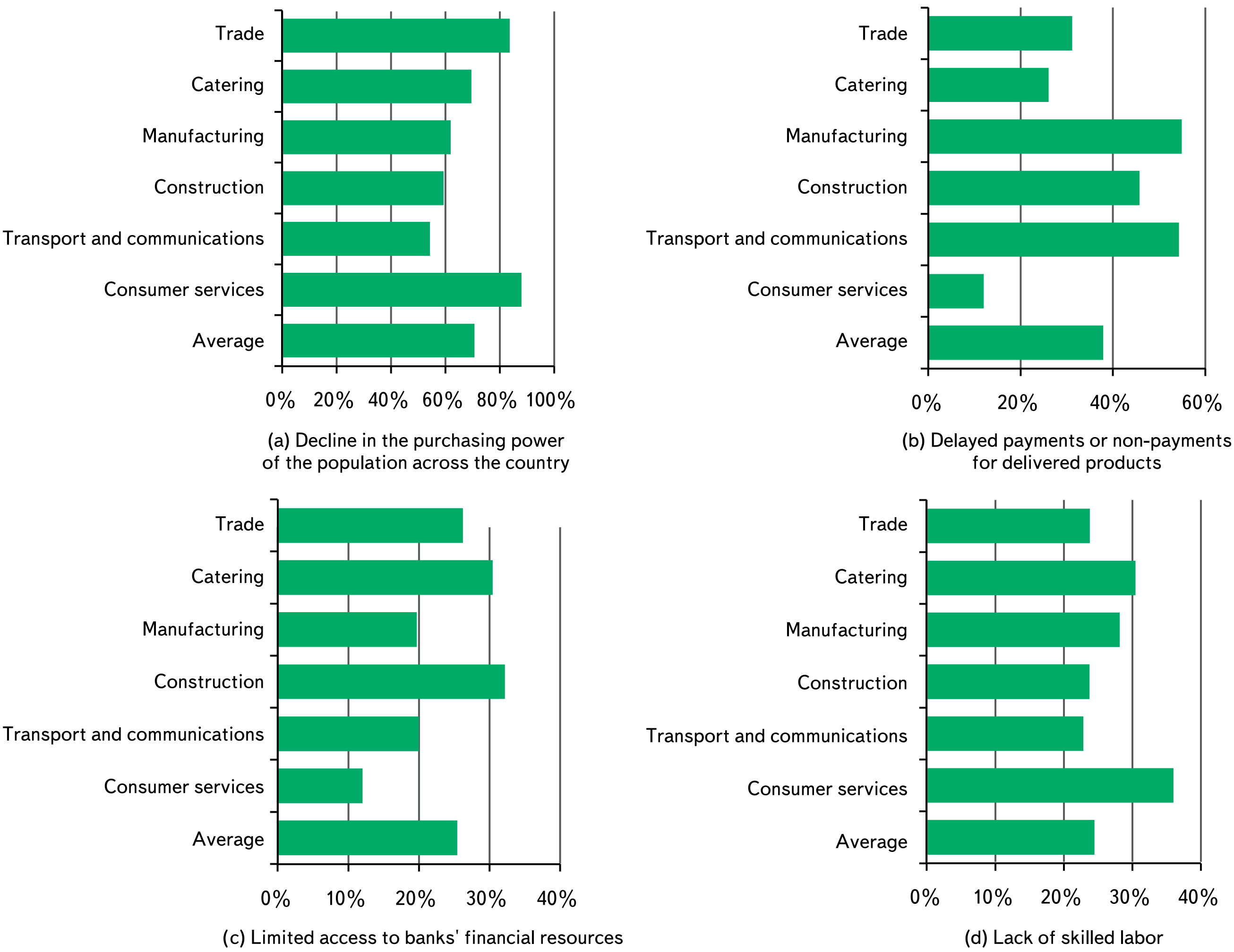
As for the shortage of skilled labor, all Belarusian companies, regardless of their ownership, face this problem more and more sharply every year. In general, representatives of local SMEs do not consider the situation with the quality of the workforce critical. The vast majority of respondents (74.1%) reported a satisfactory level of education of its employees. However, if we talk about the need for constant growth of competitiveness of domestic enterprises, it requires a high-quality workforce, which was mentioned only in 6.4% of cases (Table 2.14).

From the point of view of the area of activities of small and medium-sized enterprises most often a poor quality of the workforce is mentioned by businesses in manufacturing (22.5%) and catering (26.1%). Also, this figure is high in consumer services sector, but businesses in this area most often mention a high level of skills of labor (Figure 2.7).

Depending on the size of the company, the following feature was noted. The greatest dissatisfaction with the quality of the labor force was reported by the enterprises employing between 11 and 200 people. Apparently, micro-businesses do not see the quality of the labor force as essential because their strength is in mobility and adaptation to changing conditions, which allows a high staff turnover. In contrast, larger enterprises focused on continuous growth require staff with a higher level of skills. At the same time, large SMEs with an established position in the Belarusian market feel relatively

[12] The frequency of the answer is given when respondents could choose more than one option.

**Figure 2.6. Sensitivity of SMES in Belarus to negative external changes by type of activities**




Source: IPM Research Center.

**Table 2.14. Assessment of the quality of labor in Belarus**

| | Number | % |
|---|---|---|
| High (creating conditions for rapid growth of the enterprise) | 26 | 6.4 |
| Satisfactory | 303 | 74.1 |
| Low (additional briefing, training, etc. required) | 80 | 19.6 |
| Total | 409 | 100.0 |

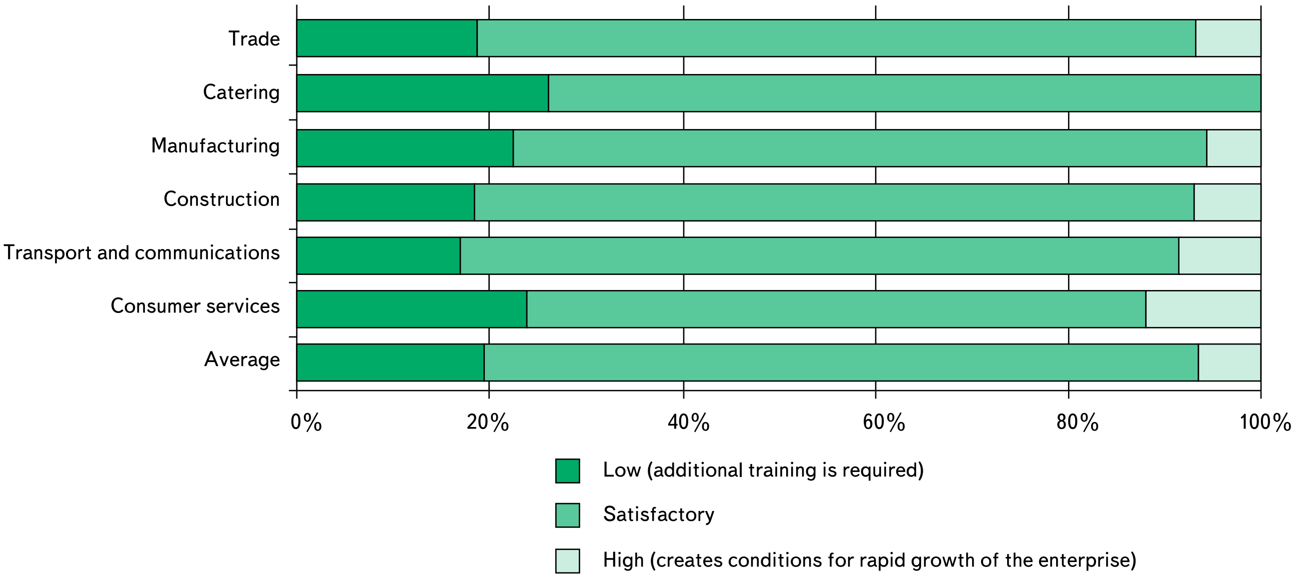
*Source*: IPM Research Center.

comfortable, and they need somewhat less resources, including the quality of labor, to maintain it.

The main reason for the low quality of the workforce, hindering the growth of business, is viewed by the Belarusian small and medium-sized businesses in the lack of practice and focus on theoretical knowledge (53.1%). Apart from this, the fact that more than a quarter of respondents indicated a negative trend such as the immigration of skilled labor triggers some concern (Table 2.15).

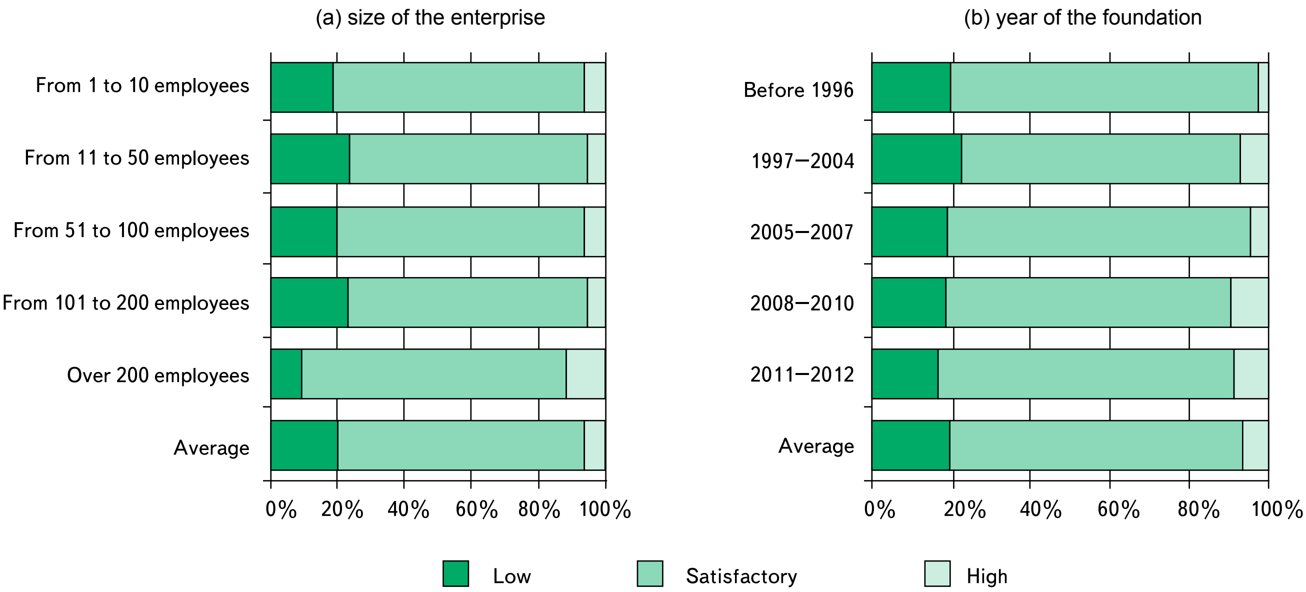
Thus, in 2012 Belarusian businesses to a certain extent stabilized their economic performance (turnover, sales, employment, and investment) after the crisis in 2011. At the same time they faced a new challenge – the need for further development in the continuing negative impact of external factors and increasing competition (albeit at slightly lower levels). At the same time, there are external challenges, for example, those related to the competition increased by the Eurasian integration. Under these conditions, future economic growth of domestic SMEs will depend, on the one hand, on the rational use of own resources of businesses, and on the other hand, on the business environment formed at the state level. In other words, the growth of competitiveness of small and medium-sized businesses is defined by a number of internal and external factors.

**Figure 2.7. Assessment of the quality of labor in Belarus by type of activity**




*Source*: IPM Research Center.

**Figure 2.8. Assessment of the quality of labor in Belarus by size and year of establishment of the enterprise**




*Source*: IPM Research Center.

**Table 2.15. Obstacles to the quality of labor in Belarus**

| | Number | % |
|---|---|---|
| Low level of education compared to other countries of Europe and Customs Union | 81 | 19.8 |
| Lack of hands-on experience; theory-based education | 217 | 53.1 |
| Immigration of skilled labor abroad | 106 | 25.9 |
| NA/don't know | 5 | 1.2 |
| Total | 409 | 100.0 |

*Source*: IPM Research Center.

## 2.4. Factors for development of small and medium-sized businesses

The factors for a successful business can be divided into internal (depending on the company itself, its current economic performance and internal management) and external (due to the current legislation, the state and conditions of the market and other circumstances independent of the company).

Among the internal factors affecting doing business, representatives of domestic SMEs noted a positive

**Table 2.16. Responses to the question "What internal factors help or complicate you in doing business successfully?", %**

| | –5 | –4 | –3 | –2 | –1 | 0 | 1 | 2 | 3 | 4 | 5 | NA/don't know | Average score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Team availability/absence | 2.0 | 0.7 | 2.2 | 2.7 | 2.2 | 4.2 | 4.2 | 9.8 | 16.9 | 13.9 | 40.6 | 0.7 | 3.08 |
| Professional level of the management | 1.0 | 1.5 | 0.7 | 1.2 | 1.5 | 8.8 | 3.7 | 11.0 | 17.8 | 14.2 | 37.2 | 1.5 | 3.09 |
| Presence/absence of delegation of authority from top management to lower-level management practice, reduction of centralized decision-making | 1.0 | 0.5 | 2.7 | 1.2 | 1.7 | 30.8 | 6.8 | 13.2 | 17.8 | 8.6 | 14.7 | 1.0 | 1.77 |
| Market knowledge, ability to forecast market conditions | 0.5 | 0.7 | 1.0 | 1.2 | 0.7 | 6.1 | 5.4 | 9.8 | 23.0 | 18.6 | 32.8 | 0.2 | 3.21 |
| Ability to produce competitive product | 0.0 | 0.2 | 1.5 | 1.5 | 1.2 | 14.7 | 5.6 | 7.3 | 16.1 | 13.2 | 36.2 | 2.4 | 3.00 |
| Relations with authorities and influential people | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 20.9 | 15.2 | 11.8 | 14.3 | 13.3 | 24.6 | 0.0 | 2.57 |
| Level of legislation knowledge, and ability to keep one's position before administrative and court bodies | 0.7 | 0.5 | 0.5 | 1.2 | 2.4 | 12.2 | 9.8 | 12.2 | 14.4 | 13.4 | 31.8 | 0.7 | 2.80 |

*Note.* "–5" – complicates extremely; "0" – doesn't matter; "5" – very helpful.

*Source*: IPM Research Center.

**Table 2.17. Responses to the question "What external factors help or complicate you in doing business successfully?", %**

| | –5 | –4 | –3 | –2 | –1 | 0 | 1 | 2 | 3 | 4 | 5 | NA/don't know | Average score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Level of competition in the market | 20.0 | 9.0 | 18.8 | 11.5 | 4.2 | 8.3 | 7.3 | 5.6 | 8.1 | 1.7 | 5.1 | 0.2 | –1.45 |
| State support | 1.5 | 1.7 | 3.2 | 4.6 | 4.9 | 37.9 | 5.6 | 6.6 | 13.2 | 9.5 | 9.8 | 1.5 | 1.09 |
| Business environment in comparison to public sector | 3.9 | 3.2 | 11.0 | 12.0 | 6.6 | 37.4 | 5.4 | 4.9 | 7.3 | 3.4 | 2.0 | 2.9 | –0.36 |
| Level of property rights and private business interests protection | 2.2 | 2.9 | 5.9 | 11.7 | 6.4 | 30.8 | 8.8 | 10.5 | 10.0 | 3.4 | 6.1 | 1.2 | 0.34 |
| Corruption level | 11.0 | 3.9 | 12.2 | 15.4 | 10.0 | 35.2 | 2.4 | 2.0 | 2.7 | 2.2 | 0.2 | 2.7 | –1.27 |
| Foreign exchange regulation | 5.1 | 7.1 | 11.5 | 13.0 | 9.5 | 32.5 | 6.1 | 4.4 | 6.1 | 1.2 | 2.0 | 1.5 | –0.77 |
| Tax regulation and tax rates | 6.4 | 6.1 | 17.4 | 16.9 | 11.7 | 22.0 | 5.1 | 4.2 | 3.7 | 2.9 | 1.5 | 2.2 | –1.13 |
| Rent rates | 17.6 | 10.0 | 21.5 | 12.2 | 8.1 | 14.2 | 2.7 | 3.2 | 3.7 | 1.7 | 2.2 | 2.9 | –1.93 |
| System of inspections and penalties | 13.0 | 8.6 | 19.8 | 15.4 | 12.0 | 17.1 | 2.9 | 3.2 | 4.2 | 2.0 | 0.2 | 1.7 | –1.73 |
| Rates on banks' and other financial institutions' loans | 14.9 | 5.9 | 14.7 | 12.2 | 8.1 | 28.4 | 3.2 | 3.2 | 4.2 | 2.0 | 2.0 | 1.5 | –1.37 |
| Economic policy of other countries | 2.7 | 2.0 | 3.2 | 6.8 | 5.9 | 64.5 | 3.7 | 2.4 | 3.9 | 1.5 | 1.5 | 2.0 | –0.17 |
| Access to information about the legislation | 0.7 | 1.7 | 1.7 | 3.4 | 2.0 | 34.0 | 8.6 | 11.7 | 15.9 | 8.8 | 10.0 | 1.5 | 1.43 |
| Access to market data | 1.7 | 1.0 | 2.2 | 4.4 | 3.4 | 33.7 | 8.3 | 12.2 | 13.4 | 8.8 | 9.5 | 1.2 | 1.26 |

*Note.* "–5" – complicates extremely; "0" – doesn't matter; "5" – very helpful.

*Source*: IPM Research Center.

impact of all the options provided (Table 2.16). In 2012, market knowledge and the ability to forecast market conditions were of the greatest help in doing business (average of the ratings – 3.21), followed by the professional level of the management (3.09) and qualifications of the team (3.08). Respondents identified the answer "Presence/absence of delegation of authority from top management to lower-level management practice, reduction of centralized decision-making" as the least significant (1.77).

As for the external factors that affect doing business, just like in previous years, their impact on small and medium-sized enterprises in 2012 was not so straightforward and in most cases tended to be more negative (Table 2.17). The most negative impact was observed in the response categories such as "lease rates" (average of the ratings – 1.93), "a system of inspections and penalties" (–1.73), and "the level of competition in the market" (–1.45). The highest level of a positive effect was observed in access to information about the legislation (1.43) and access to market data (1.26).

However, the effect of the majority of external factors compared with the results of the previous year declined (Table 2.18). First of all, it concerns the level of competition in the market (average decrease of 0.7), business environment compared to state-owned enterprises (–0.43), a system of inspections and penalties (–0.42), and the level of corruption and tax regulation (in both cases –0.36).

Given the economic imbalances in 2011 that influenced the business environment, the impact of internal factors on domestic small and medium-sized enterprises was negligible against external factors. In general, this situation remained in 2012 as well. In this case, the negative impact of external factors over the past year increased, which had a negative impact on the prospects of the intensive development of domestic small and medium-sized businesses. Therefore, it can be assumed that the future position of the Belarusian SMEs will depend, in the first place, on the pace of improvement of the business environment.

**Table 2.18. Comparison of average impact of external factors on doing business in 2011–2012**

| | 2011 | 2012 | Change |
|---|---|---|---|
| Level of competition in the market | –0.75 | –1.45 | –0.70 |
| State support | 1.02 | 1.09 | +0.07 |
| Business environment in comparison to public sector | 0.07 | –0.36 | –0.43 |
| Level of property rights and private business interests protection | 0.52 | 0.34 | –0.18 |
| Corruption level | –0.91 | –1.27 | –0.36 |
| Foreign exchange regulation | –0.91 | –0.77 | +0.14 |
| Tax regulation and tax rates | –0.77 | –1.13 | –0.36 |
| Rent rates | –1.67 | –1.93 | –0.26 |
| System of inspections and penalties | –1.31 | –1.73 | –0.42 |
| Rates on banks' and other financial institutions' loans | –1.43 | –1.37 | +0.06 |
| Economic policy of other countries | –0.08 | –0.17 | –0.09 |
| Level of access to information on legislation | – | 1.43 | – |
| Level of access to market data | – | 1.26 | – |

*Note*. On a scale from –5 to 5, where "–5" – complicates extremely; "0" – doesn't matter; "5" – very helpful.

*Source*: IPM Research Center.

## 2.5. Key findings

The study showed that in 2012 Belarusian small and medium-sized businesses gradually recovered their position in the market and their economic situation worsened in the previous year due to the macroeconomic instability, falling consumer demand in the domestic market, rising interest rates on loans and other problems. And while many of these problems still persist, representatives of domestic SMEs are more optimistic about their future operations in 2013.

However, today Belarusian small and medium-sized businesses face the task of not only maintaining their level achieved and pre-crisis positions in the market, but the continuous rapid economic development in the conditions of growing competition. In addition, new challenges appear with time, such as, for example, the potential entry into the Belarusian market of companies from members of the Customs Union – Kazakhstan and Russia.

It is obvious that though own resources of small and medium-sized enterprises allow them to maintain the pace of development at a certain level, they are limited and may not provide high-quality long-term economic growth. Belarusian SMEs increasingly need to improve their own competitiveness in the conditions of stable and predictable macroeconomic policies, access to credit, and a favorable business environment in general.

Thus, we can conclude that the prospects for the development of Belarusian small and medium-sized businesses, and their competitiveness in the coming years will be increasingly dependent on the government and its ability to create favorable conditions not only for doing business, but also for the intensive growth of small and medium-sized business.

# 3. SME IN BELARUS AND EURASIAN INTEGRATION

Despite the fact that participation of Belarus in the Customs Union and the Common Economic Area (CEA) is often referred to as a political move, economic benefits from closer cooperation with Kazakhstan and Russia can hardly be argued today. In the first place, of course, this applies to the Belarusian and Russian economic cooperation. Russian raw materials and consumer market are of exceptional importance for Belarusian enterprises, both public and private.

The economic crisis in the Belarusian economy in 2011, the effects of which are still felt today (high interest rates, high inflation), had a negative impact on the growth and prospects of increasing the presence of Belarusian enterprises in the single market of the three states. However, in a number of sectors of the economy it is becoming increasingly difficult for Belarusian companies to compete effectively in the markets of Kazakhstan and Russia not only with their national companies, but also with foreign firms operating there.

In the situation where state-owned enterprises for objective reasons have not yet coped with the task of increasing their presence in the countries participating in the Eurasian integration, it is expected that the activities of the Belarusian private sector (primarily – SMEs) will be more effective. To this end, in particular, some private enterprise development programs provide measures aimed to support and further encourage domestic small and medium-sized enterprises (SMEs) (Directive No. 4 *On the Development of Entrepreneurship and Stimulating Business Activity in the Republic of Belarus* of December 31, 2010, the State Program to Support Small and Medium-Sized Enterprises for 2013–2015. etc.).

The contribution of small and medium-sized businesses in the GDP of Belarus today is slightly higher than in the countries participating in the Eurasian integration – Russia and Kazakhstan (22% compared to 20% and 19%, respectively). However, this share is much lower than in the developed economies of the West, such as the European Union (60%) and the USA (50%).[13] Rustam Akberdin, Director of the Department of Business Development of the Eurasian Economic Commission, stated at the last VI Astana Economic Forum on May 24, 2013 that the contribution of small and medium-sized businesses in the Eurasian integration does not correspond to the requirements of the process yet.

The Belarusian government and small and medium-sized businesses have the task to intensify their efforts to promote their interests in the Customs Union and the CEA. At the same time, we still cannot talk about a stable positive trend of entrance of Belarusian companies to foreign markets in the CU and CEA and growth of their competitiveness in the conditions of the increasing competition in the framework of the Eurasian integration.

In this section, based on a number of economic indicators, we measure the current place of the Republic of Belarus in the Customs Union and the CEA and explore the views of representatives of Belarusian SMEs on the country's participation in the Eurasian integration and its impact on domestic small and medium-sized business based on the survey of small and medium-sized enterprises in Belarus. The data obtained represent the opinions of domestic private small and medium-sized companies on the prospects of Belarus, in general, and Belarusian SMEs, in particular, in the single market of the three states, as well as their ability to effectively compete in the new integration environment.

## 3.1. Participation of Belarus in Eurasian integration

The Customs Union (CU) of Belarus, Kazakhstan and Russia was formed by three countries in 2010. It serves as a basis for the currently developing Common Economic Area (CEA) of these countries which was formed in 2012 following the entry into force of seventeen agreements[14] governing the free movement of capital between countries, goods, services and labor. This merger is expected to be transformed in 2015 into the next stage of the Eurasian integration – the Eurasian Economic Union.

Originally, the participation of the Republic of Belarus in Eurasian economic integration associations was promoted for the reasons of potential benefits that the country could get through the access to resources and the single market of the participating countries. For instance, it was about maintaining favorable conditions for access to Russian raw materials market. First of all, it meant strategically important

[13] http://www.eurasiancommission.org/ru/nae/news/Pages/24–05–2013–2.aspx.

[14] Contractual and legal framework of the Common Economic Area of Belarus, Kazakhstan and Russia; see ttp://www.economy.gov.by/ru/f_economic/foreign-policy/foreign-affair-integrity/Dogovorno-pravovaya-baza/Dogovorno-pravovaya-baza-soglashenie.

**Table 3.1. Gross domestic product of the Customs Union and the Common Economic Area**

| | January – December 2012, USD m[16] | In 2012, in percentage of the corresponding period of the previous year | | For reference: in 2011, in percentage of the corresponding period of the previous year | |
|---|---|---|---|---|---|
| | | January–December | First six months | January–December | First six months |
| Belarus | 146.745 | 101.5 | 102.9 | 105.5 | 111.2 |
| Kazakhstan | 231.787 | 105.0 | 105.6 | 107.5 | 107.0 |
| Russia | 2513.299 | 103.4 | 104.5 | 104.3 | 103.7 |
| CU and CEA | 2891.831 | 103.5 | 104.6 | 104.6 | 104.1 |

*Source:* the Eurasian Development Bank[17].

oil that was processed at domestic refineries and sold on the domestic market and abroad, and natural gas used to generate electricity.

Another important advantage of accession of Belarus to the CU and CEA included a multiple expansion of the consumer market, where the products manufactured in Belarus were expected to be in demand. Here the leaders of the country saw a double benefit for the national economy: free access for Belarusian goods to the single market of the three countries and significantly increasing opportunities to attract foreign investors. To recap that in the previous years the presence on the Belarusian market was not a priority for foreign capital. Belarusian consumer demand was too small to create new businesses and significant financial investments, and existing agreements with Russia on the unhindered access of domestic products to the Russian market always depended on the political dialogue between the leaders of the two countries. Under the new conditions of functioning of the Belarusian economy the attractiveness of the establishment in Belarus of foreign enterprises with export-oriented products and services in the market of the Customs Union significantly increases.

As for individual enterprises, in general, we can say that a single economic area and common conditions for doing business implied conditions for effective competition among companies and, as a consequence, increase in their competitiveness not only in the domestic market but also in the international arena. In this sense, a number of Belarusian enterprises had obvious advantages, such as, for example, the use of relatively cheap and skilled labor. At the same time, many processing enterprises producing products with a high added value gained a chance for using their potential in the new environment and access to raw materials on more favorable terms.

Studies of the Eurasian Development Bank (EDB) showed that by the end of the forecast period, i.e. 2030, Belarus will observe the greatest positive effects due to the existing economic structure, areas of foreign trade and economy of scale in Belarus.[15] For example, in 2030 exports to the CEA will amount 35% of the total GDP of Belarus, and the excess of GDP in terms of integration against the option of its absence will be up to 15%. At the same time, it was estimated that the success of integration processes would be critical to the development of the Belarusian economy in the long term, and the share of machine-building activities and food industry would increase in the structure of production.

The experts of the EDB said that Belarus would become to a certain extent the main beneficiary of the integration processes in the Eurasian area. For example, according to the research conducted in 2012, the total cumulative effect of the CEA and the subsequent accession of Ukraine to it within the period 2011–2030 for the four countries can achieve 1.1 trillion dollars (in prices of 2010), which broken down by the countries will be around 14% of GDP in Belarus, 6% of GDP in Ukraine, 3.5% of GDP in Kazakhstan and 2% of GDP in Russia.

However, despite the optimistic forecasts, the practice in 2012 showed that the pace of economic growth in Belarus does not only have very modest rates, but lags behind its partners in the Eurasian integration. For instance, according to the Eurasian Economic Commission, the gross domestic product of Belarus grew by only 1.5%, while in Kazakhstan – by 5%, in Russia – by 3.4%, and on average for the CU and CEA – by 3.5% (Table 3.1) over 2012.

Despite the fact that the growth rate of retail trade Belarus was ahead of its partners in the Eurasian integration (Table 3. 2), a similar advance is observed for the consumer price index. For example, in 2012 the inflation in Belarus amounted to 23.1%, which is significantly higher than in Kazakhstan (6.6%), Russia (7.1%) and on average for the CU and CEA (7.9%) (Table 3.3).

It is obvious that the Belarusian economy cannot form stable and favorable conditions for the development of competitive enterprises, while the enterprises operating under the existing conditions can-

[15] «Украина и Таможенный союз. Комплексная оценка макроэкономического эффекта различных форм глубокого экономического сотрудничества Украины со странами Таможенного союза и Единого экономического пространства» [Ukraine and the Customs Union. Comprehensive assessment of macro-economic effects of different forms of deep economic cooperation between Ukraine and the countries of the Customs Union and Common Economic Area].

[16] The International Monetary Fund.

[17] On the main socio-economic indicators of the members of the Customs Union and the Common Economic Area in January 2013; see http://www.tsouz.ru/db/stat/econ_stat/analytics/Documents/indicators201301.pdf.

**Table 3.2. Retail trade in the countries of the Customs Union and Common Economic Area**

| | January 2013, in national currency (in current prices) | January 2013 in % to January 2012 | For reference: January 2012 in % to January 2011 |
|---|---|---|---|
| Belarus, trillion BYR | 17.5 | 120.3 | 103.7 |
| Kazakhstan, billion KZT | 361.0 | 111.2 | 111.5 |
| Russia, billion RUB | 1695.5 | 103.5 | 107.4 |
| CU and CEA | … | 104.2 | 107.5 |

*Source:* the Eurasian Development Bank[18].

**Table 3.3. Consumer price index in the countries of the Customs Union and Common Economic Area**

| | January 2013 in % to | |
|---|---|---|
| | December 2012 | January 2012 |
| Belarus | 103.0 | 123.1 |
| Kazakhstan | 100.9 | 106.6 |
| Russia | 101.0 | 107.1 |
| CU and CEA | 101.1 | 107.9 |

*Source*: the Eurasian Development Bank[19].

not fully use their potential not only in the single market of Belarus, Kazakhstan and Russia, but often within national borders.

Eurasian integration as a long and gradual process of the actual formation of the common economic area and the convergence of the economic policies of the participating countries creates common to all members of the single market conditions for competitive business activities, but it is not an *a priori* guarantee of its effectiveness. In other words, despite the undoubted *potential* economic benefits derived from the integration, their *practical* implementation requires efforts at the national government level, as well as within businesses themselves.

It should be noted that the macroeconomic situation in Belarus does not let us talk about the possibility of the development of competitive enterprises yet, and such cases are more the exception, rather than a stable trend. The reasons for this situation may include the following: periodic fluctuations of the national currency; unfavorable terms for attracting credit resources due to high interest rates, both in national and foreign currency; high tax rates compared with the partners in the Eurasian integration; high inflation rates and etc.

As a result, Belarusian enterprises, regardless of ownership, are extremely limited in terms of intensive development and access to new markets. This is particularly true of the Belarusian private enterprises, whose access to the mechanisms of state support in Belarus is traditionally lower than in the public sector.

However, this situation has certain advantages as well. After the financial crisis of 2011, the purchasing power of the Belarusian population declined sharply and remained at a relatively low level in 2012. In this regard, the Belarusian market is not of interest for large Russian and Kazakhstani companies with whom not all Belarusian companies can compete. This means that domestic businesses (including small and medium-sized private enterprises) are in some sort of competitive safety.

However, the current situation is temporary, and as the consumer demand in the Belarusian market recovers and announced planned growth of income of the population occurs, companies from Russia and Kazakhstan will increasingly consider the possibility of entering the Belarusian market. In this case, we have to admit that the coming of Russian and Kazakhstani companies to the market is unlikely to meet the expectations of the Belarusian government of the social responsibility of a foreign investor, and it will not be possible to apply any restrictive measures on companies from members of the Customs Union and Common Economic Area.

Thus, today Belarus is in a difficult situation when the domestic economy has not used the full potential benefits of participation in the Eurasian integration and lags behind Kazakhstan and Russia by a number of important conditions for doing business. As a result, Belarusian small and medium-sized businesses are already significantly behind their Kazakhstani and Russian competitors in the capacity and speed of development of the enterprise, while long-term prospects of many local SMEs in the new integration format seem uncertain.

## 3.2. Attitude of SMEs in Belarus to Eurasian integration

In general, most of representatives of Belarusian SMEs have a positive view of the country's accession to the Customs Union and Common Economic Area between Belarus, Kazakhstan and Russia. More than half of the respondents (50.6%) expressed this view in the survey (Table 3.4). However, a significant percentage of those who are negative about the participation of Belarus in the Eurasian integration (18.7%), as well as those who have not yet decided on their position (19.7%).

[18] Id.
[19] Id.

**Table 3.4. Responses to the question "What is the current impact of the CU and CEA on businesses in Belarus?"**

| | Number | % |
|---|---|---|
| Positively | 206 | 50.6 |
| No impact | 45 | 11.1 |
| Negatively | 76 | 18.7 |
| NA/don't know | 80 | 19.7 |
| Total | 407 | 100.0 |

*Source*: IPM Research Center.

**Table 3.5. Responses to the question "How will the ongoing economic integration affect businesses in Belarus?"**

| | 2012 | | 2013 | |
|---|---|---|---|---|
| | Number | % | Number | % |
| Positively | 246 | 61.5 | 181 | 44.3 |
| No impact | 39 | 9.8 | 40 | 9.8 |
| Negatively | 65 | 16.2 | 96 | 23.5 |
| NA/don't know | 50 | 12.5 | 92 | 22.5 |
| Total | 400 | 100.0 | 409 | 100.0 |

*Source*: IPM Research Center.

**Table 3.6. Responses to the question "Which markets are most important for your company?", %**

| | 1 | 2 | 3 | 4 | 5 | NA/don't know | Average score |
|---|---|---|---|---|---|---|---|
| Domestic market in Belarus | 2.2 | 1.2 | 5.1 | 6.4 | 82.4 | 2.7 | 4.701 |
| Russia and Kazakhstan | 29.6 | 10.5 | 10.5 | 17.1 | 14.9 | 17.4 | 2.725 |
| Ukraine | 38.9 | 8.6 | 16.4 | 5.9 | 7.6 | 22.7 | 2.155 |
| Other CIS countries | 46.0 | 10.8 | 6.4 | 4.4 | 7.1 | 25.4 | 1.872 |
| European Union | 53.3 | 5.4 | 4.6 | 4.2 | 6.8 | 25.7 | 1.734 |
| Other countries | 47.9 | 4.2 | 5.1 | 2.4 | 4.2 | 36.2 | 1.602 |

*Note*. "1" – doesn't matter; "5" – very important.

*Source*: IPM Research Center.

**Table 3.7. Comparison of the level of importance of markets for SMEs in Belarus**

| | Average score | | Change |
|---|---|---|---|
| | 2012 | 2013 | |
| Domestic market in Belarus | 4.580 | 4.701 | 0.121 ↑ |
| Russia and Kazakhstan | 3.103 | 2.725 | –0.379 ↓ |
| Ukraine | 2.294 | 2.155 | –0.139 ↓ |
| Other CIS countries | 2.041 | 1.872 | –0.169 ↓ |
| European Union | 1.944 | 1.734 | –0.210 ↓ |
| Other countries | 1.795 | 1.602 | –0.194 ↓ |

*Note*. Average score on a scale from 1 to 5, where "1" – doesn't matter; "5" – very important.

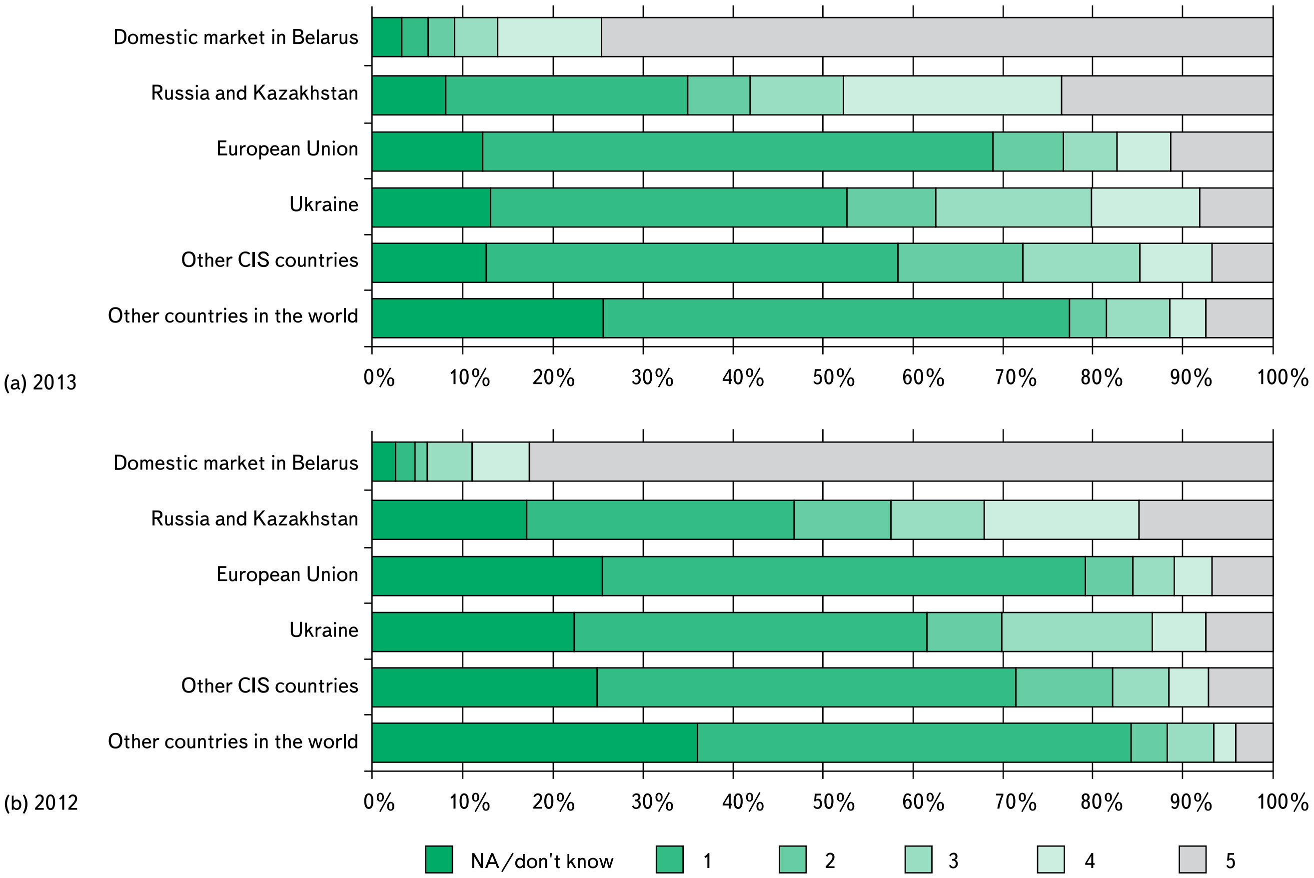
*Source*: IPM Research Center.

The proportion of the respondents who believe that continued participation of Belarus in the Eurasian integration will have a positive impact significantly decreased compared with the previous year (Table 3.5). For instance, if in 2012 61.5% of the respondents believed so, in 2013 their number was already 44.3%. Moreover, the decrease of the indicator occurred alongside with an increase in the proportion of those who predicted a negative effect (from 16.2% in 2012 to 23.5% in 2013), as well as those who were not able to define their position (from 12.5% in 2012 to 22.5% in 2013). The percentage of those who believe in the absence of any effect on the continuing integration of the Belarusian business remained the same – 9.8%.

However, in relation to the current results of the Eurasian integration and its impact on the Belarusian business and in respect of forecasting future participation by the country in integration unions, we can state that the representatives of domestic SMEs exhibit some cautious optimism. One reason for this attitude is the preferred focus of small and medium-sized businesses on the internal market. In other words, the new opportunities created by the Common Economic Area are not of much interest for Belarusian businesses. At the same time because of the relatively low purchasing power in Belarus domestic SMEs have so far managed to avoid both integration risks associated with increased competition and the potential entry to the Belarusian market of companies from Russia and Kazakhstan.

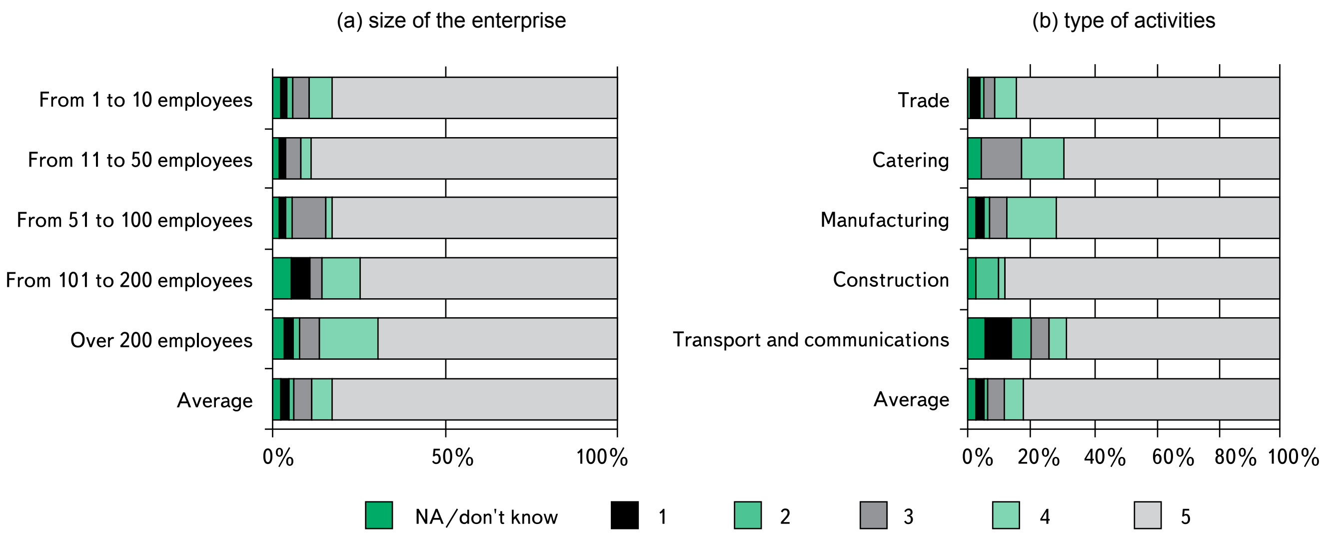
The results of the survey showed that the level of importance of the Belarusian market is the highest for Belarusian small and medium-sized businesses from the options available amounting to an average of 4.701 on a scale from one to five

**Figure 3.1. Comparison of the level of importance of markets for SMEs in Belarus in 2013 (a) and 2012 (b)**




*Note*. "1" – doesn't matter; "5" – very important.
*Source*: IPM Research Center.

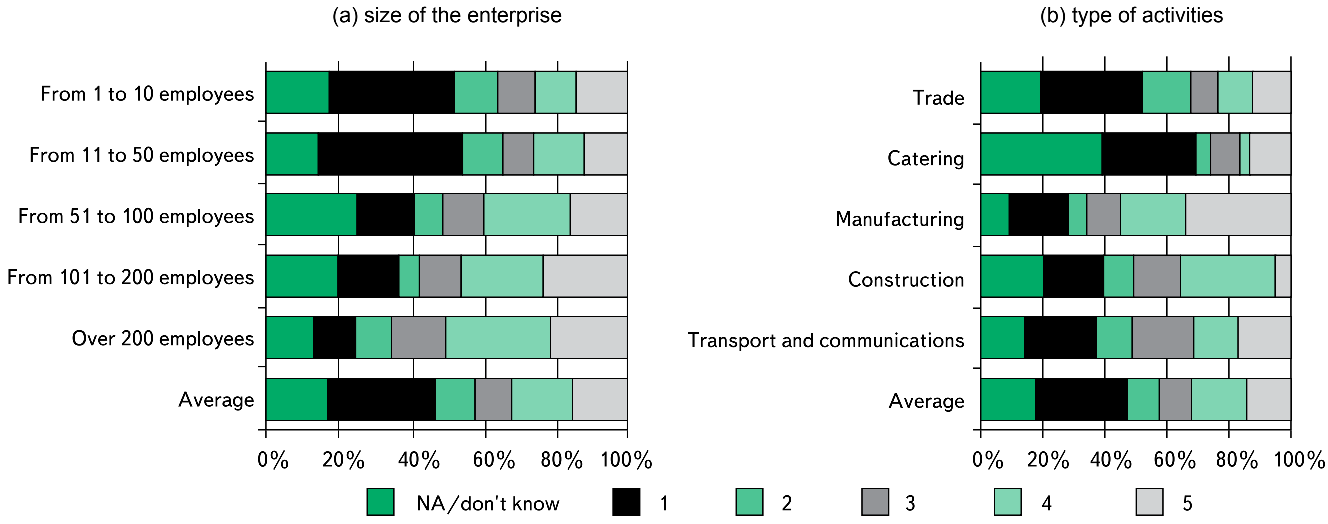
**Figure 3.2. Importance of markets for SMEs in Belarus by type of activities and size of the enterprise**




*Note*. "1" – doesn't matter; "5" – very important.
*Source*: IPM Research Center.

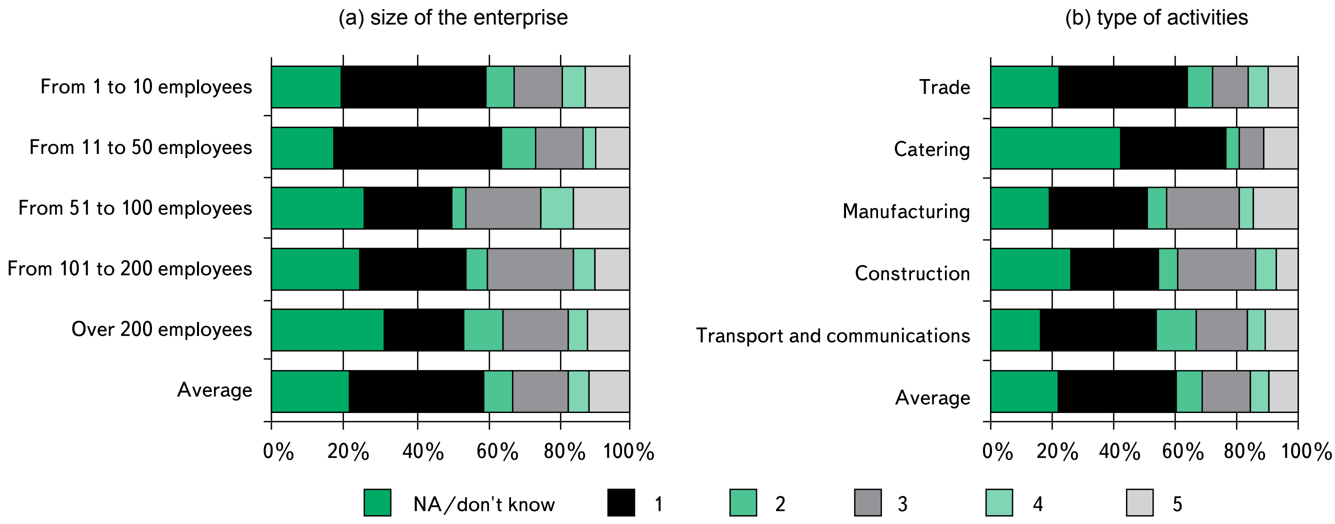
(Table 3.6). For comparison, the level of importance of the markets in Russia and Kazakhstan was 2.725, the market in another potential member of the Eurasian integration – Ukraine – 2.155, in other CIS countries – 1.872, in the countries of the European Union – 1.734, and in the other countries of the world – 1.602.

**Figure 3.3. Importance of markets in Kazakhstan and Russia for SMEs in Belarus by type of activities and size of the enterprise**




*Note*. "1" – doesn't matter; "5" – very important.
*Source*: IPM Research Center.

**Figure 3.4. Importance of the market in Ukraine for SMEs in Belarus by type of activities and size of the enterprise**




*Note*. "1" – doesn't matter; "5" – very important.
*Source*: IPM Research Center.

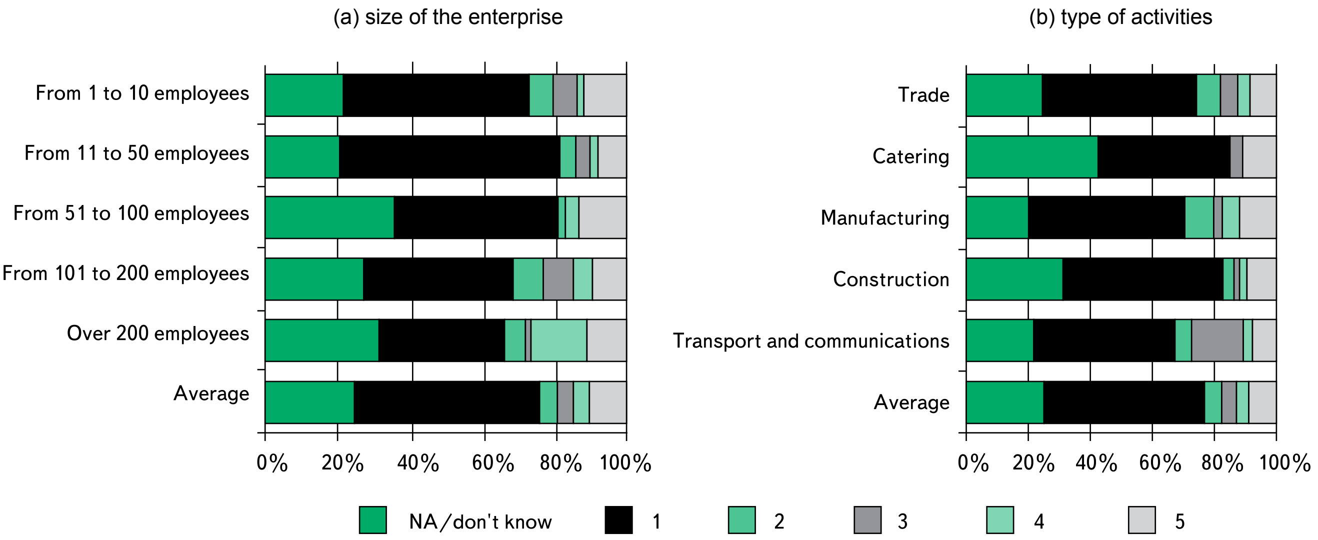
It is noteworthy that the level of importance of the internal market is the only figure that has increased in comparison with the results of 2012 – an increase of 0.121 (Table 3.7). However, the level of importance of the market partner of Belarus for Eurasian integration – Kazakhstan and Russia – decreased most for domestic SMEs – a decrease of 0.379, followed by the European Union market (–0.21), other countries (–0.194), CIS countries (–0.169) and Ukraine (–0.139).

The trends in assessments of the importance of the domestic market of Belarus, Kazakhstan, Russia, Ukraine and other CIS countries, and the European Union and other countries of the world in 2012 – 2013 are shown in Figure 3.1. It is worth mentioning that the significance of the Belarusian market for domestic SMEs does not arouse any doubt among the respondents – both in 2012 and 2013 there were virtually no respondents who did not respond or could not answer the question (less than 3%).

The assessments of the importance of the domestic market of Belarus, Kazakhstan and Russia, Ukraine and the European Union in 2013 for Belarusian SMEs depending on the size of the enterprise, as well as its sphere of activity, are presented in Figures 2 – 5.

As shown in the figure, the domestic market of Belarus is most significant for small and medium-sized enterprises, employing up to 100 people, as well as for companies operating in the fields of trade and construction (Figure 3.2).

**Figure 3.5. Importance of the EU markets for SMEs in Belarus by type of activities and size of the enterprise**




*Note*. "1" – doesn't matter; "5" – very important.

*Source*: IPM Research Center.

**Table 3.8. Trends in the assessment of the importance of the domestic market in Belarus for SMEs in Belarus – average scores**

| | 2012 | 2013 | Change |
|---|---|---|---|
| | *Size of the enterprise* | | |
| From 1 to 10 | 4.661 | 4.701 | 0.040 ↑ |
| From 11 to 50 | 4.592 | 4.804 | 0.212 ↑ |
| From 51 to 100 | 4.569 | 4.640 | 0.071 ↑ |
| From 101 to 200 | 4.500 | 4.576 | 0.076 ↑ |
| Over 200 | 4.431 | 4.560 | 0.129 ↑ |
| Average | 4.580 | 4.701 | 0.121 ↑ |
| | *Type of activity* | | |
| Trade | 4.628 | 4.694 | 0.066 ↑ |
| Catering | 4.792 | 4.591 | –0.201 ↓ |
| Manufacturing | 4.597 | 4.565 | –0.032 ↓ |
| Construction | 4.586 | 4.842 | 0.256 ↑ |
| Transport and communications | 4.286 | 4.273 | –0.013 ↓ |
| Average | 4.580 | 4.701 | 0.121 ↑ |

*Note*. Average score on a scale from 1 to 5, where "1" – doesn't matter; "5" – very important.

*Source*: IPM Research Center.

As for the market in Kazakhstan and Russia, there is an inverse relationship here – the larger the Belarusian private enterprise is, the more important these markets are for it (Figure 3.3). They are mostly targeted by the companies with more than 100 employees, as well as SMEs operating in manufacturing.

The market of Ukraine, a potential member of the Customs Union, which signed a memorandum of cooperation with the Eurasian Economic Commission at the summit of CIS heads of the Government in Minsk on May 31, 2013, is almost of equal interest to all Belarusian SMEs, irrespective of their size (Figure 3.4). At the same time, firms operating in the fields of trade (as in the case of the internal market in Belarus) and industry (as in the case of markets Kazakhstan and Russia) are a little more focused on it.

According to the survey, the market of the European Union was most important for large firms, employing more than 200 people (Figure 3.5). In terms of the area of activity of the enterprises, the market in the EU is of more interest for companies operating in the fields of manufacturing, trade, and transport and communications. SMEs operating in the field of catering are least interested in this market.

Compared with the previous year, the domestic market of Belarus has become more important to all companies regardless of their size (Table 3.8). At the same time its importance increased for SMEs, for whom its value was the highest anyway – for SMEs operating in the fields of trade and construction (an increase of 0.066 and 0.256, respectively). In other areas there was a slight decrease of this indicator: –0,201 for catering, –0.032 for manufacturing and –0.013 for transport and communication.

The importance of markets of Kazakhstan and Russia declined for each and every business, regardless of their size (Table 3.9). A relatively high reduction of the indicator according to the results of the survey was recorded for SMEs employing between 1 and 10 and between 11

**Table 3.9. Trends in the assessment of the importance of markets in Kazakhstan and Russia for SMEs in Belarus – average scores**

| | 2012 | 2013 | Change |
|---|---|---|---|
| | *Size of the enterprise* | | |
| From 1 to 10 | 2.838 | 2.486 | –0.352 ↓ |
| From 11 to 50 | 2.837 | 2.367 | –0.471 ↓ |
| From 51 to 100 | 3.373 | 3.211 | –0.162 ↓ |
| From 101 to 200 | 3.452 | 3.357 | –0.094 ↓ |
| Over 200 | 3.882 | 3.444 | –0.438 ↓ |
| Average | 3.109 | 2.725 | –0.384 ↓ |
| | *Type of activity* | | |
| Trade | 3.265 | 2.459 | –0.806 ↓ |
| Catering | 2.500 | 2.429 | –0.071 ↓ |
| Manufacturing | 3.418 | 3.516 | 0.098 ↑ |
| Construction | 3.059 | 2.915 | –0.144 ↓ |
| Transport and communications | 3.484 | 2.900 | –0.584 ↓ |
| Average | 3.109 | 2.725 | –0.384 ↓ |

*Note*. Average score on a scale from 1 to 5, where “1” – doesn’t matter; “5” – very important.

*Source*: IPM Research Center.

**Table 3.10. Trends in the assessment of the importance of the market in Ukraine for SMEs in Belarus – average scores**

| | 2012 | 2013 | Change |
|---|---|---|---|
| | *Size of the enterprise* | | |
| From 1 to 10 | 2.038 | 2.136 | 0.098 ↑ |
| From 11 to 50 | 2.104 | 1.870 | –0.235 ↓ |
| From 51 to 100 | 2.542 | 2.703 | 0.161 ↑ |
| From 101 to 200 | 3.074 | 2.308 | –0.766 ↓ |
| Over 200 | 2.627 | 2.457 | –0.170 ↓ |
| Average | 2.297 | 2.155 | –0.142 ↓ |
| | *Type of activity* | | |
| Trade | 2.352 | 2.065 | –0.288 ↓ |
| Catering | 1.905 | 2.000 | 0.095 ↑ |
| Manufacturing | 2.323 | 2.474 | 0.151 ↑ |
| Construction | 2.451 | 2.349 | –0.102 ↓ |
| Transport and communications | 2.500 | 2.207 | –0.293 ↓ |
| Average | 2.297 | 2.155 | –0.142 ↓ |

*Note*. Average score on a scale from 1 to 5, where “1” – doesn’t matter; “5” – very important.

*Source*: IPM Research Center.

**Table 3.11. Trends in the assessment of the importance of the EU markets for SMEs in Belarus – average scores**

| | 2012 | 2013 | Change |
|---|---|---|---|
| | *Size of the enterprise* | | |
| From 1 to 10 | 1.886 | 1.762 | –0.123 ↓ |
| From 11 to 50 | 1.661 | 1.459 | –0.202 ↓ |
| From 51 to 100 | 2.104 | 1.844 | –0.260 ↓ |
| From 101 to 200 | 2.226 | 1.920 | –0.306 ↓ |
| Over 200 | 2.438 | 2.286 | –0.152 ↓ |
| Average | 1.946 | 1.734 | –0.212 ↓ |
| | *Type of activity* | | |
| Trade | 1.895 | 1.769 | –0.126 ↓ |
| Catering | 1.350 | 1.769 | 0.419 ↑ |
| Manufacturing | 2.091 | 1.911 | –0.180 ↓ |
| Construction | 1.627 | 1.650 | 0.023 ↑ |
| Transport and communications | 2.370 | 1.926 | –0.444 ↓ |
| Average | 1.946 | 1.734 | –0.212 ↓ |

*Note*. Average score on a scale from 1 to 5, where “1” – doesn’t matter; “5” – very important.

*Source*: IPM Research Center.

and 50 people (–0.352 and –0.471, respectively), as well as for the largest number of SMEs with the number of employees of more than 200 people (–0.438). Depending on the scope of the enterprise, a positive result was observed only in the area of manufacturing (a slight increase of 0.098), while the largest decline – among trading firms (–0.806).

The importance of Ukrainian market for Belarusian SMEs in 2013 slightly decreased (Table 3.10). The increase that was observed only among small and medium-sized firms employing from 1 to 10 and from 50 to 100 people (up to 0.098 and 0.161, respectively), as well as among small and medium-sized businesses operating in the fields of catering and manufacturing (growth of 0.095 and 0.151, respectively). The largest decline in the importance of the Ukrainian market was recorded for SMEs employing from 100 to 200 people (–0.766).

The importance of the market in the European Union, as well as in the case of Kazakhstan and Russia,

**Table 3.12. Responses to the question "Do you agree that competition in Belarusian market increased after entering the Custom Union and CES?"**

| | Number | % |
|---|---|---|
| Yes, from companies in Russia | 77 | 18.8 |
| Yes, from companies in Kazakhstan | 11 | 2.7 |
| No | 321 | 78.5 |
| Total | 409 | 100.0 |

*Source*: IPM Research Center.

**Table 3.13. Responses to the question "Can your company successfully compete in the CU and CEA markets?"**

| | 2012 | | 2013 | |
|---|---|---|---|---|
| | Number | % | Number | % |
| Yes | 156 | 39.0 | 154 | 37.7 |
| No | 174 | 43.5 | 188 | 46.0 |
| NA/don't know | 70 | 17.5 | 67 | 16.4 |
| Total | 400 | 100.0 | 409 | 100.0 |

*Source*: IPM Research Center.

declined for all enterprises without exception, regardless of their size (Table 3.11). In all cases, a moderate decline was recorded – from –0.123 for firms employing up to 10 people to –0.306 for firms employing between 11 and 200 people. Despite the fact that companies in catering find the EU market least interesting, it is these enterprises where the highest growth of its importance is observed – of 0.419 according to the results of the survey. The increased importance was recorded in the construction sector (a slight increase of 0.023), while in other areas there was a decrease in this indicator.

Thus, the domestic market of Belarus remains a top priority for domestic SMEs and its importance even slightly increased over the last year, while the importance of other external markets fell slightly. As a result of the lack of competition from firms from Kazakhstan and Russia, Belarusian SMEs have relatively favorable conditions in the Eurasian integration. The only potential threat to them can only be the new rules of doing business adopted by the Eurasian Economic Commission within its competence and binding on the territory of all member countries of the Common Economic Area.

An example of this are the recent events connected with the strike of Belarusian entrepreneurs disagreeing with the introduction of the country of the new technical regulations of the Customs Union. In June 2012, the confrontation between a number of SMEs and the government reached its peak when they first time announced their intention to initiate the collection of signatures in support of the exit of Belarus from the Customs Union.[20] Although there was reached a temporary compromise in early July,[21] the current situation is a clear example of the negative impact of Belarus participation in the Eurasian integration on some of the categories of small and medium-sized businesses and the unpreparedness of the latter to the new conditions of doing business.

However, a potentially more serious challenge of the Eurasian integration for domestic small and medium-sized enterprises is, first of all, competition in the single market of the three countries with companies from Kazakhstan and Russia that in most cases are not only equally effective businesses, but are also in better macro-economic conditions ensuring a sustainable development of the company. In this situation, it is the competitiveness of Belarusian companies (including the private small and medium-sized enterprises) that is seen as the main indicator of the readiness of Belarus to the continuation and deepening of integration within the Customs Union and the Common Economic Area and the Eurasian Economic Union formed in 2015.

### 3.3. Competitiveness of Belarusian SMEs in the conditions of Eurasian integration

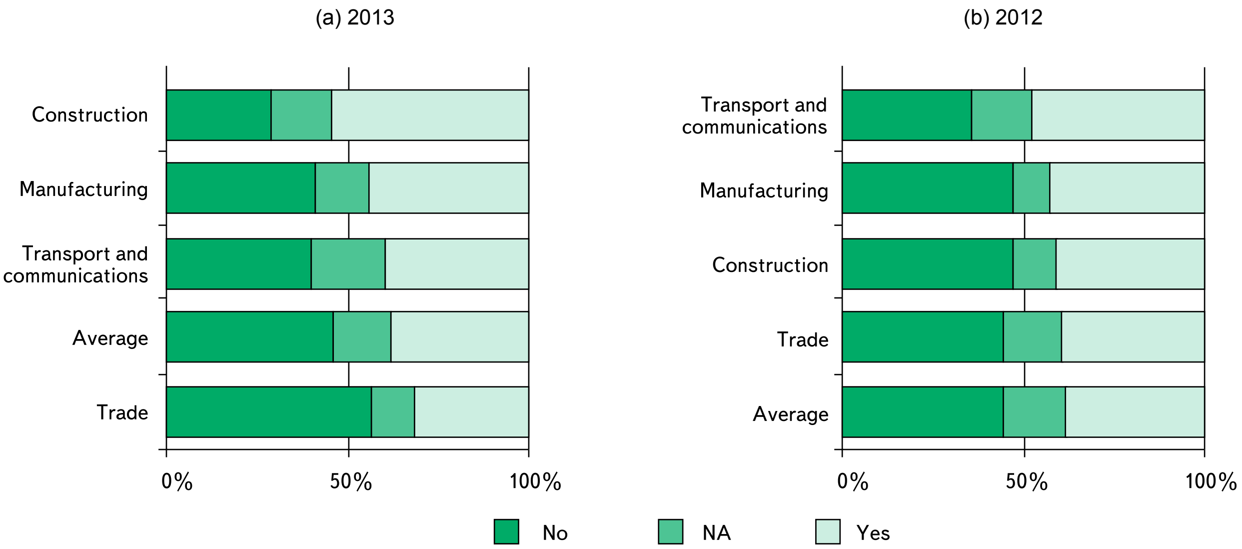
Currently, companies from Russia and Kazakhstan are in little competition with domestic small and medium-sized enterprises in the Belarusian market. Only 18.8% of the respondents said they felt increased competition from companies from Russia, and only 2.7% reported an increased competition with companies from Kazakhstan (Table 3.12). However, in general, every fifth company reported increased competition and the arrival to the Belarusian market of new players, and there was no compelling reason to believe that this number would not increase in the coming years.

Even today, the majority of Belarusian small and medium-sized enterprises show their inability to compete effectively in the market of the Customs Union and the Common Economic Area. This, in particular, was stated by 46% of the respondents, while 37.7% of the respondents described themselves as competitive (Table 3.13). At the same time, compared with the results of the survey in 2012, there is a negative trend. For example, in the survey in 2013 the share of competitive enterprises decreased by 1.3 percentage points, while the proportion of non-competitive enter-

[20] Предприниматели – за выход Беларуси из Таможенного союза [Entrepreneurs Calling For Leaving the Customs Union by Belarus]; see http://naviny.by/rubrics/economic/2013/06/24/ic_articles_113_182149/.

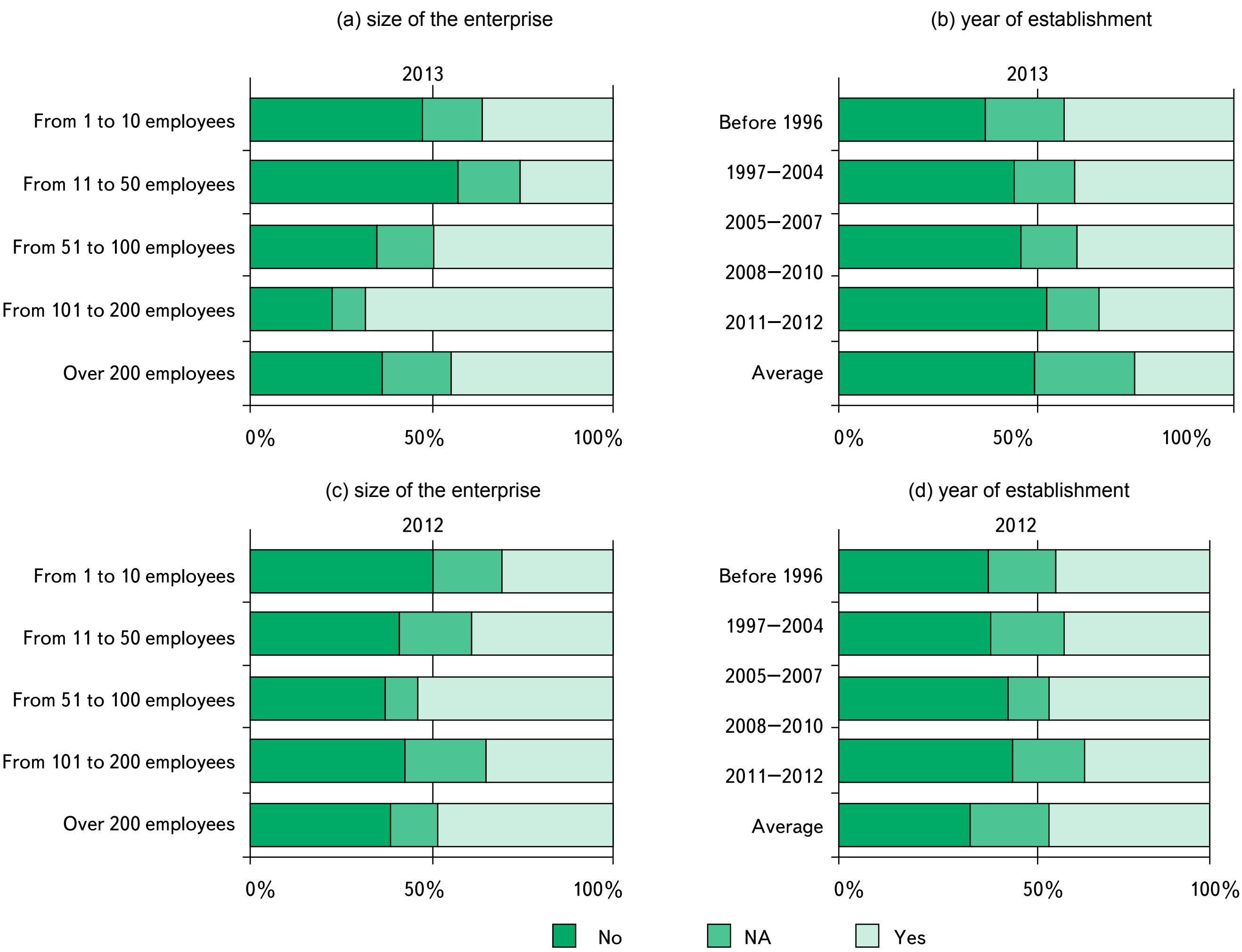
[21] В Беларуси до 1 ноября продлен переходный период вступления технического регламента ТС о безопасности продукции легпрома [Belarus Extends Transition Period of Entry into Force of Technical Regulations on the Safety of Products of Light Industry]; see http://www.belta.by/ru/all_news/economics/V-Belarusi-do–1-nojabrja-prodlen-perexodnyj-period-vstuplenija-texnicheskogo-reglamenta-TS-o-bezopasnosti-produktsii-legproma_i_640002.html.

**Figure 3.6. Responses to the question "Can your company successfully compete in the CU and CEA markets?" by type of activities of SMEs**



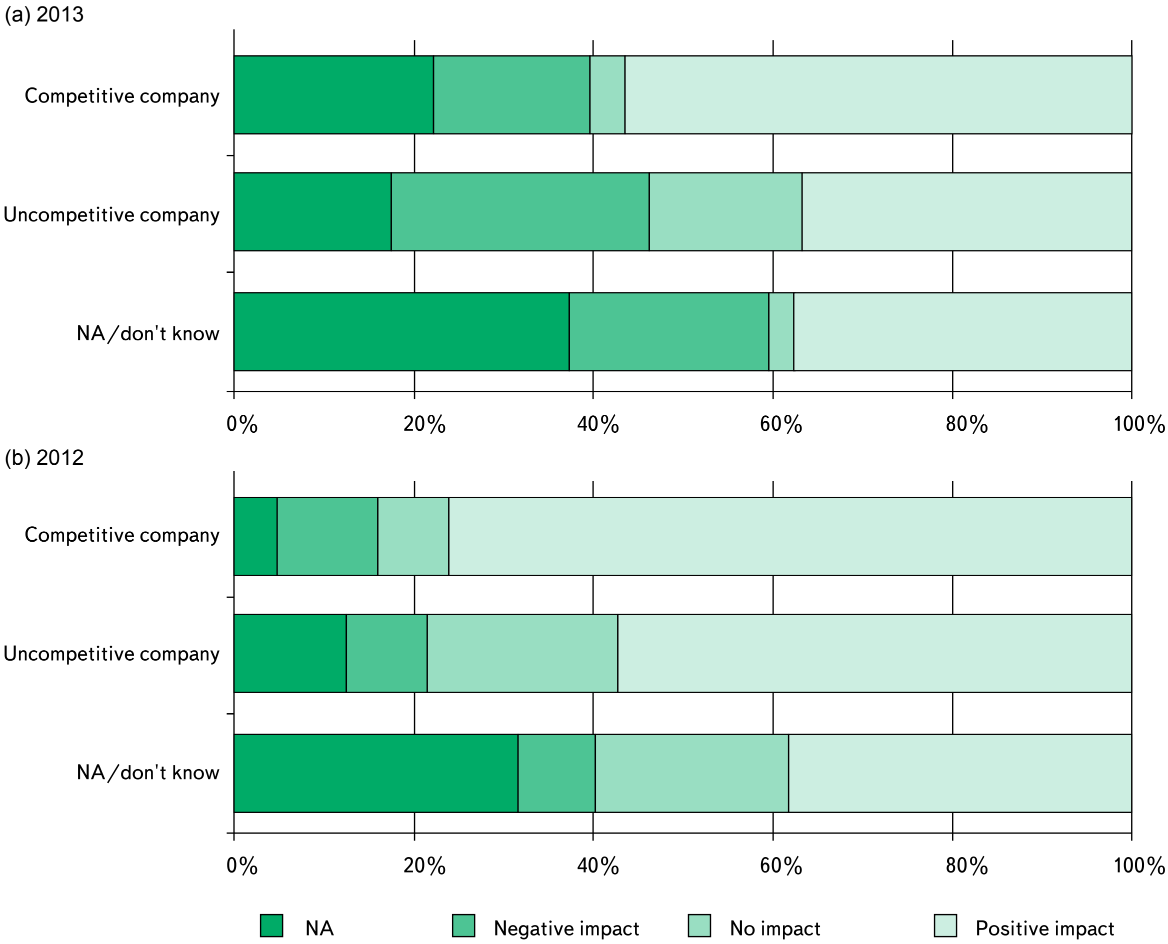

*Source*: IPM Research Center.

**Figure 3.7. Responses to the question "Can your company successfully compete in the CU and CEA markets?" by size and year of establishment of the enterprise**




*Source:* IPM Research Center.

**Figure 3.8. Comparison of views of SMEs about the impact of the future participation of Belarus in Eurasian integration on small and medium-sized business depending on the level of competitiveness of the enterprise**




*Source*: IPM Research Center.

**Table 3.14. Reasons for inability to compete in the CU and CEA market**

| | 2012 | | 2013 | |
|---|---|---|---|---|
| | Number | % | Number | % |
| High cost of production | 27 | 14.3 | 47 | 11.5 |
| Lack of own funds for product manufacturing (advertising and PR) | 65 | 34.4 | 69 | 16.9 |
| Low product quality in comparison with other CU members (low level of competitiveness) | 17 | 9.0 | 30 | 7.3 |
| Administrative barriers to market access by CU members | 29 | 15.3 | 30 | 7.3 |
| NA/don't know | 51 | 27.0 | 262 | 64.1 |
| Total | 189 | 100.0 | 409 | 100.0 |

*Source*: IPM Research Center.

prises increased by 2.5 percentage points.

Over the last year there were changes in the competitiveness of companies, depending on their field of activity (Figure 3.6). While in 2012 the most competitive small and medium-sized enterprises were transport companies, in 2013 their place was taken by construction companies. SMEs operating in manufacturing showed a relatively high and stable level of competitiveness, while trade companies more often showed their inability to compete effectively in the market of the CU and CEA in the past two years.

As in 2012, medium-sized SMEs employing between 50 and 200 people show the highest level of competitiveness, while small businesses with employees of up to 50 people are most uncompetitive (Figure 3.7). As for the relation between competitiveness of Belarusian small and medium-sized businesses and the year of establishment of the enterprise, there is a clear relationship established – the older the enterprise is, the more confident it feels in the domestic market. Thus, representatives of the companies founded over the past five years most often stated of their inability to effectively compete in the CU and CEA markets.

More competitive firms often claim that the continued participation of Belarus in the Eurasian integration

**Table 3.15. Responses to the question "What are the opportunities for your company development under the regime of the Customs Union?" in the surveys of 2012 and 2013**

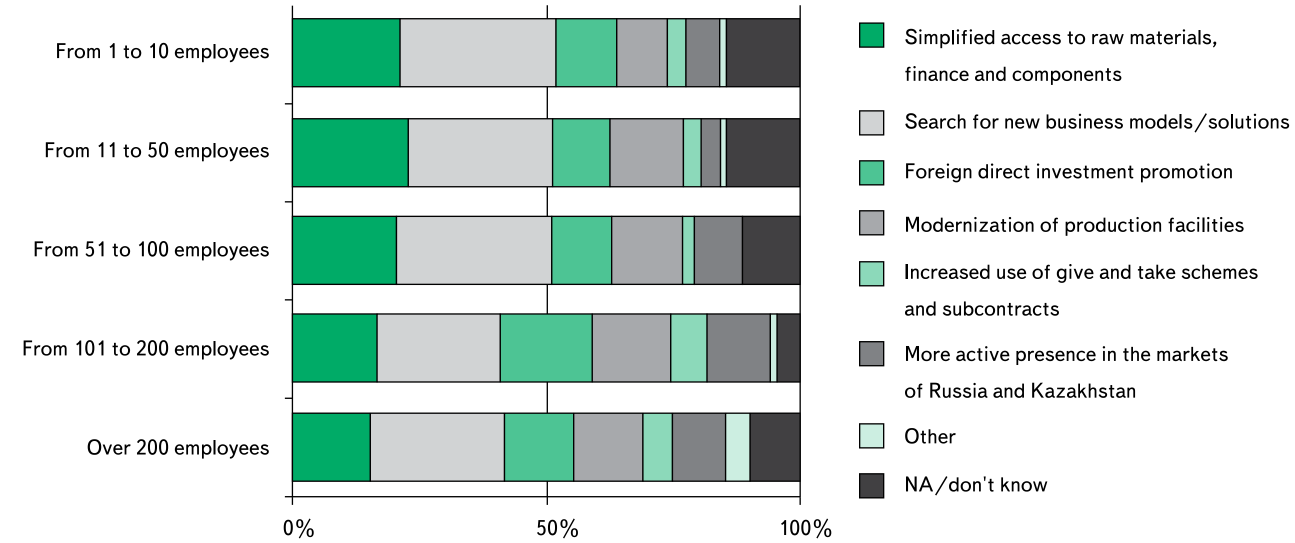
| | 2012 | | 2013 | |
|---|---|---|---|---|
| | Number | % | Number | % |
| Simplified access to raw materials, finance and components | 128 | 32.0 | 139 | 34.0 |
| Search of new business models/solutions | 184 | 46.0 | 197 | 48.2 |
| Foreign direct investment promotion | 71 | 17.8 | 86 | 21.0 |
| Modernization of production facilities | 115 | 28.8 | 92 | 22.5 |
| Increased use of give and take schemes and subcontracts | 27 | 6.8 | 28 | 6.8 |
| More active presence in the markets of Russia and Kazakhstan | 81 | 20.2 | 51 | 12.5 |
| Others | 4 | 1.0 | 5 | 1.2 |
| NA/don't know | 27 | 6.8 | 83 | 20.3 |

*Note.* 400 and 409 enterprises were surveyed in 2012 and 2013 respectively. Respondents could choose more than one option.

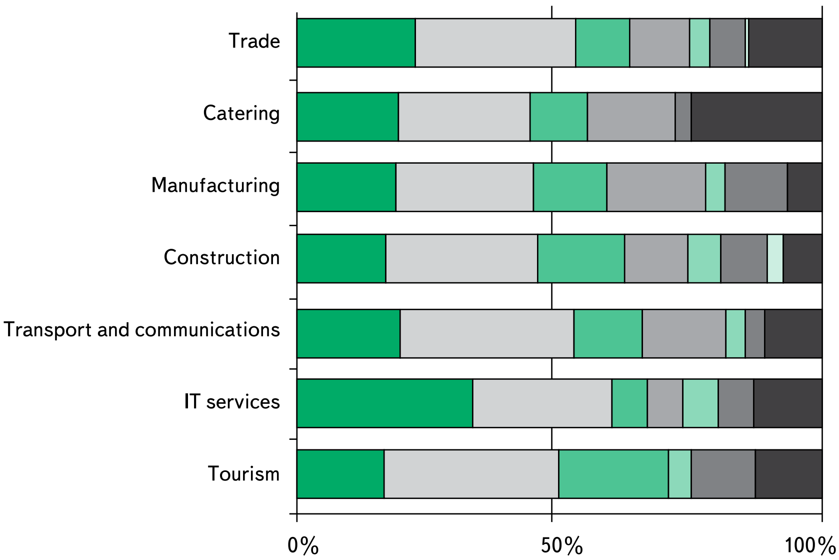
*Source:* IPM Research Center.

**Figure 3.9. Comparison of views of SMEs on the opportunities for the company development in the CU and CEA market by enterprise size and type of activities**

(a) size of the enterprise




(b) type of activities




*Source*: IPM Research Center.

will have a positive impact on the development of domestic small and medium-sized businesses (Figure 3.8). However, it should be noted that compared with the results of 2012 there was a dramatic decrease in the proportion of those who noted a positive impact of the Eurasian integration on the Belarusian business, regardless of the level of competitiveness of enterprises (by 19.8% for competitive firms and by 20.8% – for non-competitive). At the same time, the proportion of those non-competitive companies forecasting negative effects of the integration on business considerably increased over the last year (by 19.5%).

The main reasons for the inability to effectively compete in the market of the Customs Union and the Common Economic Area given by Belarusian SMEs include lack of own funds to promote the product (16.9%) and a high cost of production (11.5%) (Table 3.14). Compared with the 2012 survey, in 2013 the share of those who reported administrative barriers to enter the markets of individual countries in the CU and CEA decreased by more than twice (from 15.3% to 7.3%). We can also note a huge increase in the proportion of those who refused to answer or could not answer the question – from 27% in 2012 to 64.1% in 2013.

According to the representatives of small and medium-sized businesses, to eliminate such reason as a high cost of production there may be undertaken such measures as the modernization of production facilities (22.5%), foreign direct investment (21%), and the ease of access to raw materials, financial resources and components (34%) (Table 3.15). However, the continued or even increased over the last year share of those who are considering introduction of new business models and solutions (48.2%, an increase of 2.2 percentage points) raises concern. This possibility can mean both closing a business and withdrawal from the market and re-orientation of business or even migration of the business to other countries of the Customs Union and the Common Economic Area. At the same time, the proportion of those who did not or could not answer the question (from 6.8% in 2012 to 20.3% in 2013) increased by almost three times. This suggests that every fifth Belarusian representative of small and medium-sized businesses does not have a clear idea of the mechanism of increasing their own competitiveness in the new economic conditions.

The need to find new business models is most often mentioned by small and medium-sized SMEs employing up to 100 people (Figure 3.9). These companies often need simplified access to raw materials, financial resources and components, while large companies are increasingly interested in attracting foreign direct investment. It is noteworthy that medium-sized and large SMEs increasingly consider more active presence in the markets of Russia and Kazakhstan as an opportunity for their further development and competitiveness within the CU and CEA.

Companies working in the fields of commerce and computer services are more focused on the possibility of easy access to raw materials, financial resources and components, while firms operating in the areas of catering, manufacturing and trade often require modernization of production facilities.

The carried out analysis leads to the conclusion that today Belarusian small and medium-sized enterprises in most cases cannot compete against companies from Kazakhstan and Russia. At the same time, despite the continuing optimism about the impact of the Eurasian integration on the Belarusian economy in general and the domestic business in particular, the proportion of those Belarusian SMEs who are skeptical about the continuing participation of Belarus in the Customs Union and the Common Economic Area is more and more increasing.

The main reason for these trends can be the absence of favorable macroeconomic conditions for the development of small and medium-sized businesses in the Belarusian market, the growth of their competitiveness to the level required not only for the effective protection of the national market from potential competitors from Kazakhstan and Russia, but also for expansion into new markets, primarily in the CU and CEA. It is strongly supported by the fact that in recent years the main challenges and opportunities for the development of the enterprise, according to the representatives of SMEs, remained virtually unchanged.

At the same time it should be noted that in the Eurasian integration Belarusian business often assumes a role of a bystander. Obviously, such a strategy in the upcoming creation of the Eurasian Economic Union of Belarus, Russia and Kazakhstan in 2015 will hardly boost the competitiveness of domestic enterprises. Belarusian businesses should focus their attention not so much on the consolidated protection of their interests and positions in the domestic market, but on the search of new opportunities of cooperation, modernization and development in general, arising through the common economic area of these three countries (for example, through the institute of the Eurasian Business Council).

Thus, going back to the example of individual entrepreneurs who were protesting in late June – early July 2013 against the introduction of new technical regulations of the Customs Union, there is a fair question about the need to change the framework of the activities. Undoubtedly, an individual entrepreneur is unlikely to compete effectively with small and medium-sized businesses that have larger production, labor, marketing and other capacities. This means that Belarusian businesses should be commited to the enterprise development and growth of their competitiveness as the only means of survival in the conditions of the ever-increasing domestic and foreign competition in the long run.

The need for such measures was announced, in particular, by Leonid Zaiko, Head of the Analytical Center *Strategy*, at the round table discussion on the problems of small and medium-sized businesses. According to him, there is no point for small and medium-sized businesses in Belarus to “continue to work as entrepreneurs for some more 20 years”, and the difficulties associated with the adoption of the said technical regulations are a signal for individual entrepreneurs “to change the form, direction and strategies for their activities”. Finally, Mr. Zaiko concluded that “everything that is connected with markets, kiosks, small metal box, kennels, etc." will lead businesses nowhere.[22]

Thus, in spite of the existing differences between small and medium-sized businesses, on the one hand, and public authorities and supranational bodies of the CU and CEA, on the other hand, the main task of businesses becomes reaching a more active and strategy-oriented position. Otherwise, if a small business continues to be a bystander in the matters of the competition increasing in the Eurasian integration, its representatives will be at risk of being forced out of the market by larger and more competitive players.

### 3.4. Key findings

Belarusian SMEs remain positive about the prospect of the country's participation in the Eurasian integration and its impact on the domestic small and medium-sized businesses. However, the results of the survey in 2013 show the emergence of negative trends connected with the growth of negative assessments given by the representatives of SMEs. The main reason for this can be a low level of competitiveness of domestic companies as well as prospects for the upcoming competition in the Belarusian market with firms from Kazakhstan and Russia.

Overall, our study allows considering the competitiveness of Belarusian small and medium-sized businesses in the Customs Union and Common Economic Area from two angles as the growth of competitiveness of Belarusian SMEs is of equal priority both for the Belarusian economy, and local entrepreneurs themselves.

From the angle of the state, the competitive sector of small and medium-sized businesses (whose share in GDP, in fact, is the highest in the countries of the CU and CEA) is one of the elements of the competitive economy and continuous growth of the income level of the population. Thus, the state should set as a priority not only the creation of the environment for starting a business (the country now ranks 9th by this indicator in the World Bank *Doing Business – 2013* report[23]) but also the formation in Belarus of favorable, stable and predictable macroeconomic environment, including getting a credit (104th rank), paying taxes (129th rank) and international trade (151st rank).

From the angle of small and medium-sized businesses, the ongoing commitment to the development of the enterprise and increase in its competitiveness under the conditions of increasing competition within the CU and CEA is a major survival strategy of domestic SMEs. To this end, Belarusian entrepreneurs should focus on the constant search of more efficient business models and mutual cooperation. Without the ability to inhibit the activity and development of Eurasian unions, Belarusian SMEs should develop a mechanism for integration into these processes, considering the latter primarily not as a threat to the positions they hold in the market, but as a source of constant development.

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[22] http://naviny.by/rubrics/economic/2013/07/15/ic_news_113_421042/.

[23] Doing Business – 2013; see http://russian.doingbusiness.org/data/exploreeconomies/belarus/.

# 4. LIBERALIZATION OF BUSINESS ENVIRONMENT IN BELARUS IN 2009–2012

In 2008 the top level of government set a goal for Belarus to enter in some years the top thirty countries of the Doing Business report – the rankings compiled annually by the World Bank *Doing Business* team. Despite the fact that the rank of Belarus in 2009, 2010 and 2011 significantly improved, and the country was among the top three countries by the level of liberalization of the the business environment, the target set in 2008 was not achieved.

In 2012, the task to enter the top 30 countries of the *Doing Business* rankings was again stated by the Government and set to be achieved by 2015. On the one hand, the position of Belarus among the leading countries in the liberalization of the business environment in recent years promises a high chance of further improvement of the rank of Belarus in the *Doing Business* report. However, on the other hand, there was an apparent decrease in the rate of growth in the rank of Belarus in 2009–2011.

This section provides an analysis of key indicators for Belarus in the ranking of the *Doing Business* report in 2009–2011, as well as a comparison of some of them with neighboring states and partner countries in integration associations. The analysis of the correlation of some economic indicators of countries and transition economies with a rank in the *Doing Business* report shows the actual and potential relationship of these parameters for Belarus. At the same time, the correspondence between the scores given in the ranking of the *Doing Business* report and the actual situation in the economy, as well as their changes during the period under review, were verified on the basis of the results of surveys of Belarusian small and medium-sized businesses.[24] The survey results reflected the opinion of SME managers on the effectiveness of measures to liberalize the business environment, as well as the business environment and business climate, taken at the national level in Belarus in 2009–2012.

### 4.1. Business environment in Belarus: the view of the World Bank reflected in the *Doing Business* report

Over the past few years, the position of Belarus in the international ranking of the *Doing Business* report published annually by the World Bank was unstable. For example, in 2008 it ranked 85th out of 183 countries (according to the *Doing Business* 2009 report), while in 2009 its rank improved to 64th. After that there was some "rollback" to the previous ranks (91st in 2010), and in the last two years Belarus has somewhat stabilized its rank in the middle of the first hundred ranks (60th in 2011, 58th in 2012).

In comparison with other countries the ranking position of Belarus in the *Doing Business*–2013 report is also controversial. On the one hand, the country is clearly ahead of its main partner in the Customs Union – the Russian Federation (the sub-national study of which shows a substantial backlog of business conditions in the regions closest to Belarus – Moscow, Kaliningrad, St. Petersburg), as well as its southern neighbor – Ukraine (Table 4.1). On the other hand, despite the obvious improvement in the rank Belarus is still significantly lagging behind its neighboring "Western" partners (Estonia, Latvia, Lithuania and Poland), as well as some of the CIS countries (Georgia, Armenia) and its other partner in the economic integration – Kazakhstan.

At the same time, it should be noted some variability in the rating itself: after the end of the year the World Bank team restates the ranking of countries based on the revision of the analyzed indicators. For example, in 2010 Belarus initially ranked 69th, but in 2011, taking into account the new indicator *Getting Electricity* and the elimination of the indicator *Liquidating a Company*, and also because of changes in the methodology for calculating the other two indicators, the rank of Belarus fell to 91st. In addition, the overall rank is calculated based on the indicators with the scores that may be very different for some economies (for example, a country that is a leader by the indicator starting a business may be an outsider by getting a credit and vice versa).

To address this problem, at the beginning of 2013 the World Bank published the rating by the measure "distance to frontier" which attempted to provide average annual rankings to allow for their comparability in different years (Table 4.2).

However, the above rating allows us to state only the general trends of the country in the Doing Business, while to the end of studying the areas and effectiveness of the policy of liberalization in the business climate in Belarus it seems more appropriate to focus on these indicators for Belarus, as well as their transformation during the last several years.

[24] The surveys were conducted by the Laboratory of Axiometric Research NOVAK in April 2010–2012.

**Table 4.1. Comparison of the *Doing Business 2013* ranks of some countries, 2012**

| Country | Rank in 2011 | Rank in 2012 |
|---|---|---|
| Georgia | 12 | 9↑ |
| Estonia | 19 | 21↓ |
| Latvia | 21 | 25↓ |
| Lithuania | 26 | 27↓ |
| Armenia | 50 | 32↑ |
| Kazakhstan | 56 | 49↑ |
| Poland | 74 | 55↑ |
| **Belarus** | **60** | **58↑** |
| Azerbaijan | 66 | 67↓ |
| Kyrgyzstan | 69 | 70↓ |
| Russia | 118 | 112↑ |
| Ukraine | 152 | 137↑ |
| Tajikistan | 147 | 141↑ |
| Uzbekistan | 168 | 154↓ |

*Note*. Lowering of the ranking is indicated by ↓, and improvement by – ↑.

*Source:* Doing Business 2013, World Bank.

**Table 4.2. Comparison of some countries position by distance to frontier in 2006–2013**

| | DB 2006 | DB 2007 | DB 2008 | DB 2009 | DB 2010 | DB 2011 | DB 2012 | DB 2013 |
|---|---|---|---|---|---|---|---|---|
| Armenia | 58.4 | 60.5 | 62.9 | 62.3 | 63.2 | 64.0 | 66.6 | 70.6 |
| Azerbaijan | 49.9 | 51.7 | 51.3 | 60.8 | 61.3 | 62.0 | 62.7 | 62.8 |
| **Belarus** | **43.6** | **44.5** | **47.0** | **54.5** | **57.1** | **59.7** | **64.7** | **67.1** |
| Estonia | 73.5 | 73.6 | 74.5 | 74.2 | 74.2 | 74.5 | 74.0 | 73.6 |
| Georgia | 49.2 | 62.0 | 66.3 | 70.7 | 73.8 | 76.5 | 79.1 | 80.7 |
| Kazakhstan | 51.0 | 54.3 | 54.7 | 56.8 | 57.5 | 59.9 | 62.6 | 63.0 |
| Kyrgyzstan | 46.8 | 48.7 | 49.5 | 56.4 | 61.8 | 62.4 | 61.8 | 61.5 |
| Latvia | 68.3 | 71.3 | 71.4 | 71.3 | 71.8 | 72.5 | 76.1 | 76.5 |
| Lithuania | 72.4 | 72.8 | 72.6 | 72.6 | 72.9 | 73.2 | 74.3 | 74.2 |
| Poland | 57.1 | 58.4 | 59.1 | 59.1 | 62.4 | 64.2 | 63.8 | 69.4 |
| Russia | 51.3 | 52.4 | 55.2 | 54.9 | 56.5 | 55.9 | 57.7 | 58.7 |
| Tajikistan | 31.3 | 33.0 | 35.0 | 37.5 | 42.0 | 44.1 | 45.1 | 46.5 |
| Ukraine | 41.6 | 43.2 | 43.6 | 44.2 | 45.8 | 48.8 | 48.9 | 53.5 |
| Uzbekistan | 39.5 | 40.5 | 41.7 | 43.8 | 43.8 | 44.2 | 44.2 | 46.7 |

*Source:* World Bank.

**Table 4.3. Starting a business in Belarus in 2009–2011**

| Year | Rank | Procedures (number) | Time (days) | Cost (% of income per capita) | Paid-in Min. Capital (% of income per capita) |
|---|---|---|---|---|---|
| 2009 | ... | 5 | 6 | 1.7 | 0 |
| 2010 | ... | 5 | 5 | 1.6 | 0 |
| 2011 | 9 | 5 | 5 | 1.3 | 0 |

*Source:* Doing Business 2010–2012, World Bank.

**Table 4.4. Registering property in Belarus in 2009–2011**

| Year | Rank | Procedures (number) | Time (days) | Cost (% of income per capita) |
|---|---|---|---|---|
| 2009 | ... | 3 | 18 | 0 |
| 2010 | ... | 3 | 15 | 0 |
| 2011 | 3 | 2 | 10 | 0 |

*Source:* Doing Business 2010–2012, World Bank.

Unstable, yet still progressive improvement of the business climate started in the first post-crisis year of 2009, when the Government approved the Plan of priority measures to liberalize economic activities. In particular, the plan called for the implementation of measures aimed at improving administrative and technical procedures; the procedures associated with the design, construction and commissioning of facilities; property and land relations; tax and customs legislation; pricing and antimonopoly regulation; and investment.

The greatest progress in the liberalization of the business environment according to the *Doing Business* report was made by the indicators of starting a business and registering property (see Table 4.3–4.4). Measures for deregulation of these processes taken in 2009 with a focus on reducing the number of the required procedures (for example, Decree No. 1 of January 16, which introduced the declarative principle of business registration) allowed Belarus to enter the top ten countries of the world ranking and rank 9th and 3rd in 2011 by starting a business and registering property, respectively.

It should be noted that Belarus was way ahead by the indicator

**Table 4.5. Comparison of countries by starting a business in 2011**

| Country | Rank | Procedures (number) | Time (days) | Cost (% of income per capita) |
|---|---|---|---|---|
| **Belarus** | **9** | **5** | **5** | **1.3** |
| Latvia | 50 | 4 | 16 | 2.6 |
| Kazakhstan | 55 | 6 | 19 | 0.8 |
| Lithuania | 103 | 6 | 22 | 2.8 |
| Russia | 105 | 8 | 29 | 2.3 |
| Ukraine | 116 | 9 | 24 | 4.4 |
| Poland | 129 | 6 | 32 | 17.3 |

*Source:* Doing Business 2012, World Bank.

**Table 4.6. Enforcing Contracts in Belarus in 2009–2011**

| Year | Rank | Time (days) | Enforcement cost (% of claim) | Procedures (number) |
|---|---|---|---|---|
| 2009 | ... | 225 | 23.4 | 28 |
| 2010 | ... | 225 | 23.4 | 28 |
| 2011 | 14 | 275 | 23.4 | 29 |

*Source:* Doing Business 2010–2012, World Bank.

**Table 4.7. Dealing with construction permits in Belarus in 2009–2011**

| Year | Rank | Procedures (number) | Time (days) | Cost (% of income per capita) |
|---|---|---|---|---|
| 2009 | ... | 13 | 150 | 52.7 |
| 2010 | ... | 13 | 140 | 49.9 |
| 2011 | 42 | 13 | 140 | 41.0 |

*Source:* Doing Business 2010–2012, World Bank.

**Table 4.8. Resolving insolvency in Belarus in 2009–2011**

| Year | Rank | Time required to recover debt | Cost required to recover debt (% of average income per capita) | Recovery rate (cents on the dollar) |
|---|---|---|---|---|
| 2009 | ... | 5.8 | 22 | 33.3 |
| 2010 | ... | 3.0 | 22 | 45.1 |
| 2011 | 42 | 3.0 | 22 | 49.6 |

*Source:* Doing Business 2010–2012, World Bank.

**Table 4.9. Protecting investors in Belarus in 2009–2011**

| Year | Rank | Disclosure index | Director liability index | Ease of shareholder suits index | Strength of investor protection index[25] |
|---|---|---|---|---|---|
| 2009 | ... | 5 | 1 | 8 | 4.7 |
| 2010 | ... | 5 | 1 | 8 | 4.7 |
| 2011 | 79 | 7 | 1 | 8 | 5.3 |

*Source:* Doing Business 2010–2012, World Bank.

of starting a business of not only neighboring countries (Ukraine and the EU Member States: Lithuania, Latvia and Poland), but also partners in the Customs Union and the Common Economic Area – Russia and Kazakhstan (Table 4.5). For example, it takes the least number of days, on average, to perform one procedure (5 days) in Belarus, while in other countries it takes more than two weeks.

Belarus also holds a high rank in the world rankings by enforcing contracts (Table 4.6). According to the response from the World Bank team, despite a slight deterioration of certain indicators, in 2011 Belarus ranked 14th.

Things are somehow worse for the indicators of dealing with construction permits and resolving insolvency (Tables 4.7–4.8). For instance, in the first case it still takes many days to go through the necessary procedures. A slight decrease in the cost of each procedure was primarily due to the devaluation of the national currency in 2009 and 2011. As for the indicator of resolving insolvency, on the one hand, over the stated period there was a reduction of the time needed to collect the debt, but on the other hand, the annual collection rate increased, which had a negative impact on the country's rank in the world rankings. As a result, Belarus ranked 42nd in both categories in 2011.

[25] Investor protection index is the average of the indices of disclosure on the transaction, the liability of directors and ease of shareholder suits. The index ranges from 0 to 10, with higher values indicating greater protection of investors.

**Table 4.10. Paying taxes in Belarus in 2009–2011**

| Year | Rank | Tax payments | Time (hours) | Total tax rate (% of profit before all taxes)[26] |
|---|---|---|---|---|
| 2009 | ... | 107 | 900 | 99.7 |
| 2010 | ... | 82 | 798 | 80.4 |
| 2011 | 158 | 18 | 654 | 62.6 |

*Source:* Doing Business 2010–2012, World Bank.

**Table 4.11. Comparison of countries by paying taxes in 2011**

| Year | Rank | Tax payments | Time (hours) | Total tax rate (% of profit before all taxes) |
|---|---|---|---|---|
| Kazakhstan | 16 | 7 | 188 | 28.6 |
| Lithuania | 57 | 11 | 175 | 43.9 |
| Latvia | 62 | 7 | 290 | 37.9 |
| Russia | 94 | 7 | 290 | 46.9 |
| Poland | 124 | 29 | 296 | 43.6 |
| **Belarus** | **158** | **18** | **654** | **62.6** |
| Ukraine | 183 | 135 | 657 | 57.1 |

*Source:* Doing Business 2012, World Bank.

**Table 4.12. Trading across borders in Belarus in 2009–2011**

| Year | Rank | Documents required to export (number) | Time required to export (in days) | Cost required to export (USD per container) | Documents required to import (number) | Time required to import (in days) | Cost required to import (USD per container) |
|---|---|---|---|---|---|---|---|
| 2009 | .. | 9 | 16 | 1,772 | 10 | 31 | 2,115 |
| 2010 | .. | 9 | 15 | 1,772 | 10 | 30 | 2,115 |
| 2011 | 154 | 9 | 15 | 2,210 | 10 | 30 | 2,615 |

*Source:* Doing Business 2010–2012, World Bank.

In addition, Belarus has a low rank by the indicator of protecting investors (Table 4.9). Indicators of this topic distinguish 3 dimensions of investor protections: transparency of related-party transactions (extent of disclosure index), liability for self-dealing (extent of director liability index) and shareholders' ability to sue officers and directors for misconduct (ease of shareholder suits index). In the 2009–2011 there was a positive trend in terms of the disclosure index (2 points up), which increased by 0.6 points the average index of investor protection. However, a consistently low index of director liability (1 point on a 10-point scale) did not allow the country to take a high rank, and as a result, Belarus ranked 79th.

The data in Table 4.10 show significant progress on simplification of the tax system in Belarus. This process started in the same post-crisis year of 2009, when Decree No. 1 (simplification of the tax system) was adopted on January 3. In the future, the Belarusian government continued the policy of liberalization of the tax legislation, which, in particular, led to a substantial reduction in the number of payments (from 107 in 2009 to 82 in 2010 and 18 (!) in 2011), the total time spent to pay three largest taxes (from 900 hours in 2009 to 798 hours in 2010 and 654 in 2011). In addition, it led to a decrease in total tax rate, calculated as a percentage of profit before tax – it was 99.7% in 2009, 80.4% in 2010 and 62.6% in 2011 according to the *Doing Business*.

In the 2009–2011 Belarus took measures to liberalize the taxation system directly for small and medium-sized businesses (for example, according to Decree No. 349 (2011), small businesses can apply a simplified system of taxation if the gross annual income does not exceed 12 billion BYR). It also granted exemptions for certain periods of time for some businesses to promote entrepreneurship (for example, Decree No. 143 (2010) set forth the exemption from payment of personal income tax (for five years) for those who have come to Belarus to reside permanently. Presidential Decree No. 6 (2012) "On Stimulation of Entrepreneurial Activity in the Medium and Small Towns and Rural Areas" established a number of significant benefits for businesses and individual entrepreneurs registered in medium, small towns and rural areas and carrying out their activities there – for example, businesses in rural areas are exempt, among

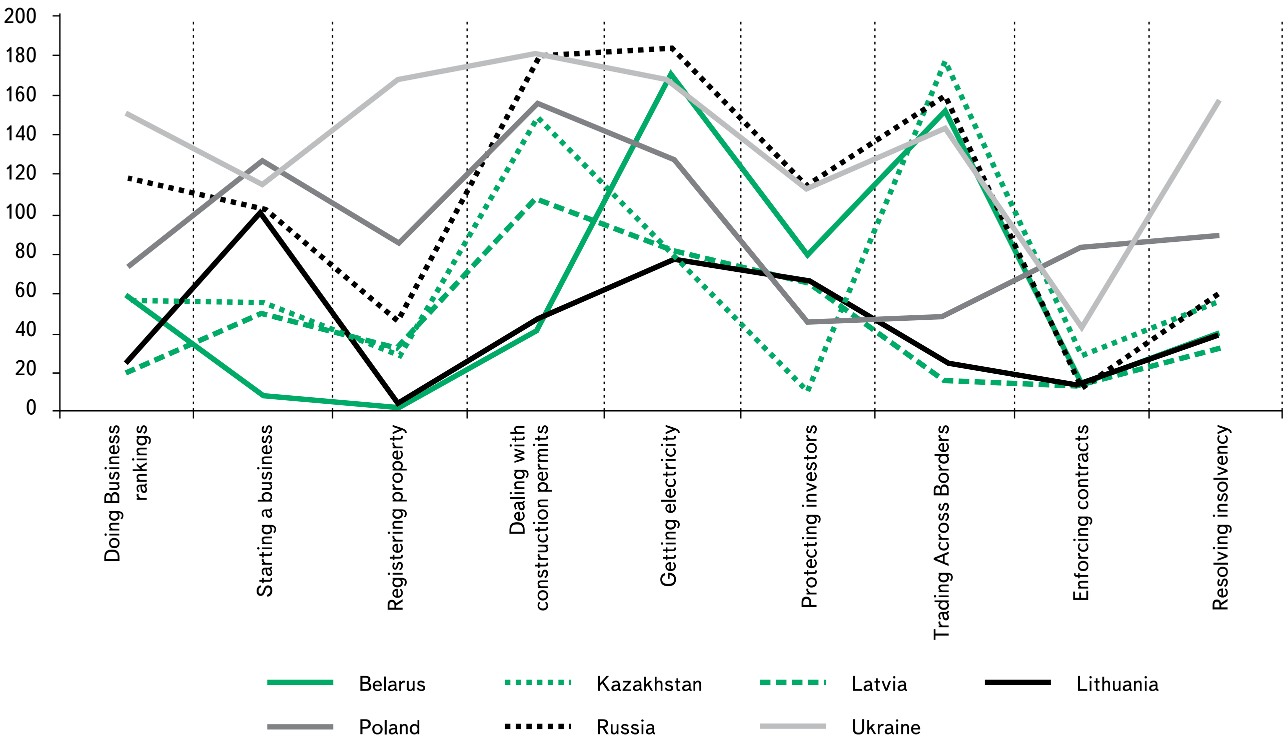
[26] The tax rate reflects the amount of taxes and mandatory contributions borne by the company during the second year of operation, expressed as a share of commercial profits. The taxes included in the calculation of the tax rate can be divided into 5 categories: income tax or corporate profit tax, social security contributions and labor taxes paid by the employer (which include all mandatory contributions, even if they are paid to a private entity, such as a compensatory pension fund), property taxes, sales taxes and other taxes (such as municipal taxes, taxes on vehicles and fuel). This methodology for calculating the tax rate corresponds to the scheme developed by the company PwC of the "total tax burden" and calculations regarding taxes paid by the company, which are carried out under this scheme. However, while calculations done as part of the PwC scheme are usually based on the data from the largest companies in the country, the focus of the Doing Business is a standard medium-sized company.

**Table 4.13. Comparison of countries by trading across borders in 2011**

| Year | Rank | Time required to export (in days) | Cost required to export (USD per container) | Time required to import (in days) | Cost required to import (USD per container) |
|---|---|---|---|---|---|
| Latvia | 17 | 10 | 600 | 11 | 801 |
| Lithuania | 26 | 9 | 870 | 9 | 980 |
| Poland | 49 | 17 | 1,050 | 16 | 1,000 |
| Ukraine | 144 | 30 | 1,865 | 33 | 2,155 |
| **Belarus** | **154** | **15** | **2,210** | **30** | **2,615** |
| Russia | 161 | 21 | 2,535 | 36 | 2,635 |
| Kazakhstan | 178 | 76 | 3,130 | 62 | 3,290 |

*Source:* Doing Business 2012, World Bank.

**Figure 4.1. Rankings of countries by a number of *Doing Business* indicators in 2011**




*Source:* Doing Business–2012, World Bank.

other things, from profit tax (18%) if they keep separate accounting of revenues and expenditures and provide a certificate to the tax authority, and individual entrepreneurs – from the payment of income tax (12%) if they keep a separate accounting of revenues).

However, in spite of the measures to liberalize the law during the period, in 2011 Belarus ranked only 158th in the world rankings based on aggregate indicators of taxation.

Adverse factor here is the fact that, unlike the ease of starting a business (where Belarus was the leader among a number of neighboring countries), by paying taxes among neighboring states and partners in the Customs Union and the Common Economic Area Belarus ranked the last but one in 2011 (Table 4.11). Though Belarus does not have by many more payments than, for example, in Kazakhstan, Lithuania, Latvia and the Russian Federation, and it is also ahead of Poland by this indicator, Belarus lags far behind these countries by the time spent to pay the three largest taxes. While it was required less than 200 hours in Kazakhstan and Lithuania, and less than 300 hours – in Latvia, Russia and Poland, it took 654 hours in Belarus, which is slightly less than in Ukraine (657 hours) closing the world rankings by paying taxes in the *Doing Business* report.

In 2011 Belarus held a low 154th rank for trading across borders (Table 4.12). In 2009–2011 the average value of exports and imports increased, and the negative impact of these indicators on the rating offset a slight reduction in the time required for export and import operations.

Belarus is far behind from the neighboring countries of the EU by these indicators (in the first place – by the cost required to export and import), though slightly ahead of its partners in integration associations – Russia and Ukraine (Table 4.13). However, despite the latter circumstance, the conditions for trading across borders according to the indicators of the *Doing Business* report, as well as high export focus and import dependence of the domestic economy, cannot be considered appropriate for positioning of Belarus by the Belarusian authorities as a "bridge" between Europe and Russia.

Comparing the rank of Belarus with ranks of neighboring states by these and other indicators addressed in the *Doing Business* report presented on Figure 4.1.

In general it can be concluded that Belarus has created relatively better conditions for starting a company, while business conditions at existing enterprises are still lagging behind from the neighboring states by a number of indicators. Nevertheless, most indicators show positive trends during 2009–2011. It is no coincidence that in the last 6 years of the publication of the Doing Business report Belarus has been recognized as one of the world's leading reformers completing the top three most active reformers by the cumulative effect of the liberalization of the business environment, as reflected in the indicators of the *Doing Business*–2006 and *Doing Business*–2012 reports (after Georgia and Rwanda).

It is well known that the *Doing Business* of the World Bank serves as a reference point not only for the domestic business, but also for potential foreign investors encouraging them to invest in the country with the highest rank. To assess the relation of the inflow of foreign investment and the development of the private sector in Belarus with the rank of the country in the *Doing Business* report, we carried out the analysis described in the next section.

**Box 1. Relationship between the *Doing Business* rankings and FDI inflows**

The analysis of the relationship between the rank in the *Doing Business* and inflows of foreign direct investment (FDI) was conducted using the method of least squares. The following regression equation was built:

$$y = \underset{(0.234)}{7.237} - \underset{(0.002)}{0.023}b_1 + e, \qquad (1.1)$$

where, $y$ – FDI[28] per capita, $b_1$ – rank in the *Doing Business*. Standard errors of the regression coefficient are given in parentheses, value of determination coefficient $R^2$ is equal 0.41. As can be seen from the regression equation, the coefficient with $b_1$ is –0.023, which shows the inverse relationship between FDI and the rank in the rankings. However, residuals in Equation (1.1) were distributed abnormally. To solve this problem three dummy variables were introduced, which resulted in a normal distribution of the residuals. The resulting regression equation is as follows:

$$y = \underset{(0.216)}{7.222} - \underset{(0.002)}{0.023}b_1 + \text{dummy variables} + e. \qquad (1.2)$$

The coefficient of determination in the new model increased and became equal to 0.543. Later, the regression model was analyzed for fitting the conditions of least squares. The absence of heteroscedasticity in the model was validated by the White test.

## 4.2. Relation between the inflow if the FDI, share of the private sector and the rank of Belarus in the *Doing Business* report

According to the studies of the European Bank for Reconstruction and Development, one of the factors affecting the flow of foreign investment into the country is the rank of the economy in the *Doing Business* for each of these indicators.[27] In this regard, we studied the relationship between the inflow of FDI and business conditions across 163 countries of the world. The data on foreign direct investment were taken from the World Investment Report 2012 prepared by UNCTAD; the business climate was estimated based on the rankings of the World Bank and the International Finance Corporation.

Based on the estimates conducted (see Box 1), we built the following model describing the relationship between the FDI inflows and the rank in the *Doing Business*:

$$y = 7.222 - 0.023b_1 + \text{dummy variables} \qquad (1)$$

The model shows a statistically significant inverse relationship between FDI and the rank of Belarus in the *Doing Business*.

As can be seen from Figure 4.2, Belarus is below the trend line. This indicates that the inflow of foreign direct investment in the country is less than one would expect on the basis of the rank it holds according to the *Doing Business*. At the same time it should be noted that the calculation of the regression equation was made based on the data from 2011, when the inflow of FDI in Belarus was relatively high due to the sale of 50 % of *Beltransgaz* (i.e. due to a single transaction). If the FDI was taken without it, Belarus would have been even lower than the trend line. In connection with this interest in determining the potential level of FDI, i.e. the one that would correspond to the rank of Belarus in these rankings. To do this, we substitute the data in the resulting equation (1) with the data of the rankings in 2012.

The estimation carried out on the basis of the obtained regression equation showed that given the rank of Belarus in the rankings, FDI was to be USD 3.5 billion. Meanwhile, according to the National Statistics Committee, FDI inflows in January-November amounted to USD 1.2 billion.

[27] Does Doing Business matter for foreign direct investment? Doing Business 2013 Smarter Regulations for Small and Medium-Size Enterprises. EBRD 2012. P. 47–50.

[28] The calculations used logs of FDI.

As in the first regression analysis the estimation was made for a large number of economies with different levels of economic development. Further, we isolated one cluster and analyzed countries with economies in transition. The resulting regression has the following form[29]:

$$\underset{(0.527)}{y = 6.822}-\underset{(0.006)}{0.016}b_1 + e \qquad (2)$$

Figure 4.3 shows the distribution of economies in transition rated by the *Doing Business* and FDI inflows. As can be seen from the figure, Belarus is also below the trend line. The estimation a potential importance of FDI for Belarus from this equation shows the potential value for 2012 is not significantly different from that obtained from the first regression equation and amounts USD 3.4 billion.

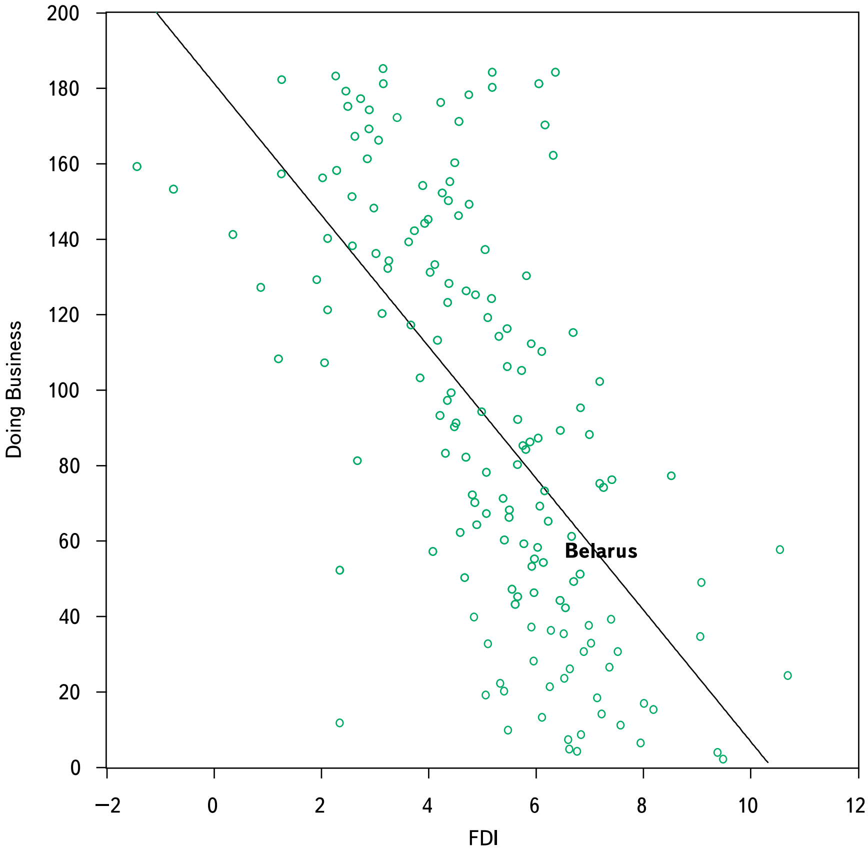
As previously mentioned, lifting barriers to business development, i.e. improvement of the rank in the *Doing Business* should be accompanied by the growth of the role and importance of the private sector, especially in transition economies, and increase its contribution to GDP. In this regard, we studied the relationship between the rank in the *Doing Business* and the share of the private sector in GDP of economies in transition. The estimation was made on the basis of the data from the EBRD Transition Report.

The resulting regression has the following form:

$$y = 4.447–0.004b_1 + e, \qquad (3)$$

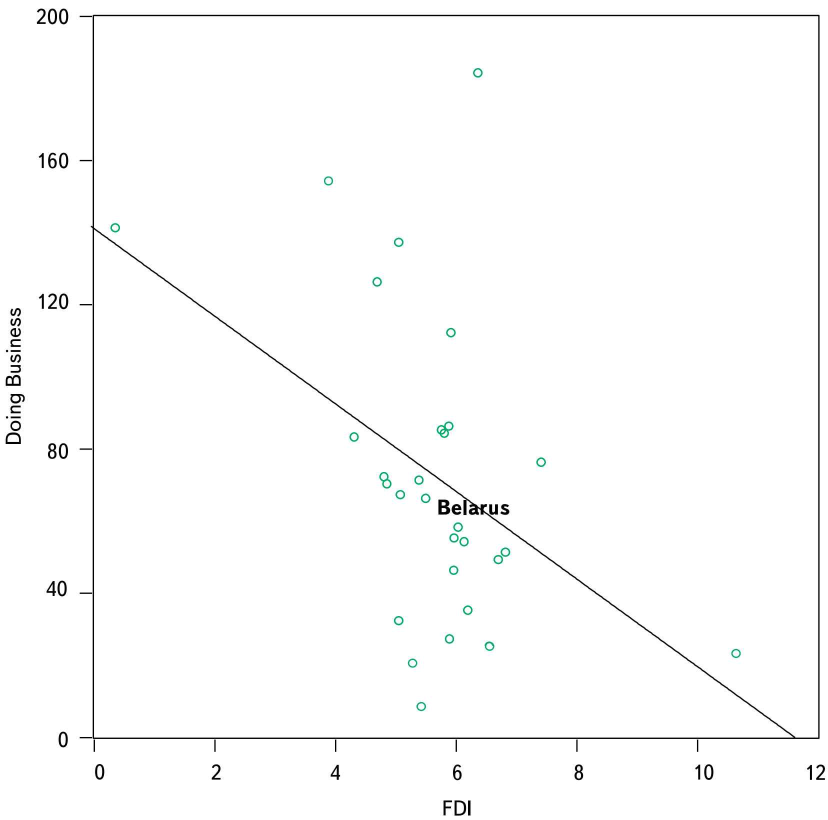
where $y$ – the share of the private sector (in logs), coefficient at *Doing Business* index is –0.004. In addition, the "minus" sign gives evidence

**Figure 4.2. Rank in the *Doing Business* and FDI among world economies**




*Note*. FDI per capita in logarithmic scale.

**Figure 4.3. Rank in the *Doing Business* and FDI among transit economies**




*Note*. FDI per capita in logarithmic scale.

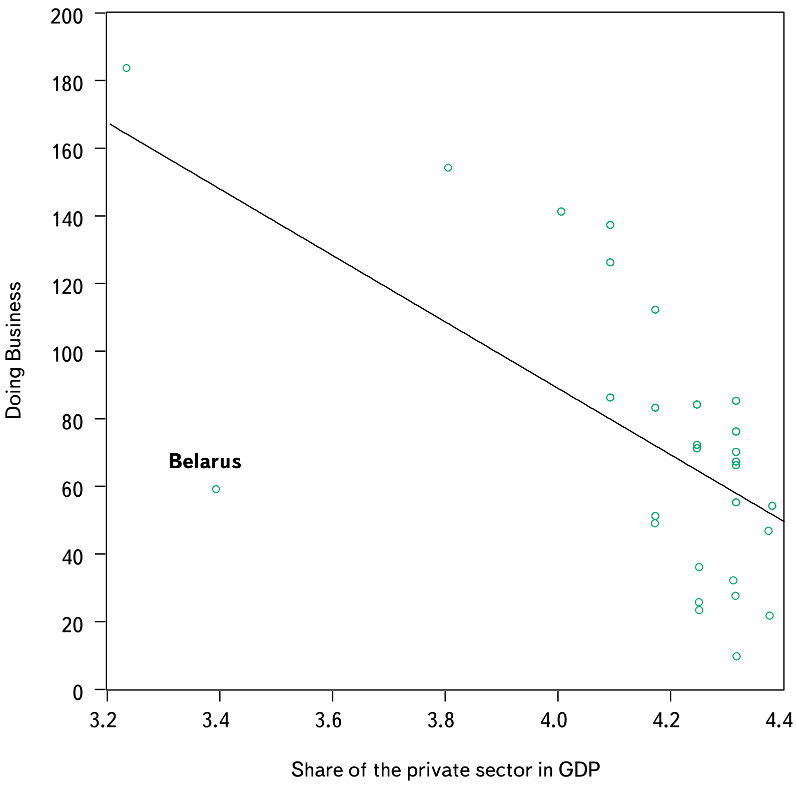
[29] Where $y$ – FDI, constant term is 6.822 and coefficient at Doing Business Index $b_1$ is –0.016, which shows an inverse relationship between the FDI and the index; standard errors of the coefficients are given in parentheses. The coefficient of determination in the model came out significant, but the value obtained is very little ($R^2$ = 0.195). Residues are not distributed normally and can not be adjusted. White's test revealed no heteroscedasticity in the model (p = 0.143), implying that the model fit the conditions of least squares.

of an inverse relationship of the analyzed parameters, i.e. the higher rank suggests a higher contribution of the private sector in GDP. The coefficient of determination was meaningful and equaled 0.377. We also performed the White test ($p$ = 0.632). The result obtained indicates the presence of heteroscedasticity in the model. However, residues in the model are not distributed normally. The outlier is Belarus (Figure 4.5), whose share of the private sector is only 30% against a rather high rank in the Doing Business (58th place). By substituting in equation the 3rd rank of Belarus in the Doing Business, we see that the potential value of the share of the private sector in GDP should be 68%.

Thus, the study of the countries of the world and transition economies shows that there is a relationship between the rank in the rankings of the *Doing Business* and FDI and the share of the private sector in GDP. However, this relationship is not fully observed in Belarus, i.e. the improved ranks do not lead to a corresponding increase in the FDI and the share of the private sector in GDP.

The discrepancies between the rank of Belarus and some economic indicators suggest that the World Bank report in question is still a relatively objective (in terms of business) assessment reflecting *average* business conditions, while not sufficiently taking into account *country-specific* conditions of doing business, despite the latter (as well as measures aimed at their liberalization) are also a reflection of the state and changes in the business environment in a particular country. In connection with this, to adjust the *Doing Business* results and reflect current operating conditions of small and medium-sized businesses in Belarus, as well as to provide a more detailed status of the Belarusian business environment and trends of liberalization, we should take into account the results of the survey of the domestic business.

**Figure 4.4. Rank in *Doing Business* and the share of private sector in GDP among transit economies**




*Note*. Share of the private sector in GDP in logarithmic scale.

## 4.3. Liberalization of the business environment as seen by Belarusian SMEs

In 2010–2013, the IPM Research Center organized surveys of the Belarusian small and medium-sized businesses regarding the business environment in 2009–2011, which included 389, 407 and 400 of SMEs respectively.[30]

In 2009–2012, representatives of local SMEs focused on the efforts to liberalize the business environment taken by the government from 2009, and gave their assessment of them in the answer to the question "How did the changed business environment affect your business last year?" For all the parameters both mentioned in the survey and covered in the World Bank *Doing Business* report (group 1), the Belarusian SMEs reported improvement in 2009 (Table 4.14). In addition, the most significant improvement, according to the respondents, were made in the area of business registration (2.6[31] in 2009) and various permits, while minor changes – in relation to "tax burden" and "ease of trading across borders".

However, in 2010 and 2011, there was a significant decrease in the average score of the ongoing liberalization in these areas. And while the decline in the average score for the parameters "business registration" and "obtaining various permits" (which reached the mark "0" (no change), but still remained positive) does not evoke any serious concerns,[32] the negative value

[30] See more details of the survey and survey-based materials at the web-site of the IPM Research Center http://research.by/.

[31] In the survey the representatives of Belarusian SMEs were asked to rate changes on a scale from –5 to 5, where "–5" – a significant deterioration in the environment, "0" – no change, "5" – a significant improvement in the business environment.

[32] There is an objective limit of liberalization policies, hence after 2009 Belarus ranked among leaders in Doing Business by these indicators, it seems logical to reduce the average score of simplification of these parameters.

**Table 4.14. Average score for changes in the business environment in Belarus by a number of indicators (as seen by SMEs) in 2009–2012 (Group 1)**

| | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|
| Business registration | 2.614 | 1.305 | 0.420 | 0.561 |
| Administrative procedures | 1.878 | 0.629 | –0.153 | –0.030 |
| Obtaining various permits | 2.031 | 0.835 | 0.019 | 0.113 |
| Tax burden | 0.558 | –0.167 | –1.126 | –1.011 |
| Time required for tax calculation and payment | 1.182 | –0.032 | –0.325 | –0.149 |
| Ease of foreign trade operations | 0.382 | –0.936 | –0.715 | –0.233 |

*Note*. On a scale from –5 to 5, where "–5" – complicates extremely; "0" – doesn't matter; "5" – very helpful.

*Source:* Authors' calculations based on the data of the Appendix.

**Table 4.15. Average score for changes in the business environment in Belarus by a number of indicators (as seen by SMEs) in 2009–2012 (Group 2)**

| | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|
| Number of inspections | 1.680 | 0.509 | –0.302 | –0.226 |
| Penalties | 0.081 | –0.558 | –1.216 | –1.242 |
| Lease payments | –0.986 | –0.393 | –2.027 | –1.746 |
| Pricing | 1.060 | –0.034 | –1.270 | –0.847 |
| Credit accessibility | 0.477 | –0.747 | –1.451 | –0.194 |
| Wage calculation | 1.175 | 0.209 | 0.226 | 0.383 |

*Note*. On a scale from –5 to 5, where "–5" – complicates extremely; "0" – doesn't matter; "5" – very helpful.

*Source:* Authors' calculations based on the data of the Appendix.

of the average score in the areas of "administrative procedures", "tax burden", the time required for the calculation and payment of taxes" and "ease of implementation of foreign trade" says about a certain deterioration in the country's business climate.

A special attention should be paid to the deterioration in the tax burden, the time for calculation and payment of taxes, as well as ease of foreign trade operations that occurred in 2010–2011. By paying taxes and trading across borders in 2011, according to the *Doing Business 2012*, Belarus ranked $158^{th}$ and $154^{th}$, respectively, which significantly reduced its aggregate rank in the world ranking. Obviously, without significant improvements in these indicators (and Belarusian SMEs not only observed but also noted worsening of the business environment) Belarus cannot expect another rapid improvement of the rank in the world rankings.

In 2012, the situation slightly stabilized, and there were even recorded some improvements for a number of indicators compared with the results of 2010 – 2011. However, in most cases local SMEs stated the deterioration of business conditions.

A similar situation is observed in relation to the reponses of the representatives of local SMEs to the question "How did the changed business environment affect your business last year?" for the parameters covered explicitly only in the survey (and just implicitly mentioned in the studies of the World Bank), which form Group 2. These parameters include "the number of inspections", "penalties", "lease payments", "pricing", "access to credit" and "wage calculation" (Table 4.15). As in the previous table, in 2009 these indicators showed an improvement in business conditions (except for lease payments). However, only two of the six criteria retained positive dynamics in 2010, and in 2011–2012 a positive trend (albeit on the verge of "no change") was observed only for the parameter "wage calculation".

"Lease payments" was the only one of the options presented in the survey that had a negative average score during the whole period under review. And while in 2009 the deterioration of conditions was indicated by the score of –0.99 and in 2010 it slightly decreased to –0.39, in 2011 the significant negative changes were evidenced by the average score of –2.03. This value remained negative in 2012 (–1.75). The main reason for the latter can be considered the macroeconomic crisis and the devaluation of the national currency, which led to a rapid increase in lease rates for small and medium-sized businesses.

Overall, the survey data on changes in business conditions by various indicators may be used as a baseline for the index of liberalization of the business environment in Belarus, which is calculated as the average result of the data obtained during the analysis. Similarly, we can calculate the index of liberalization of each of the two groups of the parameters above.

The results confirm the findings of the *Doing Business* on the reducing intensity of the liberalization of the business environment in Belarus in 2009–2011 (Table 4.16). For instance, if in 2009 the index of changes for the first group of indicators was 1.493, in 2010–2011 it was close to the level of "0" (no change) – 0.272 and –0.342, respectively.

A somewhat different situation was observed in relation to the second group of indicators. Here, in 2009 already the intensity of improvement of the business environment was significantly lower – 0.590 against 1.493 in group 1 (Table 4.16). In 2010, the index of the second group was –0.169, which generally suggested the lack of any significant changes. However, in 2011 the index decreased significantly to –1.004, indicating some deterioration in the business environment in the country according by these criteria. In 2012 there was some improvement of this indicator, although it still remained negative (–0.641).

No doubt it was a slow pace of liberalization (or deteriorating business conditions) for the second group of indicators that led to some discrepancies obtained in the analysis of the final results (total index) and the data of the *Doing Business*, according to which the rank of Belarus in 2011 did not go down significantly and remained virtually unchanged over the last three years.

There was revealed a certain correlation with the size of SMEs in the analysis of changes in the business environment for some indicators. For example, in 2009 the improvement in the area of the "number of inspections and fines" was more frequently reported by SMEs with fewer employees, while in 2011, on the contrary, worsening in this area was reported by larger firms (Table 4.17).

The greatest deterioration of lease payments, the changes in which were considered negative by domestic SMEs throughout the whole period under review, was observed by small SMEs (Table 4.18).

Larger SMEs more frequently reported worsening conditions of foreign trade operations. In particular, companies with over 100 employees stated the deterioration in the business environment by this indicator every year from 2009 to 2012 (Table 4.19).

However, in general, the changes in the business environment were assessed by the representatives of SMEs of various sizes (Figures 4.5–4.6), and differences in the scores depending on the number of employees from the average value were insignificant for most indicators.

Thus, the main conclusions of the analysis of the results of the survey of Belarusian small and medium-sized businesses can include, first, similar views of businesses to changes in the business environment, and second, the tendency of worsening of these conditions by a range of indicators and, consequently, of the overall environment as a combination of these indicators.

**Table 4.16. Index of liberalization of business environment in Belarus (as seen by SMEs) in 2009–2012**

| | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|
| Summary index | 1.045 | 0.052 | –0.691 | –0.408 |
| Index (Group 1) | 1.493 | 0.272 | –0.342 | –0.157 |
| Index (Group 2) | 0.590 | –0.169 | –1.004 | –0.641 |

*Note*. On a scale from –5 to 5, where "–5" – complicates extremely; "0" – doesn't matter; "5" – very helpful.

*Source:* Authors' calculations based on the data of the Appendix.

**Table 4.17. Correlation between the changes in business environment in Belarus in 2009–2012 by the indicator of number of inspection and the size of the enterprise – average scores**

| | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|
| From 1 to 10 | 1.87 | 0.38 | 0.09 | –0.08 |
| From 11 to 50 | 1.79 | 0.58 | –0.50 | –0.41 |
| From 51 to 100 | 1.57 | 0.50 | –0.35 | –0.07 |
| Over 100 | 0.88 | 0.71 | –0.53 | –0.21 |
| Total | 1.68 | 0.51 | –0.30 | –0.23 |

*Note*. On a scale from –5 to 5, where "–5" – complicates extremely; "0" – doesn't matter; "5" – very helpful.

*Source:* Authors' calculations based on the data of the Appendix.

**Table 4.18. Correlation between the changes in business environment in Belarus in 2009–2012 by the indicator of rent rates and the size of the enterprise – average scores**

| | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|
| From 1 to 10 | –1.38 | –0.78 | –2.13 | –1.96 |
| From 11 to 50 | –1.01 | –0.28 | –2.34 | –1.77 |
| From 51 to 100 | –0.75 | 0.41 | –1.77 | –1.72 |
| Over 100 | –0.52 | –0.17 | –1.56 | –1.36 |
| Total | –0.99 | –0.39 | –2.03 | –1.75 |

*Note*. On a scale from –5 to 5, where "–5" – complicates extremely; "0" – doesn't matter; "5" – very helpful.

*Source:* Authors' calculations based on the data of the Appendix.

**Table 4.19. Correlation between the changes in business environment in Belarus in 2009–2012 by the indicator of ease of foreign trade operations and the size of the enterprise – average scores**

| | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|
| From 1 to 10 | 0.61 | –1.32 | –0.61 | 0.08 |
| From 11 to 50 | 0.52 | –0.58 | –0.68 | –0.26 |
| From 51 to 100 | 0.28 | –1.02 | –0.86 | –0.75 |
| Over 100 | –0.35 | –0.67 | –0.81 | –0.37 |
| Total | 0.38 | –0.94 | –0.71 | –0.23 |

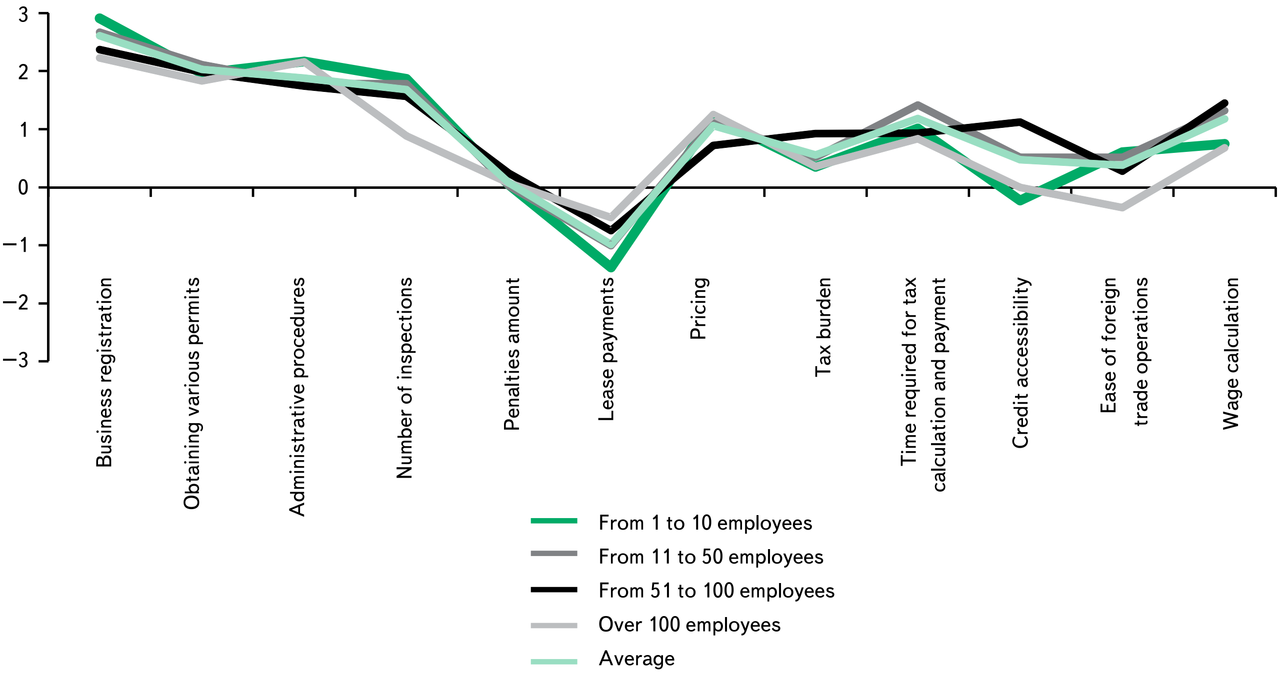
*Note*. On a scale from –5 to 5, where "–5" – complicates extremely; "0" – doesn't matter; "5" – very helpful.

*Source:* Authors' calculations based on the data of the Appendix.

## 4.4. Key findings

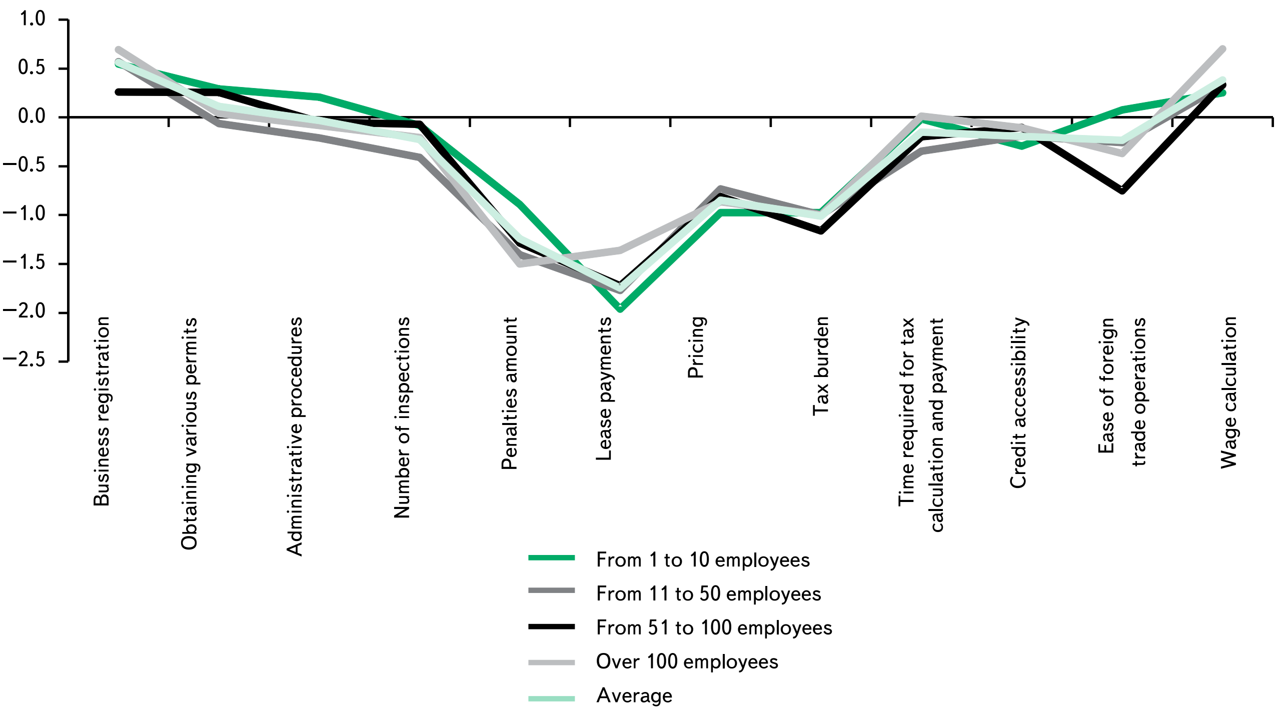
The study of the business environment in Belarus in 2009–2011 conducted by the World Bank in the framework of the *Doing Business*, in general, were consistent with the results of the survey of small and

**Figure 4.5. Differentiation medium range of estimates of changes in the business environment depending on the size of the enterprise in Belarus in 2009**




*Source:* Authors' calculations based on the data of the Appendix.

**Figure 4.6. Differentiation medium range of estimates of changes in the business environment depending on the size of the enterprise in Belarus in 2012**




*Source:* Authors' calculations based on the data of the Appendix.

medium-sized businesses in relation to the liberalization of the business environment in the same period. In particular, the analyses of relevant indicators in both studies show that there was some improvement over a specified period. The peak of this process occurred in 2009, when the first and most important steps to simplify and de-bureaucratize a number of administrative procedures, such as those associated with registration of the business, were taken. Although in 2010–2012 representatives of local SMEs noted little improvement of conditions, this fact can be considered as an objective investigation of the limited capacity of the liberalization of the business environment.

At the same time, the survey results raise concerns of representatives of Belarusian small and medium-sized businesses in the areas that are either implicitly considered in the studies of experts of the World Bank, or not considered at all. According to these indicators the rate of improvement the business environment not only decreased, but also tended to deteriorate in 2010–2012.

At the same time one can note the low relationship between changes of a number of economic indicators in the economy and its rank in the *Doing Business*. For example, the estimates showed that the actual values of these indicators (FDI – USD 1.2 billion; the private sector share of 30%) is significantly different from their potential values (USD 3.5 billion, and 68%, respectively), that are consistent with the rank of Belarus in the Doing Business. This suggests that the government needs to focus not only on improving the rank itself, but also to pursue further liberalization of the economy, improve the investment climate and promote macroeconomic stabilization.

The processes of economic integration, which involve Belarus (the Customs Union and the Common Economic Area) increase the need for a more attractive business environment in the country that can maintain the current status and contribute to the development of domestic business (in particular, small and medium-sized enterprises), and also ensure attraction of new economic actors to the Belarusian economy. The trends in 2009–2012 described in this paper clearly indicate the need to intensify the liberalization policies at the state level, as well as show the focus areas of these policies. This will increase the rank of Belarus from the point of view of the business environment and provide for the business environment attractive for domestic and foreign businesses.

# ASSESSMENT BY SMES OF CHANGES IN THE BUSINESS ENVIRONMENT BY SIZE OF ENTERPRISES

**In 2009**

| | –5 | –4 | –3 | –2 | –1 | 1 | 2 | 3 | 4 | 5 | Total | Average |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *From 1 to 10 employees* | | | | | | | | | | | | |
| Business registration | 0 | 1 | 1 | 0 | 1 | 8 | 11 | 10 | 9 | 15 | 56 | 2.911 |
| Obtaining various permits | 0 | 2 | 0 | 3 | 3 | 11 | 12 | 13 | 7 | 5 | 56 | 1.964 |
| Administrative procedures | 1 | 0 | 2 | 1 | 3 | 9 | 9 | 16 | 7 | 6 | 54 | 2.167 |
| Number of inspections | 2 | 0 | 3 | 3 | 3 | 10 | 9 | 18 | 5 | 8 | 61 | 1.869 |
| Penalties amount | 5 | 2 | 5 | 2 | 4 | 12 | 7 | 6 | 1 | 2 | 46 | 0.043 |
| Lease payments | 14 | 3 | 8 | 3 | 9 | 11 | 2 | 7 | 0 | 1 | 58 | –1.379 |
| Pricing | 3 | 1 | 4 | 0 | 5 | 14 | 10 | 10 | 5 | 4 | 56 | 1.214 |
| Tax burden | 5 | 3 | 5 | 1 | 8 | 19 | 5 | 11 | 3 | 2 | 62 | 0.355 |
| Time required for tax calculation and payment | 2 | 3 | 3 | 2 | 4 | 23 | 8 | 14 | 2 | 3 | 64 | 1.016 |
| Credit accessibility | 3 | 2 | 8 | 1 | 8 | 10 | 4 | 5 | 1 | 2 | 44 | –0.227 |
| Ease of foreign trade operations | 3 | 1 | 1 | 2 | 3 | 9 | 5 | 7 | 1 | 1 | 33 | 0.606 |
| Wage calculation | 4 | 1 | 1 | 1 | 5 | 18 | 8 | 6 | 2 | 2 | 48 | 0.750 |
| *From 11 to 50 employees* | | | | | | | | | | | | |
| Business registration | 0 | 2 | 0 | 0 | 5 | 29 | 26 | 38 | 22 | 24 | 146 | 2.671 |
| Obtaining various permits | 2 | 1 | 2 | 2 | 6 | 38 | 29 | 31 | 23 | 11 | 145 | 2.110 |
| Administrative procedures | 2 | 2 | 6 | 0 | 10 | 44 | 30 | 35 | 13 | 12 | 154 | 1.786 |
| Number of inspections | 4 | 5 | 2 | 5 | 4 | 44 | 23 | 34 | 22 | 11 | 154 | 1.786 |
| Penalties amount | 5 | 7 | 11 | 5 | 24 | 45 | 18 | 11 | 1 | 1 | 128 | 0.023 |
| Lease payments | 17 | 5 | 18 | 18 | 32 | 32 | 11 | 7 | 1 | 1 | 142 | –1.007 |
| Pricing | 2 | 3 | 4 | 4 | 9 | 69 | 20 | 17 | 4 | 6 | 138 | 1.123 |
| Tax burden | 5 | 8 | 8 | 7 | 18 | 60 | 24 | 16 | 3 | 5 | 154 | 0.519 |
| Time required for tax calculation and payment | 1 | 1 | 2 | 2 | 15 | 65 | 25 | 22 | 9 | 5 | 147 | 1.415 |
| Credit accessibility | 5 | 8 | 11 | 5 | 17 | 43 | 25 | 15 | 4 | 7 | 140 | 0.514 |
| Ease of foreign trade operations | 3 | 4 | 7 | 2 | 6 | 46 | 10 | 10 | 2 | 1 | 91 | 0.516 |
| Wage calculation | 0 | 1 | 3 | 1 | 10 | 64 | 19 | 22 | 3 | 2 | 125 | 1.320 |
| *From 51 to 100 employees* | | | | | | | | | | | | |
| Business registration | 0 | 0 | 0 | 2 | 0 | 11 | 28 | 8 | 5 | 8 | 62 | 2.371 |
| Obtaining various permits | 0 | 0 | 4 | 3 | 1 | 9 | 22 | 13 | 12 | 2 | 66 | 1.985 |
| Administrative procedures | 1 | 0 | 5 | 1 | 0 | 14 | 13 | 24 | 2 | 2 | 62 | 1.742 |
| Number of inspections | 4 | 0 | 0 | 4 | 0 | 26 | 5 | 13 | 10 | 3 | 65 | 1.569 |
| Penalties amount | 3 | 7 | 1 | 5 | 4 | 21 | 5 | 6 | 5 | 1 | 58 | 0.241 |
| Lease payments | 8 | 2 | 8 | 5 | 13 | 17 | 2 | 5 | 3 | 0 | 63 | –0.746 |
| Pricing | 2 | 3 | 2 | 7 | 2 | 26 | 7 | 10 | 5 | 0 | 64 | 0.719 |
| Tax burden | 3 | 1 | 4 | 3 | 2 | 27 | 12 | 8 | 5 | 1 | 66 | 0.924 |
| Time required for tax calculation and payment | 3 | 2 | 2 | 3 | 1 | 27 | 12 | 5 | 3 | 3 | 61 | 0.934 |
| Credit accessibility | 2 | 1 | 4 | 0 | 4 | 22 | 9 | 8 | 5 | 2 | 57 | 1.123 |
| Ease of foreign trade operations | 5 | 5 | 1 | 0 | 2 | 17 | 8 | 6 | 3 | 0 | 47 | 0.277 |
| Wage calculation | 2 | 1 | 1 | 0 | 1 | 22 | 12 | 7 | 7 | 0 | 53 | 1.453 |
| *Over 100 employees* | | | | | | | | | | | | |
| Business registration | 0 | 0 | 1 | 0 | 0 | 6 | 8 | 8 | 0 | 3 | 26 | 2.231 |
| Obtaining various permits | 0 | 0 | 1 | 2 | 0 | 5 | 8 | 4 | 2 | 2 | 24 | 1.833 |
| Administrative procedures | 0 | 0 | 1 | 1 | 1 | 4 | 5 | 8 | 3 | 2 | 25 | 2.160 |
| Number of inspections | 0 | 0 | 4 | 1 | 2 | 7 | 8 | 1 | 2 | 1 | 26 | 0.885 |
| Penalties amount | 0 | 1 | 3 | 3 | 3 | 12 | 3 | 2 | 0 | 0 | 27 | 0.074 |
| Lease payments | 1 | 2 | 2 | 3 | 4 | 9 | 0 | 1 | 0 | 1 | 23 | –0.522 |
| Pricing | 0 | 1 | 1 | 2 | 0 | 12 | 1 | 2 | 4 | 1 | 24 | 1.250 |
| Tax burden | 1 | 0 | 3 | 2 | 2 | 13 | 4 | 3 | 0 | 0 | 28 | 0.357 |
| Time required for tax calculation and payment | 1 | 1 | 1 | 1 | 2 | 11 | 2 | 2 | 4 | 0 | 25 | 0.840 |
| Credit accessibility | 1 | 0 | 1 | 4 | 5 | 6 | 4 | 1 | 1 | 0 | 23 | 0.000 |
| Ease of foreign trade operations | 1 | 2 | 1 | 2 | 2 | 10 | 1 | 1 | 0 | 0 | 20 | –0.350 |
| Wage calculation | 0 | 1 | 2 | 2 | 0 | 11 | 7 | 2 | 0 | 0 | 25 | 0.680 |
| *Total* | | | | | | | | | | | | |
| Business registration | 0 | 3 | 2 | 2 | 6 | 54 | 73 | 64 | 36 | 50 | 290 | 2.614 |
| Obtaining various permits | 2 | 3 | 7 | 10 | 10 | 63 | 71 | 61 | 44 | 20 | 291 | 2.031 |
| Administrative procedures | 4 | 2 | 14 | 3 | 14 | 71 | 57 | 83 | 25 | 22 | 295 | 1.878 |
| Number of inspections | 10 | 5 | 9 | 13 | 9 | 87 | 45 | 66 | 39 | 23 | 306 | 1.680 |
| Penalties amount | 13 | 17 | 20 | 15 | 35 | 90 | 33 | 25 | 7 | 4 | 259 | 0.081 |
| Lease payments | 40 | 12 | 36 | 29 | 58 | 69 | 15 | 20 | 4 | 3 | 286 | –0.986 |
| Pricing | 7 | 8 | 11 | 13 | 16 | 121 | 38 | 39 | 18 | 11 | 282 | 1.060 |
| Tax burden | 14 | 12 | 20 | 13 | 30 | 119 | 45 | 38 | 11 | 8 | 310 | 0.558 |

| | –5 | –4 | –3 | –2 | –1 | 1 | 2 | 3 | 4 | 5 | Total | Average |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Time required for tax calculation and payment | 7 | 7 | 8 | 8 | 22 | 126 | 47 | 43 | 18 | 11 | 297 | 1.182 |
| Credit accessibility | 11 | 11 | 24 | 10 | 34 | 81 | 42 | 29 | 11 | 11 | 264 | 0.477 |
| Ease of foreign trade operations | 12 | 12 | 10 | 6 | 13 | 82 | 24 | 24 | 6 | 2 | 191 | 0.382 |
| Wage calculation | 6 | 4 | 7 | 4 | 16 | 115 | 46 | 37 | 12 | 4 | 251 | 1.175 |

## In 2010

| | –5 | –4 | –3 | –2 | –1 | 1 | 2 | 3 | 4 | 5 | Total | Average |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *From 1 to 10 employees* | | | | | | | | | | | | |
| Business registration | 0 | 1 | 1 | 4 | 1 | 13 | 7 | 15 | 10 | 17 | 164 | 1.104 |
| Obtaining various permits | 2 | 1 | 7 | 2 | 5 | 13 | 16 | 13 | 7 | 7 | 164 | 0.628 |
| Administrative procedures | 2 | 2 | 5 | 7 | 6 | 14 | 18 | 12 | 6 | 3 | 164 | 0.439 |
| Number of inspections | 4 | 2 | 6 | 10 | 14 | 14 | 11 | 13 | 12 | 4 | 164 | 0.384 |
| Penalties amount | 11 | 5 | 9 | 21 | 13 | 7 | 7 | 5 | 6 | 3 | 164 | –0.500 |
| Lease payments | 12 | 6 | 19 | 15 | 13 | 10 | 5 | 3 | 3 | 3 | 164 | –0.780 |
| Pricing | 13 | 5 | 13 | 12 | 11 | 7 | 12 | 12 | 6 | 7 | 164 | –0.201 |
| Tax burden | 8 | 8 | 9 | 10 | 11 | 17 | 7 | 6 | 3 | 6 | 164 | –0.238 |
| Time required for tax calculation and payment | 8 | 4 | 6 | 11 | 14 | 10 | 13 | 4 | 6 | 6 | 164 | –0.049 |
| Credit accessibility | 22 | 12 | 20 | 11 | 9 | 6 | 6 | 6 | 5 | 2 | 164 | –1.116 |
| Ease of foreign trade operations | 26 | 13 | 12 | 5 | 7 | 5 | 5 | 0 | 1 | 0 | 164 | –1.317 |
| Wage calculation | 3 | 3 | 4 | 6 | 10 | 17 | 12 | 4 | 5 | 1 | 164 | 0.104 |
| *From 11 to 50 employees* | | | | | | | | | | | | |
| Business registration | 0 | 1 | 1 | 1 | 1 | 7 | 10 | 14 | 18 | 17 | 151 | 1.430 |
| Obtaining various permits | 2 | 2 | 6 | 6 | 9 | 16 | 20 | 17 | 12 | 9 | 151 | 0.947 |
| Administrative procedures | 3 | 2 | 8 | 8 | 4 | 9 | 22 | 19 | 7 | 9 | 151 | 0.768 |
| Number of inspections | 0 | 5 | 8 | 8 | 16 | 21 | 14 | 17 | 11 | 4 | 151 | 0.583 |
| Penalties amount | 7 | 5 | 16 | 15 | 14 | 10 | 9 | 10 | 2 | 2 | 151 | –0.470 |
| Lease payments | 7 | 7 | 5 | 19 | 13 | 17 | 9 | 8 | 2 | 4 | 151 | –0.278 |
| Pricing | 9 | 7 | 15 | 10 | 8 | 11 | 9 | 15 | 6 | 15 | 151 | 0.179 |
| Tax burden | 6 | 6 | 7 | 13 | 15 | 20 | 13 | 7 | 4 | 3 | 151 | –0.119 |
| Time required for tax calculation and payment | 5 | 4 | 7 | 12 | 12 | 14 | 13 | 11 | 4 | 1 | 151 | –0.026 |
| Credit accessibility | 6 | 7 | 15 | 19 | 10 | 14 | 7 | 13 | 5 | 2 | 151 | –0.358 |
| Ease of foreign trade operations | 13 | 10 | 12 | 11 | 7 | 9 | 4 | 5 | 5 | 6 | 151 | –0.583 |
| Wage calculation | 1 | 0 | 3 | 11 | 6 | 14 | 9 | 6 | 5 | 0 | 151 | 0.185 |
| *From 51 to 100 employees* | | | | | | | | | | | | |
| Business registration | 0 | 0 | 0 | 0 | 1 | 2 | 5 | 2 | 8 | 6 | 44 | 1.795 |
| Obtaining various permits | 0 | 0 | 1 | 1 | 5 | 2 | 7 | 10 | 5 | 1 | 44 | 1.386 |
| Administrative procedures | 0 | 0 | 2 | 2 | 4 | 6 | 6 | 11 | 4 | 0 | 44 | 1.205 |
| Number of inspections | 1 | 0 | 0 | 5 | 9 | 7 | 4 | 5 | 4 | 0 | 44 | 0.500 |
| Penalties amount | 1 | 1 | 6 | 11 | 7 | 2 | 0 | 2 | 1 | 0 | 44 | –1.000 |
| Lease payments | 0 | 0 | 1 | 2 | 8 | 4 | 6 | 3 | 2 | 0 | 44 | 0.409 |
| Pricing | 8 | 4 | 1 | 2 | 5 | 1 | 6 | 3 | 3 | 3 | 44 | –0.432 |
| Tax burden | 2 | 0 | 1 | 4 | 5 | 4 | 3 | 4 | 1 | 0 | 44 | 0.000 |
| Time required for tax calculation and payment | 2 | 2 | 3 | 2 | 6 | 6 | 3 | 4 | 0 | 0 | 44 | –0.295 |
| Credit accessibility | 5 | 3 | 5 | 3 | 3 | 8 | 4 | 3 | 1 | 0 | 44 | –0.727 |
| Ease of foreign trade operations | 6 | 4 | 4 | 5 | 2 | 1 | 3 | 2 | 3 | 0 | 44 | –1.023 |
| Wage calculation | 0 | 1 | 0 | 1 | 4 | 2 | 2 | 7 | 1 | 1 | 44 | 0.591 |
| *Over 100 employees* | | | | | | | | | | | | |
| Business registration | 0 | 0 | 0 | 0 | 0 | 2 | 3 | 2 | 4 | 5 | 48 | 1.146 |
| Obtaining various permits | 0 | 0 | 0 | 1 | 1 | 4 | 6 | 4 | 2 | 0 | 48 | 0.688 |
| Administrative procedures | 1 | 1 | 1 | 2 | 2 | 5 | 2 | 1 | 4 | 1 | 48 | 0.313 |
| Number of inspections | 1 | 0 | 2 | 1 | 5 | 3 | 4 | 8 | 3 | 1 | 48 | 0.708 |
| Penalties amount | 5 | 0 | 4 | 2 | 8 | 1 | 4 | 2 | 1 | 0 | 48 | –0.625 |
| Lease payments | 2 | 0 | 2 | 4 | 3 | 3 | 1 | 2 | 2 | 0 | 48 | –0.167 |
| Pricing | 4 | 1 | 5 | 2 | 7 | 3 | 4 | 3 | 4 | 5 | 48 | 0.229 |
| Tax burden | 1 | 3 | 3 | 2 | 6 | 2 | 2 | 5 | 1 | 0 | 48 | –0.229 |
| Time required for tax calculation and payment | 2 | 1 | 1 | 4 | 1 | 2 | 3 | 6 | 3 | 0 | 48 | 0.250 |
| Credit accessibility | 6 | 3 | 5 | 3 | 4 | 3 | 3 | 2 | 3 | 1 | 48 | –0.729 |
| Ease of foreign trade operations | 3 | 4 | 2 | 3 | 6 | 1 | 0 | 1 | 2 | 1 | 48 | –0.667 |
| Wage calculation | 2 | 1 | 2 | 2 | 1 | 5 | 2 | 3 | 4 | 1 | 48 | 0.292 |
| *Total* | | | | | | | | | | | | |
| Business registration | 0 | 2 | 2 | 5 | 3 | 24 | 25 | 33 | 40 | 45 | 407 | 1.305 |
| Obtaining various permits | 4 | 3 | 14 | 10 | 20 | 35 | 49 | 44 | 26 | 17 | 407 | 0.835 |
| Administrative procedures | 6 | 5 | 16 | 19 | 16 | 34 | 48 | 43 | 21 | 13 | 407 | 0.629 |
| Number of inspections | 6 | 7 | 16 | 24 | 44 | 45 | 33 | 43 | 30 | 9 | 407 | 0.509 |
| Penalties amount | 24 | 11 | 35 | 49 | 42 | 20 | 20 | 19 | 10 | 5 | 407 | –0.558 |
| Lease payments | 21 | 13 | 27 | 40 | 37 | 34 | 21 | 16 | 9 | 7 | 407 | –0.393 |
| Pricing | 34 | 17 | 34 | 26 | 31 | 22 | 31 | 33 | 19 | 30 | 407 | –0.034 |
| Tax burden | 17 | 17 | 20 | 29 | 37 | 43 | 25 | 22 | 9 | 9 | 407 | –0.167 |
| Time required for tax calculation and payment | 17 | 11 | 17 | 29 | 33 | 32 | 32 | 25 | 13 | 7 | 407 | –0.032 |
| Credit accessibility | 39 | 25 | 45 | 36 | 26 | 31 | 20 | 24 | 14 | 5 | 407 | –0.747 |
| Ease of foreign trade operations | 48 | 31 | 30 | 24 | 22 | 16 | 12 | 8 | 11 | 7 | 407 | –0.936 |
| Wage calculation | 6 | 5 | 9 | 20 | 21 | 38 | 25 | 20 | 15 | 3 | 407 | 0.209 |

## In 2011

| | –5 | –4 | –3 | –2 | –1 | 0 | 1 | 2 | 3 | 4 | 5 | Total | Average |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *From 1 to 10 employees* | | | | | | | | | | | | | |
| Business registration | 0 | 0 | 2 | 2 | 7 | 54 | 1 | 7 | 3 | 3 | 9 | 88 | 0.727 |
| Obtaining various permits | 2 | 1 | 4 | 11 | 9 | 43 | 8 | 5 | 4 | 5 | 3 | 95 | 0.084 |
| Administrative procedures | 2 | 1 | 6 | 9 | 7 | 45 | 13 | 6 | 3 | 6 | 1 | 99 | 0.061 |
| Number of inspections | 0 | 1 | 8 | 11 | 10 | 54 | 6 | 10 | 4 | 3 | 4 | 111 | 0.090 |
| Penalties amount | 2 | 6 | 12 | 13 | 14 | 45 | 3 | 3 | 3 | 1 | 3 | 105 | –0.695 |
| Lease payments | 29 | 12 | 20 | 15 | 8 | 23 | 4 | 4 | 0 | 1 | 4 | 120 | –2.125 |
| Pricing | 13 | 9 | 11 | 19 | 14 | 29 | 3 | 4 | 4 | 3 | 2 | 111 | –1.270 |
| Tax burden | 7 | 10 | 11 | 14 | 21 | 31 | 3 | 12 | 1 | 1 | 1 | 112 | –1.054 |
| Time required for tax calculation and payment | 5 | 2 | 5 | 10 | 15 | 54 | 7 | 6 | 3 | 2 | 2 | 111 | –0.333 |
| Credit accessibility | 20 | 8 | 6 | 7 | 4 | 45 | 4 | 1 | 1 | 1 | 4 | 101 | –1.337 |
| Ease of foreign trade operations | 5 | 2 | 9 | 8 | 4 | 51 | 3 | 3 | 1 | 1 | 2 | 89 | –0.607 |
| Wage calculation | 0 | 0 | 4 | 3 | 3 | 71 | 10 | 6 | 5 | 4 | 2 | 108 | 0.389 |
| *From 11 to 50 employees* | | | | | | | | | | | | | |
| Business registration | 0 | 2 | 0 | 6 | 5 | 49 | 2 | 6 | 6 | 2 | 4 | 82 | 0.427 |
| Obtaining various permits | 1 | 4 | 9 | 10 | 12 | 37 | 8 | 6 | 6 | 6 | 1 | 100 | –0.130 |
| Administrative procedures | 1 | 4 | 7 | 14 | 17 | 33 | 7 | 6 | 4 | 5 | 1 | 99 | –0.313 |
| Number of inspections | 4 | 3 | 11 | 14 | 9 | 48 | 7 | 9 | 4 | 1 | 1 | 111 | –0.505 |
| Penalties amount | 11 | 12 | 15 | 12 | 11 | 35 | 3 | 5 | 1 | 2 | 0 | 107 | –1.486 |
| Lease payments | 27 | 16 | 23 | 13 | 10 | 20 | 4 | 3 | 3 | 1 | 0 | 120 | –2.342 |
| Pricing | 16 | 10 | 20 | 15 | 12 | 21 | 8 | 3 | 3 | 3 | 4 | 115 | –1.452 |
| Tax burden | 4 | 9 | 13 | 29 | 12 | 35 | 7 | 5 | 4 | 0 | 0 | 118 | –1.153 |
| Time required for tax calculation and payment | 2 | 2 | 4 | 11 | 18 | 53 | 9 | 5 | 8 | 1 | 1 | 114 | –0.158 |
| Credit accessibility | 23 | 12 | 12 | 3 | 12 | 27 | 4 | 6 | 3 | 2 | 2 | 106 | –1.642 |
| Ease of foreign trade operations | 4 | 3 | 10 | 11 | 3 | 41 | 3 | 6 | 2 | 2 | 0 | 85 | –0.682 |
| Wage calculation | 0 | 0 | 6 | 4 | 12 | 56 | 13 | 12 | 11 | 5 | 1 | 120 | 0.475 |
| *From 51 to 100 employees* | | | | | | | | | | | | | |
| Business registration | 0 | 0 | 0 | 1 | 7 | 0 | 1 | 2 | 3 | 4 | 5 | | |
| Obtaining various permits | 0 | 1 | 2 | 5 | 2 | 17 | 3 | 3 | 3 | 1 | 4 | 39 | 0.846 |
| Administrative procedures | 1 | 0 | 3 | 5 | 4 | 14 | 9 | 5 | 3 | 1 | 4 | 46 | 0.652 |
| Number of inspections | 3 | 1 | 2 | 8 | 4 | 16 | 3 | 6 | 3 | 1 | 3 | 45 | 0.333 |
| Penalties amount | 6 | 5 | 2 | 8 | 9 | 17 | 7 | 3 | 2 | 1 | 1 | 49 | –0.347 |
| Lease payments | 6 | 5 | 8 | 7 | 4 | 13 | 4 | 1 | 0 | 0 | 0 | 48 | –1.563 |
| Pricing | 4 | 5 | 8 | 4 | 7 | 12 | 2 | 2 | 1 | 0 | 0 | 47 | –1.766 |
| Tax burden | 3 | 3 | 9 | 7 | 6 | 14 | 1 | 5 | 2 | 0 | 0 | 50 | –1.240 |
| Time required for tax calculation and payment | 0 | 1 | 2 | 5 | 8 | 15 | 4 | 2 | 0 | 0 | 0 | 49 | –1.347 |
| Credit accessibility | 11 | 3 | 4 | 2 | 4 | 22 | 6 | 1 | 1 | 1 | 0 | 47 | –0.277 |
| Ease of foreign trade operations | 4 | 2 | 3 | 2 | 3 | 14 | 4 | 1 | 1 | 0 | 1 | 45 | –1.622 |
| Wage calculation | 0 | 0 | 2 | 3 | 4 | 16 | 4 | 2 | 0 | 1 | 0 | 37 | –0.865 |
| *Over 100 employees* | | | | | | | | | | | | | |
| Business registration | 0 | 3 | 6 | 10 | 4 | 23 | 4 | 2 | 6 | 1 | 1 | 60 | –0.317 |
| Obtaining various permits | 0 | 3 | 9 | 10 | 8 | 24 | 7 | 7 | 4 | 0 | 3 | 75 | –0.253 |
| Administrative procedures | 0 | 2 | 9 | 15 | 11 | 22 | 7 | 5 | 4 | 2 | 0 | 77 | –0.506 |
| Number of inspections | 1 | 1 | 11 | 14 | 15 | 20 | 8 | 10 | 1 | 0 | 2 | 83 | –0.530 |
| Penalties amount | 4 | 4 | 13 | 21 | 15 | 13 | 5 | 4 | 2 | 1 | 0 | 82 | –1.329 |
| Lease payments | 6 | 8 | 15 | 9 | 7 | 28 | 3 | 3 | 0 | 0 | 0 | 79 | –1.557 |
| Pricing | 3 | 7 | 11 | 16 | 11 | 21 | 5 | 2 | 4 | 3 | 0 | 83 | –1.036 |
| Tax burden | 2 | 5 | 11 | 16 | 10 | 22 | 7 | 2 | 1 | 1 | 1 | 78 | –1.051 |
| Time required for tax calculation and payment | 0 | 4 | 9 | 9 | 12 | 24 | 8 | 2 | 3 | 2 | 0 | 73 | –0.603 |
| Credit accessibility | 11 | 6 | 8 | 9 | 6 | 19 | 8 | 4 | 4 | 0 | 1 | 76 | –1.237 |
| Ease of foreign trade operations | 5 | 6 | 7 | 10 | 5 | 18 | 11 | 8 | 3 | 0 | 0 | 73 | –0.808 |
| Wage calculation | 0 | 3 | 8 | 7 | 7 | 38 | 10 | 8 | 2 | 1 | 0 | 84 | –0.250 |
| *Total* | | | | | | | | | | | | | |
| Business registration | 0 | 5 | 8 | 19 | 23 | 143 | 10 | 18 | 18 | 7 | 18 | 269 | 0.420 |
| Obtaining various permits | 3 | 9 | 24 | 36 | 31 | 118 | 32 | 23 | 17 | 12 | 11 | 316 | 0.019 |
| Administrative procedures | 4 | 7 | 25 | 43 | 39 | 116 | 30 | 23 | 14 | 14 | 5 | 320 | –0.153 |
| Number of inspections | 8 | 6 | 32 | 47 | 38 | 139 | 28 | 32 | 11 | 5 | 8 | 354 | –0.302 |
| Penalties amount | 23 | 27 | 42 | 54 | 49 | 106 | 15 | 13 | 6 | 4 | 3 | 342 | –1.216 |
| Lease payments | 68 | 41 | 66 | 44 | 29 | 83 | 13 | 12 | 4 | 2 | 4 | 366 | –2.027 |
| Pricing | 36 | 31 | 50 | 54 | 44 | 85 | 17 | 14 | 13 | 9 | 6 | 359 | –1.270 |
| Tax burden | 16 | 27 | 44 | 66 | 49 | 103 | 21 | 21 | 6 | 2 | 2 | 357 | –1.126 |
| Time required for tax calculation and payment | 7 | 9 | 20 | 35 | 53 | 153 | 30 | 14 | 15 | 6 | 3 | 345 | –0.325 |
| Credit accessibility | 65 | 29 | 30 | 21 | 26 | 105 | 20 | 12 | 9 | 3 | 8 | 328 | –1.451 |
| Ease of foreign trade operations | 18 | 13 | 29 | 31 | 15 | 126 | 21 | 19 | 6 | 4 | 2 | 284 | –0.715 |
| Wage calculation | 0 | 3 | 20 | 17 | 26 | 194 | 36 | 29 | 20 | 11 | 3 | 359 | 0.226 |

## In 2012

| | –5 | –4 | –3 | –2 | –1 | 0 | 1 | 2 | 3 | 4 | 5 | Total | Average |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *From 1 to 10 employees* | | | | | | | | | | | | | |
| Business registration | 2 | 1 | 2 | 3 | 2 | 58 | 8 | 6 | 6 | 2 | 7 | 97 | 0.546 |
| Obtaining various permits | 0 | 4 | 2 | 11 | 8 | 49 | 11 | 8 | 6 | 2 | 6 | 107 | 0.290 |

| | –5 | –4 | –3 | –2 | –1 | 0 | 1 | 2 | 3 | 4 | 5 | Total | Average |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Administrative procedures | 0 | 3 | 5 | 8 | 16 | 44 | 7 | 7 | 5 | 5 | 5 | 105 | 0.210 |
| Number of inspections | 1 | 2 | 9 | 9 | 23 | 48 | 5 | 10 | 3 | 3 | 5 | 118 | –0.085 |
| Penalties amount | 9 | 8 | 5 | 16 | 19 | 41 | 7 | 6 | 4 | 2 | 0 | 117 | –0.889 |
| Lease payments | 20 | 15 | 20 | 17 | 12 | 26 | 6 | 3 | 3 | 1 | 0 | 123 | –1.959 |
| Pricing | 3 | 8 | 10 | 16 | 19 | 41 | 8 | 6 | 0 | 0 | 0 | 111 | –0.973 |
| Tax burden | 7 | 11 | 10 | 20 | 14 | 38 | 7 | 9 | 1 | 3 | 1 | 121 | –0.975 |
| Time required for tax calculation and payment | 2 | 1 | 5 | 9 | 13 | 60 | 11 | 9 | 5 | 1 | 2 | 118 | –0.017 |
| Credit accessibility | 8 | 5 | 5 | 9 | 16 | 34 | 11 | 10 | 4 | 1 | 6 | 109 | –0.294 |
| Ease of foreign trade operations | 0 | 2 | 3 | 5 | 4 | 58 | 5 | 8 | 4 | 0 | 1 | 90 | 0.078 |
| Wage calculation | 0 | 1 | 4 | 5 | 8 | 70 | 5 | 15 | 2 | 3 | 2 | 115 | 0.252 |
| *From 11 to 50 employees* | | | | | | | | | | | | | |
| Business registration | 0 | 1 | 1 | 2 | 5 | 57 | 7 | 4 | 6 | 5 | 3 | 91 | 0.571 |
| Obtaining various permits | 4 | 7 | 1 | 10 | 6 | 52 | 12 | 6 | 5 | 4 | 3 | 110 | –0.064 |
| Administrative procedures | 2 | 3 | 6 | 16 | 8 | 50 | 15 | 6 | 7 | 2 | 0 | 115 | –0.209 |
| Number of inspections | 3 | 6 | 11 | 15 | 19 | 43 | 19 | 9 | 7 | 2 | 0 | 134 | –0.410 |
| Penalties amount | 9 | 12 | 13 | 15 | 25 | 33 | 8 | 1 | 2 | 1 | 0 | 119 | –1.403 |
| Lease payments | 8 | 16 | 23 | 17 | 14 | 30 | 6 | 1 | 2 | 0 | 0 | 117 | –1.769 |
| Pricing | 2 | 4 | 14 | 19 | 23 | 35 | 13 | 2 | 4 | 2 | 1 | 119 | –0.731 |
| Tax burden | 2 | 7 | 14 | 24 | 25 | 39 | 8 | 6 | 2 | 0 | 0 | 127 | –1.000 |
| Time required for tax calculation and payment | 3 | 6 | 8 | 13 | 12 | 64 | 12 | 7 | 4 | 3 | 1 | 133 | –0.346 |
| Credit accessibility | 10 | 3 | 9 | 9 | 11 | 40 | 12 | 10 | 12 | 3 | 3 | 122 | –0.189 |
| Ease of foreign trade operations | 2 | 0 | 10 | 6 | 10 | 48 | 5 | 5 | 5 | 2 | 0 | 93 | –0.258 |
| Wage calculation | 0 | 0 | 3 | 4 | 8 | 80 | 12 | 8 | 7 | 3 | 1 | 126 | 0.325 |
| *From 51 to 100 employees* | | | | | | | | | | | | | |
| Business registration | 0 | 1 | 1 | 2 | 4 | 13 | 1 | 0 | 1 | 2 | 2 | 27 | 0.259 |
| Obtaining various permits | 1 | 1 | 0 | 2 | 8 | 12 | 5 | 5 | 4 | 1 | 0 | 39 | 0.256 |
| Administrative procedures | 2 | 0 | 2 | 1 | 13 | 10 | 4 | 6 | 3 | 1 | 0 | 42 | –0.048 |
| Number of inspections | 3 | 0 | 3 | 3 | 6 | 11 | 6 | 5 | 3 | 2 | 0 | 42 | –0.071 |
| Penalties amount | 3 | 5 | 4 | 8 | 6 | 7 | 5 | 2 | 2 | 0 | 0 | 42 | –1.286 |
| Lease payments | 6 | 2 | 5 | 9 | 7 | 11 | 2 | 1 | 0 | 0 | 0 | 43 | –1.721 |
| Pricing | 2 | 3 | 3 | 4 | 6 | 10 | 5 | 2 | 2 | 0 | 0 | 37 | –0.811 |
| Tax burden | 3 | 2 | 8 | 2 | 12 | 10 | 2 | 2 | 1 | 1 | 0 | 43 | –1.163 |
| Time required for tax calculation and payment | 2 | 0 | 4 | 4 | 8 | 13 | 3 | 7 | 4 | 0 | 0 | 45 | –0.200 |
| Credit accessibility | 3 | 2 | 6 | 1 | 2 | 8 | 8 | 1 | 3 | 3 | 2 | 39 | –0.103 |
| Ease of foreign trade operations | 4 | 0 | 4 | 4 | 0 | 12 | 4 | 2 | 1 | 0 | 1 | 32 | –0.750 |
| Wage calculation | 1 | 1 | 1 | 3 | 4 | 15 | 8 | 3 | 3 | 2 | 1 | 42 | 0.333 |
| *Over 100 employees* | | | | | | | | | | | | | |
| Business registration | 0 | 2 | 1 | 5 | 9 | 23 | 3 | 8 | 6 | 2 | 6 | 65 | 0.692 |
| Obtaining various permits | 4 | 1 | 3 | 10 | 9 | 18 | 7 | 6 | 8 | 3 | 2 | 71 | 0.042 |
| Administrative procedures | 0 | 4 | 4 | 12 | 13 | 18 | 7 | 4 | 7 | 2 | 3 | 74 | –0.081 |
| Number of inspections | 3 | 4 | 5 | 10 | 10 | 18 | 7 | 12 | 4 | 3 | 1 | 77 | –0.208 |
| Penalties amount | 11 | 6 | 7 | 16 | 12 | 14 | 3 | 5 | 2 | 2 | 0 | 78 | –1.500 |
| Lease payments | 7 | 6 | 9 | 13 | 10 | 13 | 6 | 6 | 2 | 0 | 0 | 72 | –1.361 |
| Pricing | 6 | 1 | 2 | 12 | 14 | 25 | 9 | 2 | 1 | 0 | 0 | 72 | –0.861 |
| Tax burden | 7 | 2 | 8 | 10 | 17 | 17 | 3 | 7 | 4 | 0 | 0 | 75 | –1.000 |
| Time required for tax calculation and payment | 2 | 2 | 2 | 10 | 13 | 29 | 2 | 9 | 7 | 3 | 1 | 80 | 0.012 |
| Credit accessibility | 3 | 5 | 6 | 7 | 5 | 17 | 13 | 11 | 4 | 3 | 1 | 75 | –0.107 |
| Ease of foreign trade operations | 5 | 2 | 4 | 9 | 8 | 18 | 10 | 5 | 3 | 3 | 1 | 68 | –0.368 |
| Wage calculation | 2 | 1 | 2 | 2 | 6 | 27 | 12 | 12 | 6 | 5 | 2 | 77 | 0.701 |
| *Total* | | | | | | | | | | | | | |
| Business registration | 2 | 5 | 5 | 12 | 20 | 151 | 19 | 18 | 19 | 11 | 18 | 280 | 0.561 |
| Obtaining various permits | 9 | 13 | 6 | 33 | 31 | 131 | 35 | 25 | 23 | 10 | 11 | 327 | 0.113 |
| Administrative procedures | 4 | 10 | 17 | 37 | 50 | 122 | 33 | 23 | 22 | 10 | 8 | 336 | –0.030 |
| Number of inspections | 10 | 12 | 28 | 37 | 58 | 120 | 37 | 36 | 17 | 10 | 6 | 371 | –0.226 |
| Penalties amount | 32 | 31 | 29 | 55 | 62 | 95 | 23 | 14 | 10 | 5 | 0 | 356 | –1.242 |
| Lease payments | 41 | 39 | 57 | 56 | 43 | 80 | 20 | 11 | 7 | 1 | 0 | 355 | –1.746 |
| Pricing | 13 | 16 | 29 | 51 | 62 | 111 | 35 | 12 | 7 | 2 | 1 | 339 | –0.847 |
| Tax burden | 19 | 22 | 40 | 56 | 68 | 104 | 20 | 24 | 8 | 4 | 1 | 366 | –1.011 |
| Time required for tax calculation and payment | 9 | 9 | 19 | 36 | 46 | 166 | 28 | 32 | 20 | 7 | 4 | 376 | –0.149 |
| Credit accessibility | 24 | 15 | 26 | 26 | 34 | 99 | 44 | 32 | 23 | 10 | 12 | 345 | –0.194 |
| Ease of foreign trade operations | 11 | 4 | 21 | 24 | 22 | 136 | 24 | 20 | 13 | 5 | 3 | 283 | –0.233 |
| Wage calculation | 3 | 3 | 10 | 14 | 26 | 192 | 37 | 38 | 18 | 13 | 6 | 360 | 0.383 |

# 5. SMALL AND MEDIUM-SIZED BUSINESS SUPPORT INFRASTRUCTURE IN BELARUS

## 5.1. Role of business associations in the economy

In recent years the increasing the presence of small and medium-sized businesses in the Belarusian economy has been declared one of the most important public policy objectives. In this view, in particular, there were adopted Directive No. 4 of December 31, 2010 “On the Development of Entrepreneurship and Stimulating Business Activity in the Republic of Belarus”, as well as the declaring the year of 2011 as the Year of Entrepreneurship. However, macroeconomic instability and subsequent financial and economic problems of enterprises (related to such issues as access to finance, reduction in the purchasing power of the domestic market, etc.) greatly complicated achieving this objective.

However, according to the results of 2012, there were recorded some positive trends in the economy of the country, which allowed to give a more optimistic estimation of the chances, if not for the complete fulfillment, but at least for reaching as close as possible the set target to increase the share of small business in the gross domestic product of Belarus to 30% and the number of people employed in this sector to at least 1.8 million persons by the end of 2015. The implementation of these objectives is specified in the Program of State Support of Small and Medium-Sized Enterprises for 2013–2015 approved by the Council of Ministers on 29 December 2012.

The main objectives of the document can be designated as stimulating business activity, lifting administrative barriers to doing business, as well as increasing the efficiency and further development of the infrastructure to support small and medium-sized businesses. To achieve the stated objectives, in 2013–2015 it is necessary to address the matters connected with entering by Belarus the group of top countries in the leading international ratings for competitiveness, business environment, the level of innovation development and effectiveness of public administration. It is assumed that this will improve the international image and increased confidence of domestic and foreign investors in the current economic policy.[33]

The main mechanisms of the program implementation include financial, property and information support of business entities, as well as assistance provided to the unemployed to start their own businesses. In addition, the document provides for the possibility of wide involvement in the business of vulnerable groups through workshops, round tables with the participation of top managers of enterprises. One of such mechanism is building a “constructive dialogue of the government with the business and public organizations/associations of entrepreneurs”.

Business associations in Belarus, as in any other country, play an important role in protecting and promoting the interests of the business community. In other words, they are important in two dimensions. On the one hand, business associations protect interests of businesses and present it in a dialogue with the public authorities. On the other hand, it is also obvious that today business unions are increasingly acting as partners of the state and seek agreed efforts to create favorable conditions for the development of the business environment in Belarus.

However, it is premature to state that Belarusian business associations have become a political force representing the vast majority of Belarusian entrepreneurs and the ability to effectively and efficiently protect their interests at different administrative levels. The peak of their “popularity” in the business community was in 2010 – the period of drafting Directive No. 4 on the liberalization of the business environment in which business unions took a direct and active participation.

Economic events in 2011 posed a serious threat to the trustworthiness of business association among Belarusian small and medium-sized enterprises. On the one hand, it is important to note that the low efficiency of business unions in the crisis period due primarily to the objective reasons – private small and medium-sized enterprises (SMEs) in Belarus are still behind the public sector of the economy by the number of employees, therefore, their interests can hardly be the priority for the state. However, on the other hand, the gradual economic stabilization raises the question of the need to return to the business unions of the lost credibility and more active participation in the economic policy of the country.

In recent years the two objectives described above – the need for effective protection of the interests of business and participation in improving the business climate – were added with another objective related to the participation of the Republic of Belarus in a number of regional integration associations. Thus, the old form of relations between business and government, in which business

[33] Resolution No. 1242 of the Council of Ministers of the Republic of Belarus of December 29, 2012; see http://pravo.by/main.aspx?guid=3871&p2=5/36745.

associations positioned themselves primarily as organizations advocating for the business community should be, first, be renovated by strengthening the two new areas of cooperation, second, that will contribute to the increase in the number of participants (increased participation in business associations).

## 5.2. Belarusian business unions and their members

### *5.2.1. A profile of a Belarusian business union member*

The results of the survey show that there was a slight increase in the number of members of business associations in early 2013. After a decline in 2011 (by 7.7 percentage points), in 2012 there was an increase by 2.2 percentage points, and representatives of forty-one companies stated about their participation in business associations (Table 5.1).

Traditionally, a large proportion (above average) of participants of business unions is observed in such areas of the economy as manufacturing and construction. At the end of 2012, the figures were 15.5% and 18.6% respectively (in 2011 – 9.9% and 17.2%) (Table 5.2). There was also an increase in the proportion of participants in the trade (by 7.6 percentage points to 9.8%), while in the transport and communications sector this figure dropped slightly (by 7.8 percentage points to 5.7%).

Most often, members of business associations are relatively large enterprises with the number of employees from 50 to 200 people accounting for almost half of all members, and 19.6% and 22.9% of the total number. Most large firms (with over 200 employees) are much less likely to engage in business associations; it was noted only in 7.7% of cases.

Overall, the trend of previous years, when either older companies established prior to 2004, or companies established in the past two years reported about their membership in business unions. In this case, the main increase in the number of members was provided mainly by the firms that started to operate after 2011 (by 4 percentage points).

**Table 5.1. Responses to the question “Are you a member of any business union?”**

| | 2010 | | 2011 | | 2012 | | 2013 | |
|---|---|---|---|---|---|---|---|---|
| | Number of enterprises | % | Number of enterprises | % | Number of enterprises | % | Number of enterprises | % |
| Yes | 28 | 7.2 | 63 | 15.5 | 31 | 7.8 | 41 | 10.0 |
| No | 362 | 92.8 | 344 | 84.5 | 369 | 92.2 | 368 | 90.0 |
| Total | 389 | 100.0 | 407 | 100.0 | 400 | 100.0 | 409 | 100.0 |

Source: IPM Research Center.

**Table 5.2. Responses to the question “Are you a member of any business union?” in a break-down by characteristics of the enterprises**

| | Yes | | No | | Total | |
|---|---|---|---|---|---|---|
| | Number | % | % | Number | Number | % |
| *Total* | | | | | | |
| | 41 | 10.0 | 90.0 | 368 | 409 | 100 |
| *Type of activity* | | | | | | |
| Trade | 12 | 9.8 | 90.2 | 110 | 122 | 100 |
| Catering | 0 | 0.0 | 100.0 | 23 | 23 | 100 |
| Manufacturing | 11 | 15.5 | 84.5 | 60 | 71 | 100 |
| Construction | 11 | 18.6 | 81.4 | 48 | 59 | 100 |
| Transport and communications | 2 | 5.7 | 94.3 | 33 | 35 | 100 |
| *Business legal structure* | | | | | | |
| Unitary enterprise (UE) | 15 | 8.2 | 91.8 | 167 | 182 | 100 |
| Limited liability company (LLC) | 13 | 13.0 | 87.0 | 87 | 100 | 100 |
| Additional liability company (ALC) | 2 | 3.8 | 96.2 | 51 | 53 | 100 |
| Open joint-stock company (OJSC) | 6 | 18.8 | 81.3 | 26 | 32 | 100 |
| Closed joint-stock company (CJSC) | 2 | 13.3 | 86.7 | 13 | 15 | 100 |
| Production cooperative (PC) | 0 | 0.0 | 100.0 | 3 | 3 | 100 |
| Other | 0 | 0.0 | 100.0 | 6 | 6 | 100 |
| *Number of employees* | | | | | | |
| From 1 to 10 | 9 | 6.9 | 93.1 | 121 | 130 | 100 |
| From 11 to 50 | 10 | 7.1 | 92.9 | 131 | 141 | 100 |
| From 51 to 100 | 10 | 19.6 | 80.4 | 41 | 51 | 100 |
| From 101 to 200 | 8 | 22.9 | 77.1 | 27 | 35 | 100 |
| Over 200 | 4 | 7.7 | 92.3 | 48 | 52 | 100 |
| *Year of foundation* | | | | | | |
| Before 1996 | 9 | 12.9 | 87.1 | 61 | 70 | 100 |
| 1997–2004 | 19 | 16.2 | 83.8 | 98 | 117 | 100 |
| 2005–2007 | 5 | 5.5 | 94.5 | 86 | 91 | 100 |
| 2008–2010 | 4 | 4.2 | 95.8 | 91 | 95 | 100 |
| 2011–2012 | 4 | 11.1 | 88.9 | 32 | 36 | 100 |
| *Gender of the respondent* | | | | | | |
| Man | 23 | 12.2 | 87.8 | 165 | 188 | 100 |
| Woman | 18 | 8.1 | 91.9 | 203 | 221 | 100 |

*Source*: IPM Research Center.

**Table 5.3. Performance of businesses depending on the membership in business-unions**

| | Union members | | Union non-members | | Total | |
|---|---|---|---|---|---|---|
| | Number | % | Number | % | Number | % |
| Bad | 3 | 7.3 | 12 | 3.3 | 15 | 3.7 |
| Below average | 10 | 24.4 | 85 | 23.1 | 95 | 23.2 |
| Stable | 21 | 51.2 | 232 | 63.0 | 253 | 61.9 |
| Above average | 5 | 12.2 | 23 | 6.3 | 28 | 6.8 |
| Good | 2 | 4.9 | 16 | 4.3 | 18 | 4.4 |
| Total | 41 | 100.0 | 368 | 100.0 | 409 | 100.0 |

*Source*: IPM Research Center.

**Table 5.4. Aims of membership in business unions**

| | Number | % |
|---|---|---|
| Skills development | 13 | 31.7 |
| Support in business internationalization | 11 | 26.8 |
| Legal services | 18 | 43.9 |
| Assistance in attracting financial resources (investors' search) | 11 | 26.8 |
| Assistance in business operation | 17 | 41.5 |
| Representation of firm's interests with central authorities | 13 | 31.7 |
| Improving the business climate in the country | 9 | 22.0 |
| Sharing experience between union members | 10 | 24.4 |

*Note.* Several otpions were possible. 41 enterprises were surveyed.

*Source*: IPM Research Center.

**Table 5.5. Main reasons why entrepreneurs do not join business unions**

| | Number | % |
|---|---|---|
| High membership fees | 9 | 2.5 |
| I believe business unions cannot solve my problems | 132 | 35.9 |
| It is better not to use services of such organizations for political reasons | 25 | 6.6 |
| Lack of information about their activity | 108 | 29.4 |
| Hope to solve problems independently | 104 | 28.3 |
| Unsatisfactory quality of the services provided | 22 | 6.0 |
| NA/don't know | 58 | 15.8 |

*Note.* Several otpions were possible. 368 enterprises were surveyed.

*Source*: IPM Research Center.

As in previous years, men more often report about participation in business unions. In 2012, there was an increase of 2.9 percentage points in this category (to 12.2%), while among women – by 1.6 percentage points (to 8.1%).

In general, the performance of the enterprises involved in business associations was often characterized as good or above average in the course of the survey in comparison with those who are not members of business unions (Table 5.3). For these two options of answers the figure in the first case was above by 6.5 percentage points (17.1% compared to 10.6%, on average – 11.2%).

Based on the survey results, we can make a portrait of the average member of a business union. This member is most likely to be a man – a representative of the firm, employing from 50 to 200 people, established either prior to 2004 or more recently (in the last two or three years), whose the main field of activity is trade, manufacturing (industrial sector economy) or construction. However, in general it can be concluded that participants of business unions are heterogeneous and, therefore, different companies will look for different benefits from their membership in associations.

*5.2.2. Joining business unions by Belarusian SMEs: benefits and impediments*

The main motives for joining business unions for Belarusian small and medium-sized enterprises include assistance in doing business and legal support. These motives were stated most often – in 41.5% and 43.9% cases, respectively (Table 5.4). They are followed by skills development and representation of firm's interests at central authorities (31.7% each), support in business internationalization and assistance in attracting financial resources (26.8%).

SMEs seem to be less interested in such services as improving the business climate in the country (22%) and sharing experience between union members (24.4%). Obviously, these areas should be paid more attention to promote them in the enterprise environment.

Despite the obvious advantages of the above benefits from participation in business associations, many domestic small and medium-sized businesses join them at a slow pace. This is convincingly suggested not so much by the percentage of those who have not joined business unions, as by the fact that this figure was less than twenty percent over the past years. Obviously, most Belarusian SMEs still takes a cautious wait-and-see approach to their membership.

The main reasons for such an approach given by surveyed SMEs, as in previous years, included inability of business unions to solve problems of the company (the frequency of this answer – 35.9%), lack of information about activities of business unions (29.4%), and the hope for self-support (28.3%) (Table 5.5). At the same time, as a positive moment, we may note the fact that Belarusian business unions practically have no problems, such as high membership fees and poor service quality (respondents reported about the

**Table 5.6. Responses to the question "Are you satisfied with the level of the dialogue (intensity of the dialogue) between business unions and public authorities?"**

| | Number | % |
|---|---|---|
| Yes | 82 | 20.0 |
| No | 247 | 60.4 |
| NA/don't know | 80 | 19.6 |
| Total | 409 | 100.0 |

*Source*: IPM Research Center.

**Table 5.7. Areas where entrepreneurs experience unequal conditions for doing business in comparison with the public sector**

| | Survey of 2012 | | Survey of 2013 | | Change, in percentage points |
|---|---|---|---|---|---|
| | Number | Frequency | Number | Frequency | |
| Taxation | 123 | 30.8 | 102 | 24.9 | 5.9↓ |
| Attitude of supervisory bodies | 172 | 43.0 | 180 | 44.0 | 1.0↑ |
| Lease rates | 197 | 49.3 | 171 | 41.8 | 7.5↓ |
| Commodity prices | 111 | 27.8 | 93 | 22.7 | 5.1↓ |
| Conditions for obtaining permits and licenses | 100 | 25.0 | 86 | 21.0 | 4.0↓ |
| Access to credit resources | 117 | 29.3 | 86 | 21.0 | 8.3↓ |
| Local authorities' attitude | 116 | 29.0 | 128 | 31.3 | 2.3↑ |
| Judiciary bodies' attitude | 22 | 5.5 | 34 | 8.3 | 2.8↑ |
| Other | 5 | 1.3 | 1 | 0.2 | 1.1↓ |
| It is the same | 8 | 2.0 | 45 | 11.0 | 9.0↑ |

*Note.* Several options were possible. 400 and 409 enterprises were surveyed in 2012 and 2013 respectively.

*Source*: IPM Research Center.

existence of such problems only in 2.5% and 6% of cases, respectively).

The Table 5.5 may suggest two main conclusions. First, we have to note the continuing lack of awareness of a number of SMEs of the performance of Belarusian business unions and benefits received by their members. This is clearly evidenced by the fact that 10% of small and medium-sized enterprises that are members of business associations, in most cases draw benefits from their status and are satisfied with the quality of services, while the remaining 90% of the respondents explain their distancing from business unions with either lack of information about their work, or lack of confidence in their effectiveness.

Second, despite some increase in the proportion of members of business unions, the practice of recent years suggests that the format of or provision to the business of a "classic" set of services the number of members of business union reached a certain level of "saturation" when the subsequent increase in the number of participants is likely to occur to a very limited extent. This raises the issue of the need to find new ways to attract domestic small and medium-sized businesses to enterprise unions, which, no doubt, should include new aspects of business union activities and a more active and effective dialogue with public authorities. In particular, more than 60% of the respondents were dissatisfied with the latter (Table 5.6).

## 5.3. Main difficulties of Belarusian private SMEs

### *5.3.1. Internal difficulties*

At the moment, the main difficulties of domestic small and medium-sized businesses are associated with in-country conditions for doing business. Undoubtedly, the main reason for this is the consequences of the financial and economic difficulties in 2011. As already noted, the primary task of the state in this situation is providing support of the public sector. However, according to the recent survey, we can conclude that as long as the economic situation in the country becomes stabilized, the inequality of conditions for doing business for businesses and public enterprises, though remains, but gradually decreases (Table 5.7). In particular, note a significant increase in the proportion of respondents who believe that there are no cases of unequal conditions for the private and public sectors. While in 2012 only 2% of the interviewed representatives of SMEs stated this, already 11% said about this according to the results of the survey in 2013.

Small and medium-sized business state decreasing disparities between the private and the public sector in access to credit. Lower interest rates on ruble and foreign currency loans in 2012 – 2013 reduced the frequency of this option by 8.3 percentage points down to 21%.

The tension regarding the issue of lease rates, which was one of the most serious problems in 2011, slightly reduced. Then the negative impact of changes in lease payments was reported by 44.8% of the respondents. The number of representatives of SMEs reporting a disadvantage in comparison with the public sector this year is by 7.5 percentage points lower (41.8% instead of 49.3%).

However, despite some alignment of the conditions, according to the survey lease payments were leading among those areas where a significant deterioration of the company was observed (Table 5.8). A negative impact on doing business was also made by such factors as the amount of fines (with the average score of –1.24), pricing (–0.85), the tax burden (–1.01) and some others.

Representatives of small and medium-sized businesses did not notice significant changes in the majority of these conditions of doing business in comparison with the results of the survey in 2012 (Table 5. 9).The most significant change – improvement – is observed in getting a credit (the increase of 1.25 points). A smaller,

**Table 5.8. The impact of changes in the business environment on doing business over the last year, %**

| | –5 | –4 | –3 | –2 | –1 | 0 | 1 | 2 | 3 | 4 | 5 | NA/don't know | Average score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Business registration | 0.5 | 1.2 | 1.2 | 2.9 | 4.9 | 36.9 | 4.6 | 4.4 | 4.6 | 2.7 | 4.4 | 31.5 | 0.56 |
| Obtaining different permits | 2.2 | 3.2 | 1.5 | 8.1 | 7.6 | 32.0 | 8.6 | 6.1 | 5.6 | 2.4 | 2.7 | 20.0 | 0.11 |
| Administrative procedures | 1.0 | 2.4 | 4.2 | 9.0 | 12.2 | 29.8 | 8.1 | 5.6 | 5.4 | 2.4 | 2.0 | 17.8 | –0.03 |
| Number of inspections | 2.4 | 2.9 | 6.8 | 9.0 | 14.2 | 29.3 | 9.0 | 8.8 | 4.2 | 2.4 | 1.5 | 9.3 | –0.23 |
| Amount of penalties | 7.8 | 7.6 | 7.1 | 13.4 | 15.2 | 23.2 | 5.6 | 3.4 | 2.4 | 1.2 | 0.0 | 13.0 | –1.24 |
| Lease payments | 10.0 | 9.5 | 13.9 | 13.7 | 10.5 | 19.6 | 4.9 | 2.7 | 1.7 | 0.2 | 0.0 | 13.2 | –1.75 |
| Pricing | 3.2 | 3.9 | 7.1 | 12.5 | 15.2 | 27.1 | 8.6 | 2.9 | 1.7 | 0.5 | 0.2 | 17.1 | –0.85 |
| Tax burden | 4.6 | 5.4 | 9.8 | 13.7 | 16.6 | 25.4 | 4.9 | 5.9 | 2.0 | 1.0 | 0.2 | 10.5 | –1.01 |
| Time required for tax assessment and payment | 2.2 | 2.2 | 4.6 | 8.8 | 11.2 | 40.6 | 6.8 | 7.8 | 4.9 | 1.7 | 1.0 | 8.1 | –0.15 |
| Credit accessibility | 5.9 | 3.7 | 6.4 | 6.4 | 8.3 | 24.2 | 10.8 | 7.8 | 5.6 | 2.4 | 2.9 | 15.6 | –0.19 |
| Ease of foreign trade operations | 2.7 | 1.0 | 5.1 | 5.9 | 5.4 | 33.3 | 5.9 | 4.9 | 3.2 | 1.2 | 0.7 | 30.8 | –0.23 |
| Wage calculation | 0.7 | 0.7 | 2.4 | 3.4 | 6.4 | 46.9 | 9.0 | 9.3 | 4.4 | 3.2 | 1.5 | 12 | 0.38 |
| Cost and complexity of auction and tender processes | 1.5 | 1.5 | 4.6 | 2.9 | 5.9 | 35.9 | 3.9 | 2.9 | 2.9 | 1.0 | 1.0 | 35.9 | –0.18 |
| Property rights protection | 1.5 | 1.0 | 2.9 | 8.1 | 5.9 | 38.4 | 7.3 | 3.2 | 4.4 | 1.0 | 0.2 | 26.2 | –0.14 |

*Note*. "–5" – complicates extremely; "0" – doesn't matter; "5" – very helpful.

*Source*: IPM Research Center.

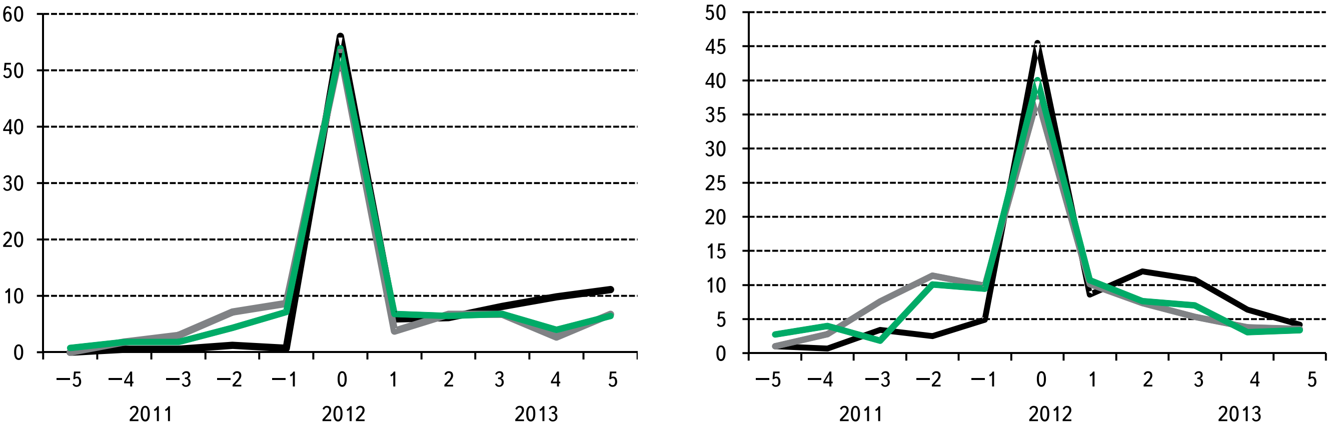
**Table 5.9. The impact of changes in the business environment on doing business over the last year – average scores**

| | Survey of 2012 | Survey of 2013 | Change |
|---|---|---|---|
| Business registration | 0.42 | 0.56 | 0.14↑ |
| Obtaining different permits | 0.02 | 0.11 | 0.09↑ |
| Administrative procedures | –0.16 | –0.03 | 0.13↑ |
| Number of inspections | –0.30 | –0.23 | 0.08↑ |
| Amount of penalties | –1.22 | –1.24 | –0.02↓ |
| Lease payments | –2.03 | –1.75 | 0.28↑ |
| Pricing | –1.28 | –0.85 | 0.43↑ |
| Tax burden | –1.13 | –1.01 | 0.12↑ |
| Time required for tax assessment and payment | –0.32 | –0.15 | 0.17↑ |
| Access to credit | –1.44 | –0.19 | 1.25↑ |
| Ease of foreign trade | –0.71 | –0.23 | 0.48↑ |
| Wage calculation | 0.23 | 0.38 | 0.16↑ |
| Cost and complexity of auctions and tenders | –0.39 | –0.18 | 0.21↑ |
| Ownership protection | –0.22 | –0.14 | 0.08↑ |

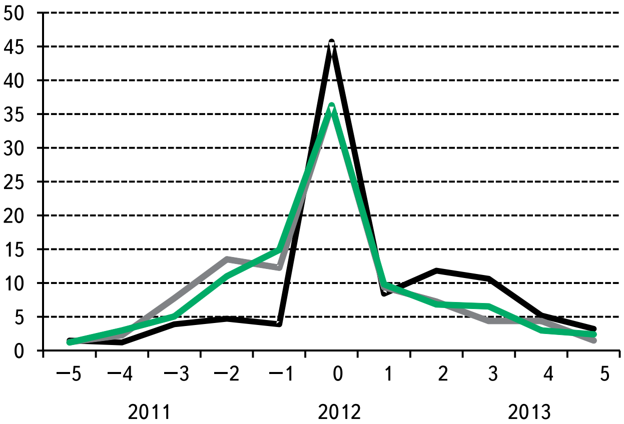
*Note*. On a scale from –5 to 5, where "–5" – complicates extremely; "0" – doesn't matter; "5" – very helpful.

*Source*: IPM Research Center.

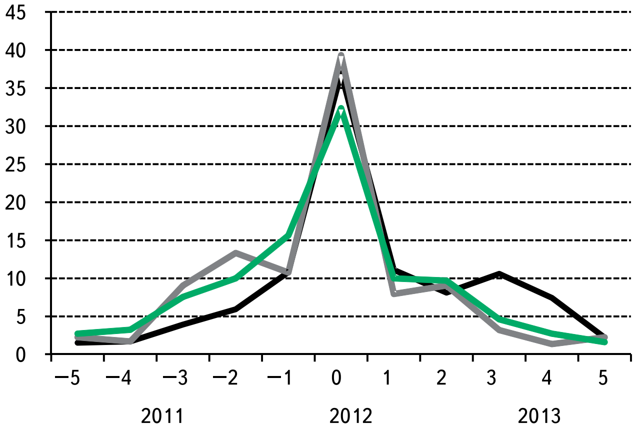
**Figure 5.1. Comparison of assessments of small and medium-sized businesses of effects of changes in the business environment for some indicators in 2011–2013, %**



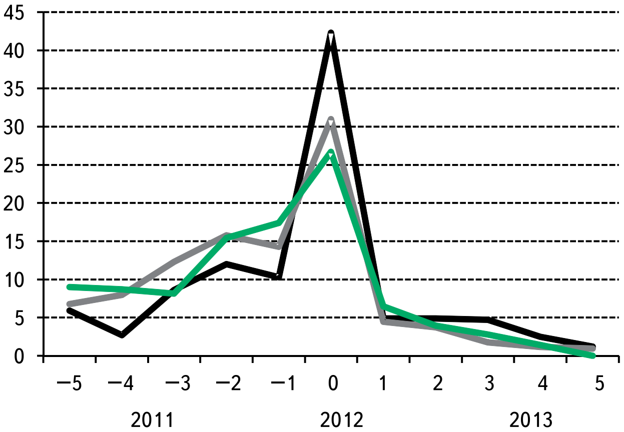

(a) Business registration (b) Obtaining different permits



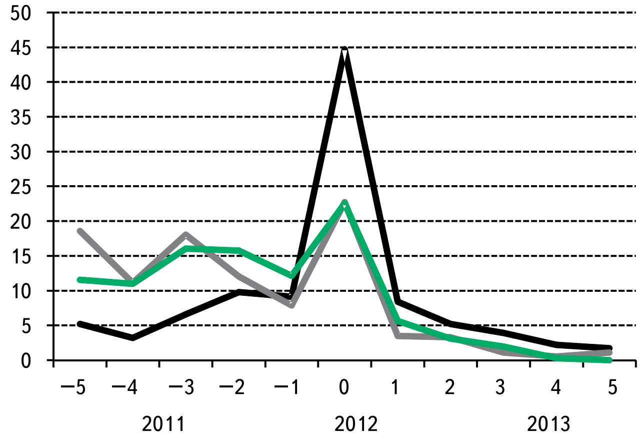

(c) Administrative procedures



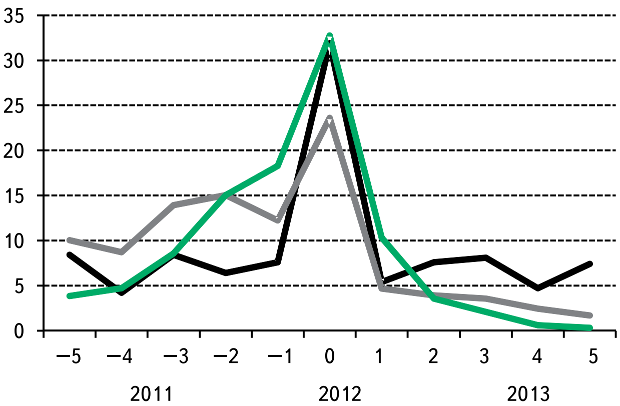

(d) Number of inspections



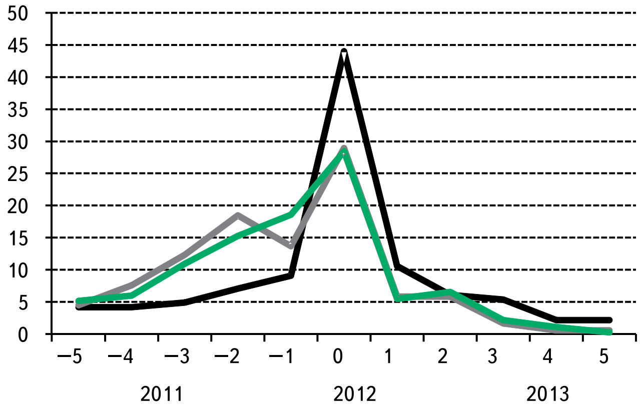

(e) Amount of penalties



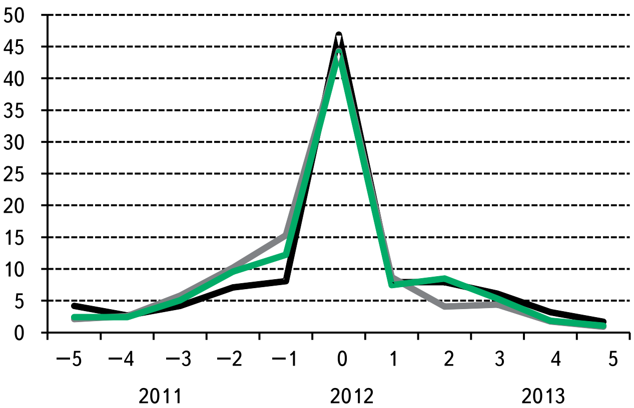

(f) Lease payments



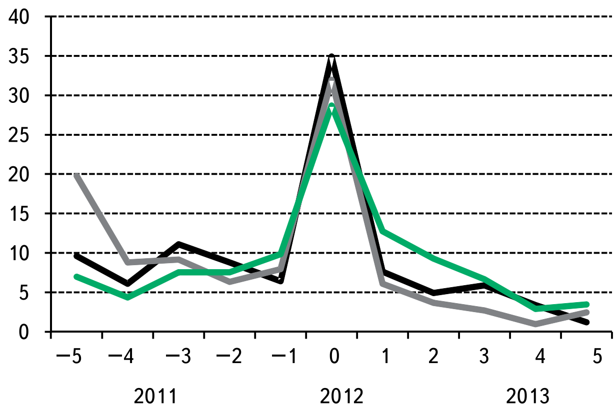

(g) Pricing



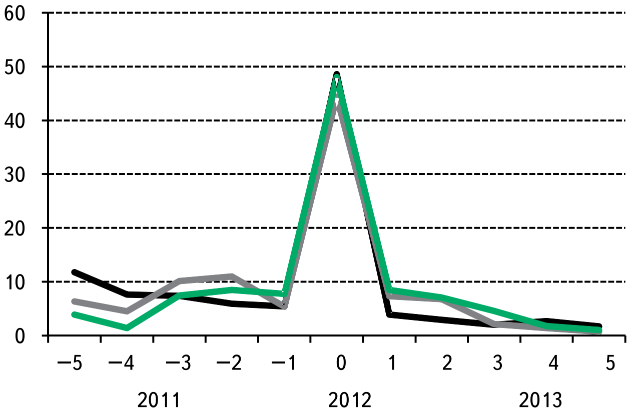

(h) Tax burden



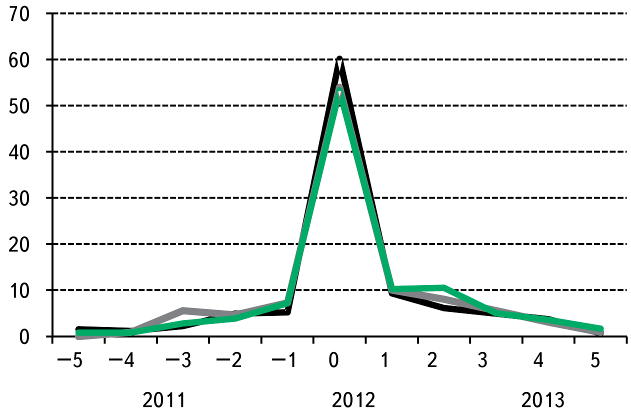

(i) Time required for tax assessment and payment



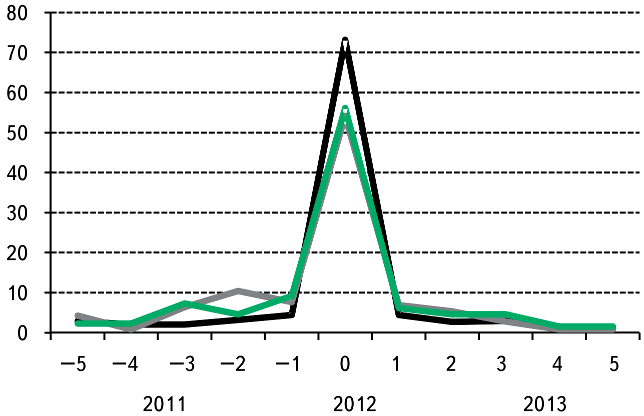

(j) Access to credit



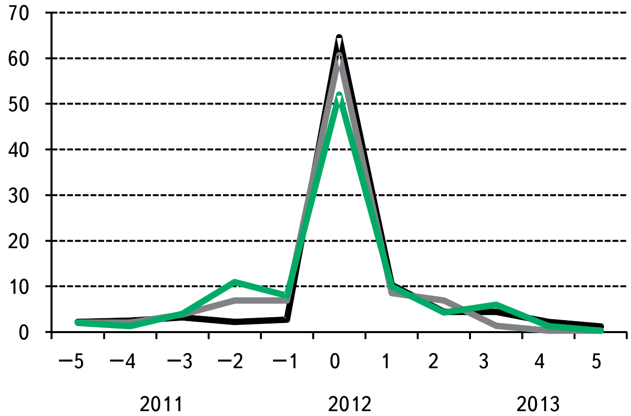

(k) Ease of foreign trade




(l) Wage calculation




(m) Cost and complexity of auctions and tenders




(n) Ownership protection

Source: IPM Research Center.

but also significant growth was recorded in pricing (0.43 points) and trade across borders (0.48 scores). The only worsening was observed in the amount of fines (–0.02 points).

In general we can say that, on the one hand, over the recent years the above business conditions were often characterized negatively, and on the other there is no consistent tendency of the improvement in the situation. Some examples of the lack of such tendency by a number of parameters over the past three years are shown in Figures 5.1–5.2.

As a result, given the current situation, it is not surprising that the majority of Belarusian small and medium-sized enterprises are sceptical that the country can improve its place in international rankings (while it is one of the goals of the Program of State Support of Small and Medium-Sized Businesses for 2013–2015). Only 30.5% in 2012 and 24.8% in 2013 stated that this is possible (Table 5.10).

Thus, we can conclude that the task of protecting and promoting the interests of the business community in terms of the internal factors of doing business will remain to be topical for business associations in the coming years.

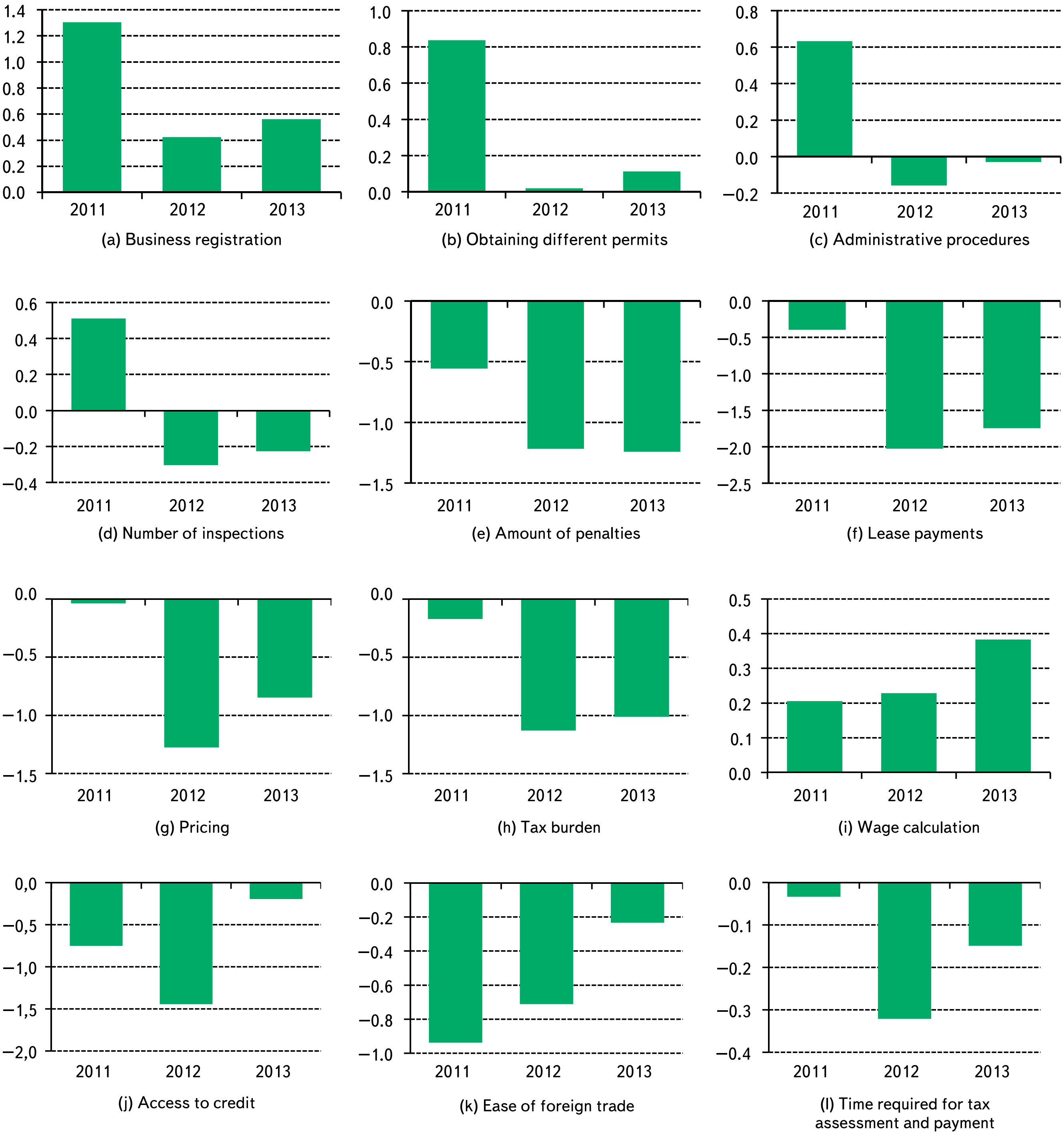
### *5.3.2. External challenges*

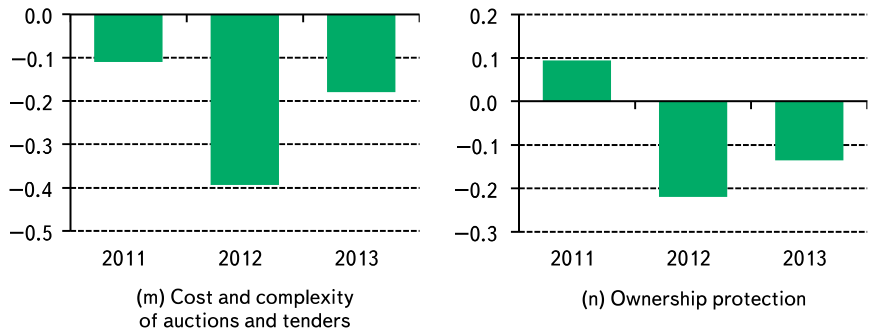
External challenges for the Belarusian small and medium-sized businesses include a variety of components, among which is the dialogue with the European Union and the accession negotiations with the World Trade Organization (WTO), and some others. However, the main challenge in the coming years will be participation of Belarus in the Customs Union, the Common Economic Area, and since 2015 – in the Eurasian Economic Union.

Representatives of small and medium-sized businesses in most cases give a positive assessment of both the present results and prospects of further participation of Belarus in the CU and CEA (Tables 5.11 – 5.12). The reason is that while the Eurasian integration processes do not pose an immediate threat associated with more competitive foreign companies coming to the Belarusian market (in particular – from Russia and Kazakhstan) (Table 5.13). As it was already mentioned, they find the post-crisis Belarusian market less attractive. However, first of all, this situation may change in the future, and secondly, some recent developments suggest that the integration has already had some negative impact on domestic SMEs.

For example, in June 2013 there were strikes of individual entrepreneurs in a number of cities in Belarus protesting against the introduction

**Figure 5.2. Comparison of the average assessment of small and medium-sized businesses of effects of changes in the business environment for some indicators in 2011–2013**




*Source*: IPM Research Center.

from July 1, 2013 of the Technical Regulations of the Customs Union *On the Safety of Products of the Light Industry* mandatory in all the three countries. The Technical Regulations provide for putting a ban on the sale of products of the light industry in the Customs Union without confirmation of their compliance with the requirements of the uniform sign and labeling of products in the

**Table 5.10. Responses to the question “Do you think the country will improve its position in doing business ratings in the current year?”**

| | Survey of 2011 | | Survey of 2012 | | Survey of 2013 | |
|---|---|---|---|---|---|---|
| | Number | % | Number | % | Number | % |
| Yes | 77 | 18.9 | 122 | 30.5 | 101 | 24.8 |
| No | 267 | 65.6 | 201 | 50.2 | 170 | 41.7 |
| NA/don’t know | 63 | 15.5 | 77 | 19.2 | 137 | 33.6 |
| Total | 407 | 100.0 | 400 | 100.0 | 408 | 100.0 |

*Source*: IPM Research Center.

**Table 5.11. The assessment of the effects of accession of Belarus to the CU and creation of the CEA**

| | Members of business unions | | Non-members of business unions | | Overall | |
|---|---|---|---|---|---|---|
| | Number | % | Number | % | Number | % |
| Positively | 27 | 65.9 | 179 | 48.6 | 206 | 50.6 |
| Neutral | 2 | 4.9 | 43 | 11.7 | 45 | 11.1 |
| Negatively | 7 | 17.1 | 69 | 18.8 | 76 | 18.7 |
| NA/don’t know | 5 | 12.2 | 77 | 20.9 | 80 | 19.7 |
| Total | 41 | 100.0 | 368 | 100.0 | 407 | 100.0 |

*Source*: IPM Research Center.

**Table 5.12. The assessment of future effects on Belarusian businesses of continued economic integration of Belarus in the framework of the CEA and Eurasian Economic Union**

| | Members of business unions | | Non-members of business unions | | Overall | |
|---|---|---|---|---|---|---|
| | Number | % | Number | % | Number | % |
| Positively | 25 | 61.0 | 156 | 42.4 | 181 | 44.3 |
| Neutral | 2 | 4.9 | 38 | 10.3 | 40 | 9.8 |
| Negatively | 7 | 17.1 | 89 | 24.2 | 96 | 23.5 |
| NA/don’t know | 7 | 17.1 | 85 | 23.1 | 92 | 22.5 |
| Total | 41 | 100.0 | 368 | 100.0 | 409 | 100.0 |

*Source*: IPM Research Center.

**Table 5.13. Responses to the question “Do you agree that competition in Belarusian market increased after entering the Custom Union and CES?” depending on the memebership in business unions**

| | Members of business unions | | Non-members of business unions | | Overall | |
|---|---|---|---|---|---|---|
| | Number | % | Number | % | Number | % |
| Yes, with companies from Russia | 10 | 24.4 | 67 | 18.2 | 77 | 18.8 |
| Yes, with companies from Kazakhstan | 2 | 4.9 | 9 | 2.4 | 11 | 2.7 |
| No | 29 | 70.7 | 292 | 79.3 | 321 | 78.5 |
| Total | 41 | 100.0 | 368 | 100.0 | 409 | 100.0 |

*Source*: IPM Research Center.

market of the member states of the Customs Union.

The entrepreneurs called for the requirement to confirm the quality of the goods by producers themselves, as is the case in the EU. In other words, according to the striking entrepreneurs, products from third countries should be imported with a sign of conformity. As a result, the Ministry of Economy agreed to put off the entry into force of the Regulations for individual entrepreneurs operating in markets and shopping malls, to July 1, 2014, as reported by Alexander Gruzdov, Director of the Department of the Ministry of Economy of the Republic of Belarus, on June 20, 2013. However, on June 24, the threat of tensions re-emerged due to dissatisfaction with the proposed mechanism of entrepreneurs in transition.

These events are a clear indication that the *Eurasian integration and the associated challenges for business in Belarus contain a resource of a large number of potential members of business associations* who now need to have their interests protected and represented in a dialogue with the public authorities. Undoubtedly, the relevance of more active participation of business associations in the dialogue between entrepreneurs and the government on the issues related to the integration will increase in the future with the deepening integration, the growth in the demand in the Belarusian market and increasing attractiveness of the market for companies from members of the CU and CEA.

### *5.3.3. A prospect of increasing the presence of SMEs in the Belarusian economy*

Participation of small and medium-sized businesses in the economic development has received increased attention in the institutions of Eurasian integration. In the framework of the VI Astana Economic Forum Rustam Akberdin, Director of the Department of Business Development of the Eurasian Economic Commission, stated that the weight of small and medium-sized businesses in all countries of the Customs Union does not meet the needs of the economies: their share in the GDP of the CU countries is about 20% (22% in Belarus versus 20% and 19% in Russia and Kazakhstan, respectively), while in developed countries this figure is much higher: in the countries of the European Union – 60% (in 2012, while on the average in the European Union SMEs account for about 67% of the total employment[34]) and in the USA – 44% of GDP (2011).[35] Many developing countries are gradually catching up with these countries by the indicator.

A higher level of efficiency of private enterprises compared with state enterprises (all other things being equal) amidst the crisis in the Belarusian economy brought up for consideration at the state level the need to encourage the development of small and medium-sized business in Belarus. This initiative is reflected in Resolution of the Council of Ministers of December 29, 2012 *On the Program of State Support of Small and Medium-Sized Businesses in the Republic of Belarus for 2013–2015*.

The resolution notes that small and medium-sized businesses in 2011 employed about 1,460 million people, or nearly one-third of the economically active population. The share of employment in small and medium-sized businesses, taking into account individual entrepreneurs and their employees, increased from 28.6% of the total employment in the economy in 2007 to 31.4% in 2011. At the same time, there is a tendency to an increase in the share of the gross domestic product produced by small and medium-sized businesses. In 2011, the value of this indicator was 22.9% (an increase of 1.3 times compared to 2007).

Focusing on further development of the motivation of the private sector in general and SMEs in particular, the goal of the Program was stated as "to create favorable conditions for doing business, promoting its development in priority areas in the regions, and to assist the newly established small and medium-sized businesses."

To achieve this goal the following objectives were identified:

- to become one of the top countries in the leading international ratings in competitiveness, business environment, the level of innovation development, the effectiveness of public governance of the country, to improve the international image of the Republic of Belarus and to build confidence among domestic and foreign investors in the current economic policy;
- to build a constructive dialogue of the government with businesses and public associations of entrepreneurs;
- to increase the share of small and medium-sized businesses in the GDP up to 30 percent and to ensure the number of employed in this sector of at least 1.8 million people by the end of 2015;
- to improve state regulation of the business environment;
- to promote the development of entities of support infrastructure to small and medium-sized businesses (financial support, advisory services, access to resources, participation in the public procurement of goods, work and services in addressing the issues of interaction with government agencies and others);
- to provide assistance and government support to cluster initiatives and projects;
- to modernize infrastructure and social sectors of the economy through the implementation of projects under the public-private partnership;
- to develop main types of state support to small and medium-sized businesses in the Republic of Belarus;
- to improve the legislation regulating the activities of small and medium-sized enterprises, and to build and develop public-private partnerships;
- to stimulate business activities of individual population groups, participation of businesses in the implementation of the most important areas of socio-economic development;
- to organize business by the unemployed, and to ensure wide involvement in business activities of socially vulnerable groups;
- to improve the infrastructure for small and medium-sized business support;
- to develop international cooperation and foreign trade of small and medium-sized businesses;
- to improve the legislation regulating the activities of small and medium-sized businesses.

Thus, Belarusian business unions are not only able to take an active part in the implementation of this Program, but they are given a leading role in the development of public-private partnerships at the state level. On the one hand, this means that business associations can protect and promote the interests of the business community better by intensifying the dialogue with the authorities in such areas of the Program as:

- financial support for small businesses;
- property support to small and medium-sized enterprises;
- information support of small and medium-sized enterprises;

[34] EU SMEs in 2012: at the crossroads. Annual report on small and medium-sized enterprises in the EU, 2011/12 URL: http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/files/supporting-documents/2012/annual-report_en.pdf.

[35] The Panel session *Entrepreneurship in Kazakhstan: Challenges and Opportunities* at VI Astana Economic Forum; see http://www.eurasiancommission.org/ru/nae/news/Pages/24–05–2013–2.aspx.

**Table 5.14. Responses to the question "Do you know about the creation of the National Platform for Business in Belarus?"**

| | 2010 | | 2011 | | 2012 | | 2013 | |
|---|---|---|---|---|---|---|---|---|
| | Number | % | Number | % | Number | % | Number | % |
| Yes | 77 | 19.9 | 123 | 30.2 | 99 | 24.8 | 94 | 23.0 |
| No | 312 | 80.1 | 284 | 69.8 | 301 | 75.2 | 315 | 77.0 |
| Total | 389 | 100.0 | 407 | 100.0 | 400 | 100.0 | 409 | 100.0 |

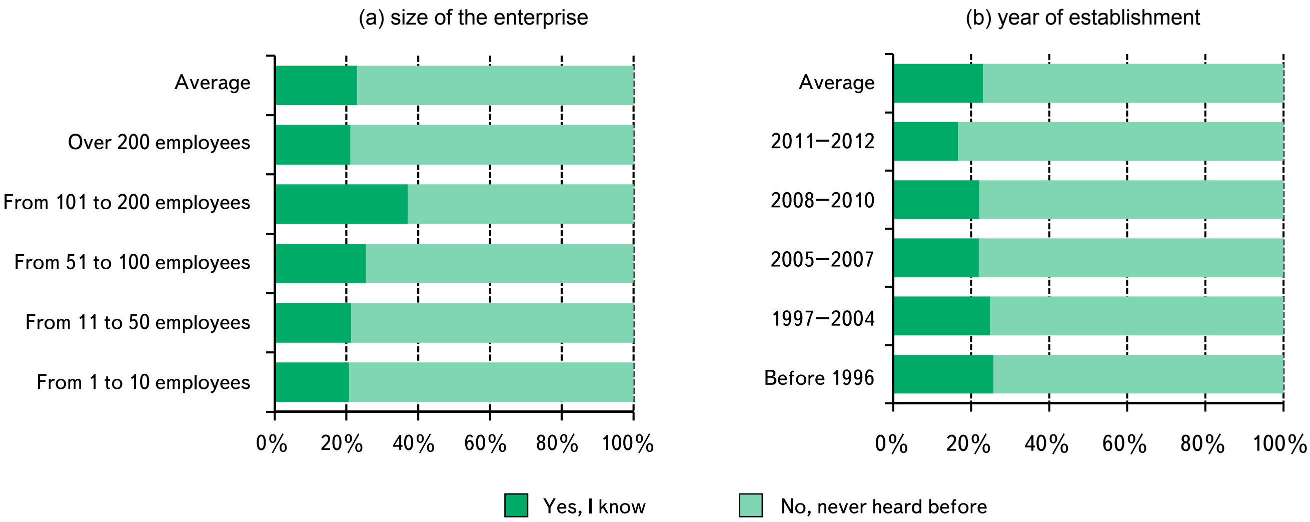
*Source*: IPM Research Center.

**Table 5.15. Responses to the question "Do you know about the creation of the National Platform for Business in Belarus?" depending on membership in business unions**

| | 2010 | | | | 2011 | | | | 2012 | | | | 2013 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Yes | | No | | Yes | | No | | Yes | | No | | Yes | | No | |
| Do you know about the NPBB? | Number | % | % | Number | Number | % | % | Number | Number | % | % | Number | Number | % | % | Number |
| Yes | 17 | 63.0 | 16.6 | 60 | 35 | 55.6 | 25.6 | 88 | 19 | 61.3 | 21.7 | 80 | 29 | 70.7 | 17.7 | 65 |
| No | 10 | 37.0 | 83.4 | 302 | 28 | 44.4 | 74.4 | 256 | 12 | 38.7 | 78.3 | 289 | 12 | 29.3 | 82.3 | 303 |
| Total | 27 | 100.0 | 100.0 | 362 | 63 | 100.0 | 100.0 | 344 | 31 | 100.0 | 100.0 | 369 | 41 | 100.0 | 100.0 | 368 |

Source: IPM Research Center.

**Figure 5.3. Awareness about the National Business Platform in Belarus depending on the size of the enterprise and year of establishment**




*Source*: IPM Research Center.

- system of training, advanced training and re-training for small and medium-sized enterprises, research work on the development of small and medium-sized enterprises;
- improvement of the legislation;
- stimulation of business activities by individual population groups;
- organization of business by the unemployed, wide involvement in business activities of socially vulnerable groups.

On the other hand, it is easy to see that this Program is aimed not only at improving the business environment of existing small and medium-sized enterprises, but also at stimulating business activities among various categories of citizens. This means that business associations, taking an active part in the implementation of the Program, are able to attract new members, who initially need consulting support. In other words, *attraction of new small and medium-sized businesses is a potential resource for increasing the number of business union members.*

One of the directions of this activity may be the promotion and development of the National Business Platform of Belarus.

## 5.4. The National Business Platform in Belarus and ways to improve it

### *5.4.1. Awareness and opinion on the NPBB among Belarusian SMEs*

In 2012, the awareness of small and medium-sized enterprises about the National Platform for Business remained roughly at the level of the previous year (Table 5.14). According to the results of the survey in 2013, 23% of the respondents reported about their awareness, while 77% stated the opposite.

In 2012 the trend when members of business unions were more likely to

**Table 5.16. Responses to the question "Do you support main ideas of the the National Platform for Business in Belarus"**

| | 2010 | | 2011 | | 2012 | | 2013 | |
|---|---|---|---|---|---|---|---|---|
| | Number | % | Number | % | Number | % | Number | % |
| Yes, incl.: | 65 | 84.1 | 98 | 79.6 | 79 | 79.8 | 72 | 76.6 |
| completely | 13 | 16.8 | 25 | 20.3 | 18 | 18.2 | 15 | 16.0 |
| likely to support | 52 | 67.3 | 73 | 59.3 | 61 | 61.6 | 57 | 60.6 |
| Unlikely to support | 13 | 15.9 | 18 | 14.6 | 14 | 14.1 | 6 | 6.4 |
| NA/don't know | – | – | 7 | 5.7 | 6 | 6.1 | 16 | 17.0 |
| Total | 77 | 19.9 | 123 | 100.0 | 99 | 100.0 | 94 | 100.0 |

*Source*: IPM Research Center.

**Table 5.17. Responses to the question "Do you support main ideas of the National Platform for Business in Belarus" depending on membership in business unions**

| | 2010 | | | | 2011 | | | | 2012 | | | | 2013 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Yes | | No | | Yes | | No | | Yes | | No | | Yes | | No | |
| | Number | % | % | Number | Number | % | % | Number | Number | % | % | Number | Number | % | % | Number |
| Yes, incl.: | 16 | 93.1 | 81.7 | 49 | 31 | 88.5 | 76.1 | 67 | 17 | 89.5 | 72.1 | 62 | 28 | 96.6 | 67.7 | 44 |
| completely | 4 | 23.5 | 15.0 | 9 | 13 | 37.1 | 13.6 | 12 | 6 | 31.6 | 14.0 | 12 | 8 | 27.6 | 10.8 | 7 |
| likely to support | 12 | 70.6 | 66.7 | 40 | 18 | 51.4 | 62.5 | 55 | 11 | 57.9 | 58.1 | 50 | 20 | 69.0 | 56.9 | 37 |
| Unlikely to support | 1 | 5.9 | 18.3 | 11 | 1 | 2.9 | 17.0 | 15 | 1 | 5.3 | 17.4 | 15 | 1 | 3.4 | 7.7 | 5 |
| NA/don't know | - | - | - | - | 0 | 0.0 | 2.3 | 2 | 1 | 5.3 | 10.5 | 9 | 0 | 0.0 | 24.6 | 16 |
| Total | 17 | 100.0 | 100.0 | 60 | 35 | 100.0 | 100.0 | 88 | 19 | 100.0 | 100.0 | 86 | 29 | 100.0 | 100.0 | 65 |

*Source*: IPM Research Center.

**Table 5.18. Priority of goals of the National Business Platform in Belarus in 2013, %**

| | 1 | 2 | 3 | 4 | 5 | 6 | Average score |
|---|---|---|---|---|---|---|---|
| Fair competition | 38.1 | 25.6 | 11.9 | 8.0 | 9.1 | 7.4 | 2.466 |
| Effective de-bureaucratization | 9.7 | 13.1 | 22.7 | 26.7 | 16.5 | 11.4 | 3.614 |
| Business environment regulation | 14.2 | 22.7 | 19.9 | 19.3 | 12.5 | 11.4 | 3.273 |
| Honest privatization | 9.1 | 11.4 | 22.3 | 12.0 | 23.4 | 21.7 | 3.943 |
| Full-scale modernization | 15.9 | 15.9 | 16.5 | 17.1 | 19.9 | 14.8 | 3.534 |
| Responsible partnership of the business and the government | 17.4 | 15.1 | 14.0 | 15.1 | 12.2 | 26.2 | 3.680 |

*Note*. "1" – most important goal, "6" – least important goal.

*Source*: IPM Research Center.

know about the National Business Platform remained (Table 5. 15). Moreover, while in 2011 61.3% of the respondents stated about their awareness, in 2012 their number was 70.7%. At the same time, the number of non-members of business unions who knew about the Platform among slightly declined – from 38.7% in 2011 to 29.3% in 2012.

In the survey the knowledge of the National Business Platform was often demonstrated by the representatives of large enterprises employing from 50 to 200 people (Figure 5.3a), as well as by older companies established before 2004 (Figure 5.3b).

Despite the fact that in 2012 the level of support to the National Business Platform by Belarusian SMEs slightly decreased compared to 2011 (by 3.2 percentage points), the results obtained do not allow to clearly state the decline in the popularity of the document among local entrepreneurs, as at the same time the number of those who found it difficult to answer the question dramatically increased (from 6.1% to 17%). At the same time, the level of support remains rather high: in 2012 it was 79.8%, and in 2013 – 76.6% (Table 5.16). However, this relatively large number of the respondents who found it difficult to answer this question arouses some doubts about the simplicity and clarity of the main objectives of the Belarusian National Platform for small and medium-sized business.

The level of support to the National Business Platform among members of business associations remains at a very high level. 96.6% of the respondents expresses their support for the document to some extent, and more than a quarter (27.6%) stated that they "fully support" the Platform (Table 5. 17). These figures are also high among the entrepreneurs who are not members of business associations amounting to 67.7% and 10.8%, respectively.

According to the surveyed respondents, the main task of the National Business Platform in Belarus in 2013 was honest privatization (the average score was 3.943) (Table 5.18), followed by responsible partnership of the business and the government (3.68), the effective de-bureaucratization (3.614), a full-scale modernization (3.534) and the regulation of the business environment (3.273). Despite the fact that the "rank" of the goal of fair competition was the lowest among the suggested options (2.466), in general, we can state a high level of support for all the goals of the Platform by the business community.

As a result, the level of awareness and level of support to the National Business Platform, depending on whether entrepreneurs are members of business unions or not, will be as follows:

Despite a high level of support for the National Business Platform in Belarus, local businessmen in a minority of cases suggest that this document and its practical implementation play a significant role in the consolidation of the business community to protect their interests and improving the business climate (Table 5.20, 5.22). According to the survey, this was reported by 19.2% and 21.3% of the respondents, respectively. Here, we can only note the fact that the positive assessment of the importance of business platforms in these two dimensions is traditionally higher among members of business associations: 24.1% versus 16.9% of the respondents in relation to the issue of consolidation of the business community to protect their interests and 31% versus 16.9% of the respondents in relation to improving the business climate (Table 5.21, 5.23).

Based on the survey of Belarusian SMEs, it can be concluded that the National Business Platform in Belarus enjoys a high popularity and level of support, especially among members of business unions. To this end, we can commend their efforts to promote it in the business environment of the country. In addition, the need to further strengthen the dialogue between the business and the government as one of the areas of the BNBP–2013 was pointed out by the domestic entrepreneurs as the second most important goal of the document. However, the survey also revealed that businesses are expected to carry out more active and efficient practical implementation of the objectives of the Platform, as well as continued work to promote it among a larger number of representatives of the Belarusian small and medium-sized businesses.

**Table 5.19. Awareness and level of support to the National Business Platform in Belarus depending on membership in business unions in 2011–2013, %**

| Year | Know about the Platform | Support its ideas |
|---|---|---|
| *Members in business unions* | | |
| 2010 | 63 | 94 |
| 2011 | 56 | 89 |
| 2012 | 61 | 90 |
| 2013 | 71 | 97 |
| *Non-members of business unions* | | |
| 2010 | 17 | 82 |
| 2011 | 26 | 76 |
| 2012 | 22 | 72 |
| 2013 | 18 | 69 |

*Source*: IPM Research Center.

**Table 5.20. Responses to the question “If you know about NPBB, what is its role in business community consolidation on protection of their interests?”**

| | Number | % |
|---|---|---|
| Significant role | 18 | 19.2 |
| Insignificant role | 44 | 46.8 |
| No role | 12 | 12.8 |
| NA/don’t know | 20 | 21.3 |
| Total | 94 | 100.0 |

*Source*: IPM Research Center.

**Table 5.21. Responses to the question “If you know about NPBB, what is its role in business community consolidation on protection of their interests?” depending on membership in business unions**

| | Members of business unions | | Non-members of business unions | |
|---|---|---|---|---|
| | Number | % | % | Number |
| Significant role | 7 | 24.1 | 16.9 | 11 |
| Insignificant role | 15 | 51.7 | 44.6 | 29 |
| No role | 3 | 10.3 | 13.8 | 9 |
| NA/don’t know | 4 | 13.8 | 24.6 | 16 |
| Total | 29 | 100.0 | 100.0 | 65 |

*Source*: IPM Research Center.

**Table 5.22. Responses to the question “If you know about the BNBP, what is its role in business climate improvement?”**

| | Number | % |
|---|---|---|
| Significant role | 20 | 21.3 |
| Insignificant role | 45 | 47.9 |
| No role | 14 | 14.9 |
| NA/don’t know | 15 | 16.0 |
| Total | 94 | 100.0 |

*Source*: IPM Research Center.

**Table 5.23. Responses to the question “If you know about the BNBP, what is its role in business climate improvement?” depending on membership in business unions**

| | Members of business unions | | Non-members of business unions | |
|---|---|---|---|---|
| | Number | % | % | Number |
| Significant role | 9 | 31.0 | 16.9 | 11 |
| Insignificant role | 15 | 51.7 | 46.2 | 30 |
| No role | 2 | 6.9 | 18.5 | 12 |
| NA/don’t know | 3 | 10.3 | 18.5 | 12 |
| Total | 29 | 100.0 | 100.0 | 65 |

*Source*: IPM Research Center.

*5.4.2. Areas of the National Business Platform in Belarus in 2013*

The *Belarus National Business Platform 2013* Project (BNBP–2013) was officially launched during the fourteenth Assembly of Business Circles of Belarus. As presented in the document, the Belarus National Business Platform is part of the proposed systemic measures to create "Belarus of the future" by which the authors of the Platform understand a country with a developed financial system, modern payment systems, stable prices, the open competition of banks, insurance companies, pension and investment , venture capital and other funds. In "Belarus of the future" "the main engines of economic growth is the cooperation of large and small businesses, public-private partnership of the business and the government. Large companies do not discriminate against small ones. Foreign investors operate under the same market conditions as domestic companies – without benefits and privileges of the country of origin."

At the same time it is stated that the government should focus on the development of high-quality laws and unconditional compliance of all parties of the Belarusian market. It is the prerogative of the private business to select business projects, identify ways for innovation development, carry out business planning, and determine sources of financing and parameters of production and trade. The role of the government in the BNBP 2013 is established as the protection of ownership, including rights of minority shareholders, counteraction to the formation of monopolies, prevention of discrimination of small businesses, ensuring prompt adjudication by the courts, as well as quick and unquestioning enforcement of court decisions.

The relevance of these issues is beyond doubt, as recently Belarus has observed some mixed trends with the potential deterioration of the business environment. They, in particular, include the practice of *de facto* partial nationalization of enterprises through an additional issue of shares in favor of the public property, as well as an attempt to partially return the "golden share" in the new form. The latter is provided by the draft Law on amendments to the Law "On Privatization of State-Owned Property and Conversion of State-Owned Unitary Enterprises into Joint-Stock Companies", which transfers to state representatives the right to vote at meetings of joint stock companies with the rights of minority shareholders. In addition, the draft Law provides for a possibility to appoint state representatives even in those joint-stock companies created through privatization which have no state share. According to the draft Law, such government representatives will be appointed by regional and Minsk City Executive Committees. Moreover, state representatives will be able to suspend the execution of decisions of the general meeting of shareholders "if the implementation of these decisions is contrary to the public good and safety, damages the environment, or infringes on the rights and legally protected interests of others."

As a result, the BNBP–2013 Project included more than 100 proposals, grouped into six thematic sections, which contain proposals to address the following priority issues for business:

1. ***Fair competition.*** Belarus has not created a level playing field for business activities of public and private businesses. SMEs and individual entrepreneurs often face discrimination in access to credit, land and real estate. Inequality in business conditions manifests itself in the lease relations, tax policy, settlements, access to raw materials, and tenders and auctions. Do not set up effective institutions and mechanisms of antitrust regulation. There is still no independent anti-monopoly authority. Administrative restrictions of the competitive field within the country hinder the modernization of the economy and implementation of urgent structural reforms.

2. ***Effective de-bureaucratization.*** Belarusian business continues to operate under heavy tax and regulatory burdens. According to the World Bank, an average Belarusian business pays taxes in the amount equivalent to 60.7% of its gross profit. This is one of the most unfavorable indicators in Europe and Central Asia. Businesses bear large costs incurred by the procedures for obtaining permits, in the process of harmonization of different parameters of their activities, and inspection activities. These procedures still a high degree of subjective evaluations of officials. The situation is aggravated by the lack of transparent, clear regulatory procedures for all market participants. The duplication of functions and powers of various governing bodies of national and local levels still remains.

3. ***Regulatory optimization.*** The activities of Belarusian business are complicated by the ineffective macroeconomic policy. Severe restrictions on foreign currency lending and very expensive borrowed funds in the national currency severely limit financing business. Undeveloped stock and financial markets aggravate the situation of SMEs and individual entrepreneurs in an increasingly competitive environment. Remain difficult and costly certification procedures and obtaining licenses. SMEs and individual entrepreneurs incur additional costs because of the low payment discipline of public organizations. Belarus remains a costly and expensive entry into the market of construction. Manufacturing business was held back by hundreds of intricate procedures and approvals, in which officials have no motivation to encourage the development of competition and the implementation of new business projects.

4. ***Honest privatization.*** The competitiveness of the public sector is falling. The formation of large vertically integrated holdings has features of creation of regional and industry oligopolies. There are high property risks for mino-

rity shareholders. Shareholders of open joint stock companies are in the situation of growing uncertainty. Interests and the potential of small and medium-sized enterprises in this model of restructuring are not taken into account. The isolation of small and medium-sized businesses from privatization is increasing. The threat of raiding, including nomenclature raiding, in process of the implementation of modernization programs is increasing. Strong centralization and concentration of investment resources on public projects and programs hamper private initiative and block the entry of Belarus into the regional and world division of labor.

5. ***Full modernization.*** Modernization of Belarus is held back by the old legal and social institutions. According to the World Bank Institute, Belarus enters the group of 30 most disadvantaged countries in the world by the quality of governance. Implementation of "green field" projects has high costs in Belarus. Weak links between the science and industry, distorted incentives for inventors and innovators, underdeveloped institutions of venture financing of small businesses create a risk of technological backwardness of the country. Authorities declare the policy of attracting investors; however, potential investors find it very difficult to obtain information.

6. ***Responsible partnership.*** Public-private partnerships and a constructive dialogue between the business and the government in Belarus are declared but not implemented. The authorities address predominantly tactical, short-term objectives to the detriment of the development strategy. Most decisions that directly affect business are made without the participation of their representatives. Dialogue platforms, which formally involve representatives of the business community, are isolated from real decision-making procedures on the business climate and economic policy in general. Access to quality information and analytics is sharply limited, and the government's economic policy is often unpredictable for SMEs.

Based on the micro-economic situation in Belarus, it can be argued that the National Business Platform in Belarus as a major initiative of the business community to protect and promote their interests through business unions is still relevant and has no viable alternative at the moment. At the same time, there is some discrepancy between the trends found in the survey and main goals of the Platform, which does not take into account some of the promising areas to promote it and to attract new members. Its future development in the light of these trends will undoubtedly enhance the effectiveness of the practical implementation of this document.

### 5.5. Key findings

In general we can state a high popularity and effectiveness of various activities of business unions as identified in the survey of Belarusian SMEs. Noteworthy is the fact that members of business unions have shown a consistently high level of awareness and level of support to the National Business Platform in recent years.

At the same time, the results of the survey of small and medium-sized enterprises have shown that a number of representatives of SMEs in Belarus still lack the information about the performance of Belarusian unions and the benefits received by their members. Despite some increase in the proportion of members of business unions, the practice of recent years suggests that the format of its provision to the business of a "classic" set of services the number of members of business union reached a certain level of "saturation" when the subsequent increase in the number of participants is likely to occur to a very limited extent. This raises the issue of finding new ways to attract domestic small and medium-sized businesses to enterprise unions, which, no doubt, should include new aspects of business union activities and a more active and effective dialogue with public authorities.

As a result, there were identified three areas of activities of business unions to enhance the promotion of interests of small and medium-sized businesses and a more efficient dialogue between the business and the government:

First, to increase the representation and protection of interests of the business community in the context of the participation of the Republic of Belarus in the Eurasian integration.

Secondly, to intensify the dialogue with the authorities on the creation of favorable conditions for the beginning and intensive development of business in Belarus under a number of state programs.

Third, to expand public information component of business unions that would focus on the promotion of the main activities of unions and attraction of new members.

Activities of business unions to protect and promote the interests of business in the coming years will have an increasing support from various groups of the population. The nationwide survey of the Independent Institute of Socio-Economic and Political Studies (IISEPS) carried out in June 2013 showed that almost a third of the population (30.4%) pins hopes on the economic development of the country with Belarusian businesses.[36] Undoubtedly, such public support for creating favorable conditions for the further development of business associations and their initiatives.

[36] http://iiseps.org/dannye/41.

# APPENDIX
# DEVELOPMENT OF SMALL AND MEDIUM-SIZED ENTERPRISES IN BELARUS, 2013

## SECTION 1. GENERAL INFORMATION ABOUT THE COMPANY AND THE RESPONDENT

### 1. What is the main sphere of activity of your company?

| | Number of SMEs | % |
|---|---|---|
| Trade | 122 | 29.8 |
| Catering | 23 | 5.6 |
| Manufacture | 71 | 17.4 |
| Construction | 59 | 14.4 |
| Transport and communications | 35 | 8.6 |
| Consumer services | 25 | 6.1 |
| Consulting services | 2 | 0.5 |
| Education | 3 | 0.7 |
| IT services | 20 | 4.9 |
| Tourism | 15 | 3.7 |
| Advertising | 8 | 2.0 |
| Publishing | 7 | 1.7 |
| Real estate | 12 | 2.9 |
| Other | 7 | 1.7 |
| Total | 409 | 100.0 |

### 2. What is your business legal structure?

| | Number of SMEs | % |
|---|---|---|
| Unitary enterprise (UE) | 182 | 44.5 |
| Limited liability company (LLC) | 100 | 24.4 |
| Additional liability company (ALC) | 53 | 13.0 |
| Open joint-stock company (OJSC) | 32 | 7.8 |
| Closed joint-stock company (CJSC) | 15 | 3.7 |
| Production cooperative (PC) | 6 | 1.5 |
| Other | 18 | 4.4 |
| Total | 409 | 100.0 |

### 3. What is the number of workers at your company?

| | Number of SMEs | % |
|---|---|---|
| From 1 to 10 | 130 | 31.8 |
| From 11 to 50 | 141 | 34.5 |
| From 51 to 100 | 51 | 12.5 |
| From 101 to 200 | 35 | 8.6 |
| Over 200 | 52 | 12.7 |
| Total | 409 | 100.0 |

### 4. What is the year of foundation of your company?

| | Number of SMEs | % |
|---|---|---|
| Before 1996 | 70 | 17.1 |
| 1997–2004 | 117 | 28.6 |
| 2005–2007 | 91 | 22.2 |
| 2008–2010 | 95 | 23.2 |
| 2011–2012 | 36 | 8.8 |
| Total | 409 | 100.0 |

## 5. Region

| | Number of SMEs | % |
|---|---|---|
| Minsk | 107 | 26.2 |
| Minsk region | 52 | 12.7 |
| Brest | 17 | 4.2 |
| Brest region | 38 | 9.3 |
| Grodno | 22 | 5.4 |
| Grodno region | 27 | 6.6 |
| Vitebsk | 24 | 5.9 |
| Vitebsk region | 27 | 6.6 |
| Gomel | 26 | 6.4 |
| Gomel region | 31 | 7.6 |
| Mogilev | 29 | 7.1 |
| Mogilev region | 9 | 2.2 |
| Total | 409 | 100.0 |

## 6. Respondent's gender

| | Number of SMEs | % |
|---|---|---|
| Male | 188 | 46.0 |
| Female | 221 | 54.0 |
| Total | 409 | 100.0 |

## 7. Respondent's position

| | Number of SMEs | % |
|---|---|---|
| Director | 128 | 31.3 |
| Deputy Director | 83 | 20.3 |
| Accounts Manager | 89 | 21.8 |
| Head of department | 58 | 14.2 |
| Other | 3 | 0.7 |
| Manager | 23 | 5.6 |
| Specialist | 25 | 6.1 |
| Total | 409 | 100.0 |

## SECTION 2. ECONOMIC SITUATION IN THE COMPANY IN TIME OF CRISIS

## 8. What is the current economic situation in your company?

| | Number of SMEs | % |
|---|---|---|
| Bad | 15 | 3.7 |
| Below average | 95 | 23.2 |
| Stable | 253 | 61.9 |
| Above average | 28 | 6.8 |
| Good | 18 | 4.4 |
| Total | 409 | 100.0 |

## 9. How did the competition in the market change over the last three years?

| | Number of SMEs | % |
|---|---|---|
| Increased | 247 | 60.4 |
| Remained the same | 129 | 31.5 |
| Decreased | 21 | 5.1 |
| NA/don't know | 12 | 2.9 |
| Total | 409 | 100.0 |

## 10. How important are the following goals for your company at the moment? *("1" – of no importance, "5" – very important*)

| | 1 | 2 | 3 | 4 | 5 | NA/don't know | Total | Average |
|---|---|---|---|---|---|---|---|---|
| Expansion, business development | 4.9 | 8.6 | 12.7 | 19.6 | 42.8 | 11.5 | 100 | 3.981 |
| Preservation of the level achieved | 0.5 | 1.5 | 9.5 | 24.7 | 51.6 | 12.2 | 100 | 4.429 |
| Survival | 8.1 | 7.1 | 16.6 | 14.7 | 34.2 | 19.3 | 100 | 3.742 |

**11. What internal factors (controllable by the company) help you in doing business successfully?** *("–5" – complicates extremely; "0" – doesn't matter; "5" – very helpful)*

| | Complicates extremely | | | Doesn't matter | | | | | Very helpful | | | NA/ don't know | Total | Ave- rage |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | –5 | –4 | –3 | –2 | –1 | 0 | 1 | 2 | 3 | 4 | 5 | | | |
| Team availability/absence | 2.0 | 0.7 | 2.2 | 2.7 | 2.2 | 4.2 | 4.2 | 9.8 | 16.9 | 13.9 | 40.6 | 0.7 | 100 | 3.08 |
| Management professional level | 1.0 | 1.5 | 0.7 | 1.2 | 1.5 | 8.8 | 3.7 | 11 | 17.8 | 14.2 | 37.2 | 1.5 | 100 | 3.09 |
| Presence/absence of delegation of authority from top management to lower-level management practice, reduction of centralization in decision-making | 1.0 | 0.5 | 2.7 | 1.2 | 1.7 | 30.8 | 6.8 | 13.2 | 17.8 | 8.6 | 14.7 | 1.0 | 100 | 1.77 |
| Market knowledge, ability to predict market conditions | 0.5 | 0.7 | 1.0 | 1.2 | 0.7 | 6.1 | 5.4 | 9.8 | 23.0 | 18.6 | 32.8 | 0.2 | 100 | 3.21 |
| Ability to produce competitive product | 0.0 | 0.2 | 1.5 | 1.5 | 1.2 | 14.7 | 5.6 | 7.3 | 16.1 | 13.2 | 36.2 | 2.4 | 100 | 3.00 |
| Relations with authorities and influential people | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 20.9 | 15.2 | 11.8 | 14.3 | 13.3 | 24.6 | 0.0 | 100 | 2.57 |
| Level of legislation knowledge, and ability to defend the rightness | 0.7 | 0.5 | 0.5 | 1.2 | 2.4 | 12.2 | 9.8 | 12.2 | 14.4 | 13.4 | 31.8 | 0.7 | 100 | 2.80 |

**12. What external factors (not dependent on your company) affect your successful doing business?** (*«–5» – complicates extremely, «0» – doesn't matter, «5» – very helpful*)

| | Complicates extremely | | | Doesn't matter | | | | | Very helpful | | | NA/ don't know | Total | Ave- rage |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | –5 | –4 | –3 | –2 | –1 | 0 | 1 | 2 | 3 | 4 | 5 | | | |
| Level of competition in the market | 20.0 | 9.0 | 18.8 | 11.5 | 4.2 | 8.3 | 7.3 | 5.6 | 8.1 | 1.7 | 5.1 | 0.2 | 100 | –1.45 |
| State support | 1.5 | 1.7 | 3.2 | 4.6 | 4.9 | 37.9 | 5.6 | 6.6 | 13.2 | 9.5 | 9.8 | 1.5 | 100 | 1.09 |
| Business environment in comparison to public sector | 3.9 | 3.2 | 11.0 | 12 | 6.6 | 37.4 | 5.4 | 4.9 | 7.3 | 3.4 | 2.0 | 2.9 | 100 | –0.36 |
| Level of property rights and private business interests protection | 2.2 | 2.9 | 5.9 | 11.7 | 6.4 | 30.8 | 8.8 | 10.5 | 10.0 | 3.4 | 6.1 | 1.2 | 100 | 0.34 |
| Corruption level | 11.0 | 3.9 | 12.2 | 15.4 | 10.0 | 35.2 | 2.4 | 2.0 | 2.7 | 2.2 | 0.2 | 2.7 | 100 | –1.27 |
| Foreign exchange regulation | 5.1 | 7.1 | 11.5 | 13.0 | 9.5 | 32.5 | 6.1 | 4.4 | 6.1 | 1.2 | 2.0 | 1.5 | 100 | –0.77 |
| Tax regulation and tax rates | 6.4 | 6.1 | 17.4 | 16.9 | 11.7 | 22.0 | 5.1 | 4.2 | 3.7 | 2.9 | 1.5 | 2.2 | 100 | –1.13 |
| Rent rates | 17.6 | 10 | 21.5 | 12.2 | 8.1 | 14.2 | 2.7 | 3.2 | 3.7 | 1.7 | 2.2 | 2.9 | 100 | –1.93 |
| System of inspections and penalties | 13.0 | 8.6 | 19.8 | 15.4 | 12.0 | 17.1 | 2.9 | 3.2 | 4.2 | 2.0 | 0.2 | 1.7 | 100 | –1.73 |
| Rates on banks' and other financial institutions' loans | 14.9 | 5.9 | 14.7 | 12.2 | 8.1 | 28.4 | 3.2 | 3.2 | 4.2 | 2.0 | 2.0 | 1.5 | 100 | –1.37 |
| Economic policy of other countries | 2.7 | 2 | 3.2 | 6.8 | 5.9 | 64.5 | 3.7 | 2.4 | 3.9 | 1.5 | 1.5 | 2.0 | 100 | –0.17 |
| Level of access to legislative information | 0.7 | 1.7 | 1.7 | 3.4 | 2.0 | 34 | 8.6 | 11.7 | 15.9 | 8.8 | 10 | 1.5 | 100 | 1.43 |
| Level of access to market data | 1.7 | 1.0 | 2.2 | 4.4 | 3.4 | 33.7 | 8.3 | 12.2 | 13.4 | 8.8 | 9.5 | 1.2 | 100 | 1.26 |

**13. What do you see as the most significant obstacles for doing business in Belarus?** *("1" – the biggest obstacle; "5" – insignificant)*

| | biggest obstacle | | | Insignificant obstacle | | NA/don't know | Total |
|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | | |
| Access to financial resources | 22.7 | 13.4 | 7.6 | 6.6 | 9.0 | 40.6 | 100 |
| Ineffective state administration | 13.2 | 14.4 | 7.6 | 6.1 | 7.3 | 51.3 | 100 |
| Activity restricting labor market regulation | 10.0 | 12.2 | 10.0 | 7.1 | 5.4 | 55.3 | 100 |
| Tax rates | 23.2 | 17.1 | 8.8 | 8.8 | 7.3 | 34.7 | 100 |
| Tax regulation | 14.0 | 16.9 | 7.4 | 6.9 | 5.9 | 49.0 | 100 |
| Corruption | 17.4 | 15.9 | 10.0 | 5.6 | 5.9 | 45.2 | 100 |
| Low labor force ethics level | 11.7 | 10.3 | 12.2 | 6.6 | 10.0 | 49.1 | 100 |
| Inadequate infrastructure | 7.3 | 11.0 | 12.5 | 2.9 | 5.6 | 60.6 | 100 |
| Inadequate labor force education | 9.3 | 9.5 | 14.9 | 7.3 | 6.1 | 52.8 | 100 |
| Unstable policy | 5.6 | 10.8 | 11.0 | 7.6 | 8.3 | 56.6 | 100 |
| Authorities' instability | 5.6 | 8.1 | 11.8 | 7.1 | 11.0 | 56.4 | 100 |
| Inflation | 30.3 | 15.4 | 8.8 | 7.1 | 6.6 | 31.8 | 100 |
| Crime and theft | 11.5 | 9.8 | 13.7 | 5.1 | 8.3 | 51.6 | 100 |
| Currency market regulation | 8.8 | 11.2 | 12.5 | 5.4 | 4.9 | 57.2 | 100 |
| Low level of healthcare | 6.4 | 5.1 | 11.2 | 5.1 | 5.4 | 66.7 | 100 |

| | biggest obstacle | | | Insignificant obstacle | | NA/don't know | Total |
|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | | |
| Enforcing Contracts | 10.3 | 8.1 | 13.7 | 6.1 | 4.6 | 57.2 | 100 |
| Securing property rights and property protection (physical) | 6.6 | 8.1 | 12.0 | 7.1 | 4.6 | 61.6 | 100 |
| Securing property rights and property protection (intellectual) | 6.1 | 5.4 | 12.0 | 6.8 | 3.2 | 66.5 | 100 |
| The independence and competence of the courts | 5.9 | 6.1 | 12.2 | 3.7 | 5.4 | 66.7 | 100 |
| Independence and competence of mass media | 5.4 | 5.9 | 12.2 | 3.2 | 7.1 | 66.3 | 100 |

**14. In your opinion, what are the main strengths and shortcomings of tax legislation?** *(on a scale from –5 to 5, where ("–5" – the situation deteriorated significantly; "0" – remained the same; "5" – improved significantly)*

| | –5 | –4 | –3 | –2 | –1 | 0 | 1 | 2 | 3 | 4 | 5 | NA | Total | Average |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Number of taxes and dues | 6.6 | 4.9 | 6.4 | 15.4 | 14.2 | 24.9 | 6.8 | 8.3 | 5.1 | 1.7 | 3.7 | 2.0 | 100 | –0.54 |
| Total amount of taxes (tax liabilities) | 9.0 | 6.6 | 8.1 | 15.2 | 16.9 | 20.8 | 7.8 | 4.9 | 5.9 | 3.2 | 0.7 | 1.0 | 100 | –0.92 |
| Frequency of changes in the tax legislation | 6.8 | 3.2 | 7.1 | 12.5 | 17.4 | 29.6 | 9.5 | 4.9 | 4.6 | 2.4 | 0.7 | 1.2 | 100 | –0.65 |
| Regularity of filing and taxes and dues payments | 1.5 | 1.5 | 4.2 | 3.7 | 12.5 | 43.5 | 12.7 | 8.1 | 5.1 | 3.9 | 2.0 | 1.5 | 100 | 0.25 |
| Time and efforts spent on tax payments | 2.4 | 2.7 | 4.4 | 6.8 | 14.9 | 33.7 | 12.7 | 11 | 4.2 | 3.4 | 2.0 | 1.7 | 100 | 0.06 |
| Open access to tax information | 1.7 | 0.5 | 2.9 | 2.9 | 7.1 | 32.5 | 12.7 | 9.8 | 13.4 | 7.8 | 6.4 | 2.2 | 100 | 1.06 |

**15. In your opinion, what are the main strengths and shortcomings of the inspection and penalties system?** *(on a scale from –5 to 5, where ("–5" – the situation deteriorated significantly; "0" – remained the same; "5" – improved significantly)*

| | –5 | –4 | –3 | –2 | –1 | 0 | 1 | 2 | 3 | 4 | 5 | NA | Total | Average |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Penalties amount | 10.3 | 6.6 | 13.4 | 13.2 | 14.2 | 26.7 | 4.9 | 3.7 | 2 | 1 | 1.7 | 2.4 | 100 | –1.31 |
| Violation and sanctions correlation | 12.2 | 5.4 | 14.7 | 10.8 | 14.9 | 26.4 | 7.3 | 2.4 | 2.2 | 1.7 | 0.2 | 1.7 | 100 | –1.39 |
| Number of inspections | 4.2 | 6.8 | 6.8 | 8.8 | 12.7 | 28.1 | 10.5 | 8.3 | 7.1 | 3.2 | 1.7 | 1.7 | 100 | –0.30 |
| Availability of information on rules and regulations | 2.0 | 1.5 | 3.2 | 5.4 | 6.6 | 30.8 | 10.8 | 14.4 | 10.3 | 6.6 | 7.1 | 1.5 | 100 | 0.91 |
| Time required for taxes' calculation and payment | 3.4 | 4.4 | 4.4 | 8.3 | 10.3 | 39.9 | 7.1 | 8.8 | 5.1 | 2.7 | 3.2 | 2.4 | 100 | –0.08 |

## SECTION 3. CONDITIONS OF DOING BUSINESS IN BELARUS

**16. How did the economic situation in your company change over the last year?**

| | Number of SMEs | % |
|---|---|---|
| Significantly worsened | 22 | 5.4 |
| Slightly worsened | 113 | 27.6 |
| Remained the same | 176 | 43.0 |
| Slightly improved | 76 | 18.6 |
| Significantly improved | 8 | 2.0 |
| NA/don't know | 14 | 3.4 |
| Total | 409 | 100.0 |

**17. Please assess your company's performance in 2012.**

| | Decreased | Remained the same | Increased | NA/don't know | Total |
|---|---|---|---|---|---|
| Turnover (sales volume) | 27.6 | 48.7 | 22.2 | 1.5 | 100 |
| Profit | 33.0 | 47.4 | 17.8 | 1.7 | 100 |
| Employment | 19.6 | 65.8 | 14.2 | 0.5 | 100 |
| Investments | 23.7 | 47.9 | 11.7 | 16.6 | 100 |

**18. What is your forecast for your company's performance in 2013?**

| | Will decrease | Will remain steady | Will increase | NA/don't know | Total |
|---|---|---|---|---|---|
| Turnover (sales volume) | 15.6 | 49.4 | 34.2 | 0.7 | 100 |
| Profit | 18.3 | 47.2 | 34.0 | 0.5 | 100 |
| Employment | 12.5 | 62.8 | 24.4 | 0.2 | 100 |
| Investments | 14.9 | 47.2 | 21.3 | 16.6 | 100 |

## 19. What negative external changes is your company the most sensitive to?

| | Number of SMEs | Frequency of the answer given |
|---|---|---|
| Fall of the population purchasing power within the country | 289 | 70.7 |
| Delays (non-payments) in payments for delivered products | 155 | 37.9 |
| Decrease of demand from SOEs | 73 | 17.8 |
| Customers' reorientation towards cheaper suppliers | 157 | 38.4 |
| Limited access to banks' financial resources | 104 | 25.4 |
| Decreased demand for company's products in external markets | 61 | 14.9 |
| Restrictions in the currency market | 44 | 10.8 |
| Decreased demand from authorities (public procurement) | 37 | 9.0 |
| Lack of qualified labor force | 100 | 24.4 |
| Other | 5 | 1.2 |
| NA/don't know | 27 | 6.6 |
| Total | 409 | 100.0 |

## 20. What are the opportunities for your business development in 2013?

| | Number of SMEs | Frequency of the answer given |
|---|---|---|
| A more rational approach to the use of financial resources | 173 | 42.3 |
| Search for new business models/solutions, taking bolder solutions | 222 | 54.3 |
| Qualified labor force hired at a lower cost | 106 | 25.9 |
| Withdrawal from the competitors market | 159 | 38.9 |
| Modernization of production facilities | 127 | 31.1 |
| Increased use of give and take schemes and subcontracts | 28 | 6.8 |
| Access simplification to financial resources | 80 | 19.6 |
| Other | 9 | 2.2 |
| NA/don't know | 19 | 4.6 |
| Total | 409 | 100.0 |

## 21. In case the privatization process recommences in Belarus, which way you think is the most preferred for the economy?

| | Number of SMEs | % |
|---|---|---|
| Entities subject to privatization should be sold to domestic investors without any restrictions (through an open and transparent tender), with restrictions on the foreign capital in place | 137 | 33.5 |
| Entities subject to privatization should be sold to any buyers, both domestic and foreign, through an open and transparent tender without any restrictions | 125 | 30.6 |
| Entities subject to privatization should be sold to domestic investors without any restrictions, with restrictions on the Russia and Kazakhstan capital in place | 48 | 11.7 |
| I'm against privatization | 34 | 8.3 |
| NA/don't know | 65 | 15.9 |
| Total | 409 | 100.0 |

## 22. Are you or your company interested to take part in privatization of state-owned companies in Belarus?

| | Number of SMEs | Frequency of the answer given |
|---|---|---|
| No | 225 | 55.0 |
| Yes, provided there are transparent and fair privatization processes in place | 93 | 22.7 |
| Yes, provided property rights are guaranteed | 67 | 16.4 |
| Yes, at reasonable (not speculative) prices | 74 | 18.1 |
| Yes, provided there is access to the necessary financial resources | 29 | 7.1 |
| Yes, provided there is land private ownership in place | 18 | 4.4 |
| Yes, provided there are state privileges granted | 14 | 3.4 |
| Yes, provided there are restrictions on the foreign capital (for non-Custom Union countries) | 5 | 1.2 |
| Yes, provided there are restrictions on the foreign capital (for Custom Union countries) | 4 | 1.0 |
| NA/don't know | 37 | 9.0 |
| Total | 409 | 100.0 |

## 23. How soon are you ready to take part in privatization transactions (in case your conditions are met)?

| | Number of SMEs | % |
|---|---|---|
| During a year | 24 | 5.9 |
| In the next 2–5 years | 73 | 17.8 |
| In the long run | 50 | 12.2 |
| NA/don't know | 17 | 4.2 |
| Total of those ready | 164 | 40.1 |
| Not ready | 245 | 59.9 |
| Total | 409 | 100.0 |

## 24. Privatization of what state property are you interested in and able to participate in?

| | Number of SMEs | Frequency of the answer given |
|---|---|---|
| Enterprise | 45 | 11.0 |
| Land | 51 | 12.5 |
| Rented object | 95 | 23.2 |
| NA/don't know | 13 | 3.2 |
| Total | 409 | 100.0 |

## 30. How, in your opinion, did business conditions change during the last year?

| | Number of SMEs | % |
|---|---|---|
| Business conditions deteriorated significantly | 16 | 3.9 |
| Business conditions slightly deteriorated | 82 | 20.0 |
| Business conditions remained the same | 186 | 45.5 |
| Business conditions slightly improved | 91 | 22.2 |
| Business conditions significantly improved | 11 | 2.7 |
| NA/don't know | 23 | 5.6 |
| Total | 409 | 100.0 |

## 31. How did changes in the business environment affect your business activity over the last year?

*("–5" – the situation deteriorated significantly; "0" – remained the same; "5" – improved significantly)*

| | –5 | –4 | –3 | –2 | –1 | 0 | 1 | 2 | 3 | 4 | 5 | NA | Total | Average |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Business registration | 0.5 | 1.2 | 1.2 | 2.9 | 4.9 | 36.9 | 4.6 | 4.4 | 4.6 | 2.7 | 4.4 | 31.5 | 100 | 0.56 |
| Different permits obtainment | 2.2 | 3.2 | 1.5 | 8.1 | 7.6 | 32.0 | 8.6 | 6.1 | 5.6 | 2.4 | 2.7 | 20.0 | 100 | 0.11 |
| Administrative procedures | 1.0 | 2.4 | 4.2 | 9.0 | 12.2 | 29.8 | 8.1 | 5.6 | 5.4 | 2.4 | 2.0 | 17.8 | 100 | –0.03 |
| Number of inspections | 2.4 | 2.9 | 6.8 | 9.0 | 14.2 | 29.3 | 9.0 | 8.8 | 4.2 | 2.4 | 1.5 | 9.3 | 100 | –0.23 |
| Penalties amount | 7.8 | 7.6 | 7.1 | 13.4 | 15.2 | 23.2 | 5.6 | 3.4 | 2.4 | 1.2 | 0.0 | 13.0 | 100 | –1.24 |
| Rent payment | 10.0 | 9.5 | 13.9 | 13.7 | 10.5 | 19.6 | 4.9 | 2.7 | 1.7 | 0.2 | 0.0 | 13.2 | 100 | –1.75 |
| Pricing | 3.2 | 3.9 | 7.1 | 12.5 | 15.2 | 27.1 | 8.6 | 2.9 | 1.7 | 0.5 | 0.2 | 17.1 | 100 | –0.85 |
| Tax burden | 4.6 | 5.4 | 9.8 | 13.7 | 16.6 | 25.4 | 4.9 | 5.9 | 2.0 | 1.0 | 0.2 | 10.5 | 100 | –1.01 |
| Time required for tax calculation and payment | 2.2 | 2.2 | 4.6 | 8.8 | 11.2 | 40.6 | 6.8 | 7.8 | 4.9 | 1.7 | 1.0 | 8.1 | 100 | –0.15 |
| Credit accessibility | 5.9 | 3.7 | 6.4 | 6.4 | 8.3 | 24.2 | 10.8 | 7.8 | 5.6 | 2.4 | 2.9 | 15.6 | 100 | –0.19 |
| Ease of foreign trade operations | 2.7 | 1.0 | 5.1 | 5.9 | 5.4 | 33.3 | 5.9 | 4.9 | 3.2 | 1.2 | 0.7 | 30.8 | 100 | –0.23 |
| Wage calculation | 0.7 | 0.7 | 2.4 | 3.4 | 6.4 | 46.9 | 9.0 | 9.3 | 4.4 | 3.2 | 1.5 | 12 | 100 | 0.38 |
| Cost and complexity of auction and tender processes | 1.5 | 1.5 | 4.6 | 2.9 | 5.9 | 35.9 | 3.9 | 2.9 | 2.9 | 1.0 | 1.0 | 35.9 | 100 | –0.18 |
| Property rights protection | 1.5 | 1.0 | 2.9 | 8.1 | 5.9 | 38.4 | 7.3 | 3.2 | 4.4 | 1.0 | 0.2 | 26.2 | 100 | –0.14 |

## 32. Do you think the country will improve its position in doing business ratings in the current year?

| | Number of SMEs | % |
|---|---|---|
| Yes | 101 | 24.8 |
| No | 170 | 41.7 |
| NA/don't know | 137 | 33.6 |
| Total | 408 | 100.0 |

## 33. In what spheres, in your opinion, the entrepreneurs experience unequal conditions for doing business in comparison with the public sector? *(No more than 3 options can be given)*

| | Number of SMEs | Frequency of the answer given |
|---|---|---|
| Taxation | 102 | 24.9 |
| Attitude of supervisory bodies | 180 | 44.0 |
| Rent rates | 171 | 41.8 |
| Commodity prices | 93 | 22.7 |
| Conditions for obtaining permits and licenses | 86 | 21.0 |
| Access to credit resources | 86 | 21.0 |
| Local authorities' attitude | 128 | 31.3 |
| Judiciary bodies' attitude | 34 | 8.3 |
| Other | 1 | 0.2 |
| It is the same | 45 | 11.0 |
| Total | 409 | 100.0 |

## SECTION 4. INTEGRATION AND COMPETITIVENESS

### 34. In your opinion, how will economic integration in frames of the Common Economic Space and Eurasian Economic Union affect businesses in Belarus?

| | Number of SMEs | % |
|---|---|---|
| Positively | 181 | 44.3 |
| Will not affect | 40 | 9.8 |
| Negatively | 96 | 23.5 |
| NA/don't know | 92 | 22.5 |
| Total | 409 | 100.0 |

### 35. In your opinion, how joining the Customs Union and CES affected businesses in Belarus?

| | Number of SMEs | % |
|---|---|---|
| Positively | 206 | 50.6 |
| Didn't affect | 45 | 11.1 |
| Negatively | 76 | 18.7 |
| NA/don't know | 80 | 19.7 |
| Total | 407 | 100.0 |

### 36. Which markets are most important for your company? *("1" – doesn't matter; "5" – very important*)

| | 1 | 2 | 3 | 4 | 5 | NA/don't know | Total | Average |
|---|---|---|---|---|---|---|---|---|
| Domestic market in Belarus | 2.2 | 1.2 | 5.1 | 6.4 | 82.4 | 2.7 | 100 | 4.701 |
| Russia and Kazakhstan | 29.6 | 10.5 | 10.5 | 17.1 | 14.9 | 17.4 | 100 | 2.725 |
| Ukraine | 38.9 | 8.6 | 16.4 | 5.9 | 7.6 | 22.7 | 100 | 2.155 |
| Other CIS countries | 46.0 | 10.8 | 6.4 | 4.4 | 7.1 | 25.4 | 100 | 1.872 |
| European Union | 53.3 | 5.4 | 4.6 | 4.2 | 6.8 | 25.7 | 100 | 1.734 |
| Other countries in the world | 47.9 | 4.2 | 5.1 | 2.4 | 4.2 | 36.2 | 100 | 1.602 |

### 37. Can your company compete successfully in the market of the Customs Union and CES?

| | Number of SMEs | % |
|---|---|---|
| Yes | 154 | 37.7 |
| No | 188 | 46.0 |
| NA/don't know | 67 | 16.4 |
| Total | 409 | 100.0 |

### 38. Otherwise, why is your company unable to compete successfully in the Customs Union?

| | Number of SMEs | Frequency of the answer given |
|---|---|---|
| High cost of production | 47 | 11.5 |
| Lack of own funds for product production (advertising and PR) | 69 | 16.9 |
| Low product quality in comparison with other members of the Customs Union | 30 | 7.3 |
| Administrative barriers to market access by members of the Customs Union | 30 | 7.3 |
| NA/don't know | 262 | 64.1 |
| Total | 409 | 100.0 |

### 39. What are the opportunities for your company development in 2013 under the regime of the Customs Union? *(Not more than 5 options can be given)*

| | Frequency of the answer given | % |
|---|---|---|
| Simplified access to raw materials, finance and components | 139 | 34.0 |
| Search for new business models/solutions, taking bolder solutions, mobilization of own resources | 197 | 48.2 |
| Foreign direct investment promotion | 86 | 21.0 |
| Modernization of production facilities | 92 | 22.5 |
| Increased use of give and take schemes and subcontracts | 28 | 6.8 |
| More active presence in the markets of Russia and Kazakhstan | 51 | 12.5 |
| Other | 5 | 1.2 |
| NA/don't know | 83 | 20.3 |
| Total | 409 | 100.0 |

### 40. Do you agree that competition in Belarusian market increased after entering the Custom Union and CES?

| | Number of SMEs | % |
|---|---|---|
| Yes, because of Russian companies' activity | 77 | 18.8 |
| Yes, because of Kazakhstan companies' activity | 11 | 2.7 |
| No | 321 | 78.5 |
| Total | 409 | 100.0 |

### 41. Do you think that state authorities' initiative to modernize state-owned enterprises will increase the enterprises' effectiveness?

| | Number of SMEs | % |
|---|---|---|
| Yes | 232 | 56.7 |
| No | 99 | 24.2 |
| NA/don't know | 78 | 19.1 |
| Total | 409 | 100.0 |

### 42. What are the main obstacles need to be improved during modernization? *("1" – the biggest obstacle; "5" – insignificant)*

| | Biggest obstacle 1 | 2 | 3 | 4 | Insignificant obstacle 5 | Total | Average |
|---|---|---|---|---|---|---|---|
| Technological equipment of companies | 52.7 | 22.4 | 11.1 | 7.6 | 6.2 | 100 | 1.921 |
| Management quality | 19.2 | 27.3 | 26.4 | 17.2 | 9.9 | 100 | 2.712 |
| Labour force quality | 8.6 | 24.6 | 25.6 | 22.4 | 18.7 | 100 | 3.180 |
| State control | 16.3 | 17.6 | 20.5 | 26.5 | 19.1 | 100 | 3.144 |
| External problems (economic relations with other countries, external barriers, etc.) | 6.7 | 9.2 | 15.6 | 22.6 | 45.9 | 100 | 3.918 |

### 43. What are the main obstacles need to be improved by state? *("1" – the biggest obstacle; "6" – insignificant)*

| | Biggest obstacle 1 | 2 | 3 | 4 | 5 | Insignificant obstacle 6 | Total | Average |
|---|---|---|---|---|---|---|---|---|
| Corruption decline | 17.9 | 21.6 | 16.1 | 13.9 | 13.2 | 17.4 | 100 | 3.35 |
| Inflation decline | 37.4 | 24.7 | 13.2 | 13.7 | 7.1 | 3.9 | 100 | 2.40 |
| Access to financial resources | 25.6 | 21.9 | 21.1 | 11.6 | 14.3 | 5.7 | 100 | 2.84 |
| Education and labour force quality improvement | 7.4 | 13.9 | 16.8 | 19.3 | 22.8 | 19.8 | 100 | 3.96 |
| Simplification of administrative procedures | 13.8 | 12.4 | 21.7 | 23.5 | 19.3 | 9.4 | 100 | 3.50 |
| Access to privatization of state-owned property | 6.0 | 8.7 | 12.2 | 14.6 | 20.6 | 38.0 | 100 | 4.49 |

### 44. What is Belarusian labour force quality in your sphere?

| | Number of SMEs | % |
|---|---|---|
| High (conditions for enterprise development) | 26 | 6.4 |
| Working | 303 | 74.1 |
| Low (additional education needed) | 80 | 19.6 |
| Total | 409 | 100.0 |

### 45. What are the main obstacles for Belarusian labour force quality improvement?

| | Number of SMEs | % |
|---|---|---|
| Low quality of education (in comparison to Europe and the Custom Union) | 81 | 19.8 |
| Lack of practice during education | 217 | 53.1 |
| High quality labour force emigration | 106 | 25.9 |
| NA/don't know | 5 | 1.2 |
| Total | 409 | 100.0 |

## SECTION 5. CORRUPTION AND SHADOW ECONOMY

### 46. What share of private companies' turnover is not reflected in accounting reports (shadow turnover)?

| | Number of SMEs | % |
|---|---|---|
| Never happens | 111 | 27.1 |
| Infrequently (up to 25% cases) | 112 | 27.4 |
| In 25–50% cases | 50 | 12.2 |
| In 50–75% cases | 19 | 4.6 |
| In more than 75% cases | 10 | 2.4 |
| NA/don't know | 107 | 26.2 |
| Total | 409 | 100.0 |

### 47. How often are executives of private companies forced to bribe representatives of the authorities?

| | Number of SMEs | % |
|---|---|---|
| Never happens | 118 | 28.9 |
| Infrequently (up to 25% cases) | 105 | 25.7 |
| In 25–50% cases | 49 | 12.0 |
| In 50–75% cases | 15 | 3.7 |
| In more than 75% cases | 13 | 3.2 |
| NA/don't know | 109 | 26.7 |
| Total | 409 | 100.0 |

### 48. How often do 'kickbacks' in exchange for profitable state orders occur in Belarus?

| | Number of SMEs | % |
|---|---|---|
| Never | 103 | 25.2 |
| Up to 25% cases) | 104 | 25.4 |
| In 26–50% cases | 55 | 13.4 |
| In 51–75% cases | 15 | 3.7 |
| In more than 76% cases | 13 | 3.2 |
| NA/don't know | 119 | 29.1 |
| Total | 409 | 100.0 |

### 49. In your opinion, what areas/business regulatory authorities have the largest number of bribing and corruption? (*1 – very rare, 5 – frequent corrupt practices*)

| | 1 | 2 | 3 | 4 | 5 | NA/don't know | Total | Average |
|---|---|---|---|---|---|---|---|---|
| Price regulation | 28.9 | 17.1 | 16.6 | 6.1 | 4.2 | 27.1 | 100 | 2.171 |
| Obtaining licenses | 20.5 | 13.7 | 18.6 | 14.2 | 14.2 | 18.8 | 100 | 2.849 |
| Hygienic registration and certification | 18.1 | 10.3 | 18.1 | 15.9 | 19.1 | 18.6 | 100 | 3.093 |
| Sanitary inspection | 13.4 | 10.3 | 21.8 | 19.3 | 19.6 | 15.6 | 100 | 3.252 |
| Fire inspection | 12.5 | 14.7 | 19.8 | 17.8 | 19.8 | 15.4 | 100 | 3.211 |
| Tax payment | 31.1 | 17.4 | 14.9 | 6.8 | 9.0 | 20.8 | 100 | 2.312 |
| Tax audits | 24.4 | 13.7 | 20.5 | 12.0 | 8.3 | 21.0 | 100 | 2.570 |
| Customs clearance | 18.6 | 10.5 | 19.3 | 14.4 | 8.8 | 28.4 | 100 | 2.782 |
| Obtaining permits for land | 17.8 | 12.0 | 16.6 | 13.2 | 11.0 | 29.3 | 100 | 2.824 |
| Obtaining various permits with local authorities | 15.9 | 13.2 | 14.7 | 18.8 | 18.1 | 19.3 | 100 | 3.124 |
| Lease | 18.6 | 16.6 | 18.3 | 11.5 | 11.7 | 23.2 | 100 | 2.755 |
| Tenders | 11.7 | 10.8 | 16.4 | 16.4 | 18.1 | 26.7 | 100 | 3.250 |
| Other | 1.7 | 0.5 | 0.5 | 0.5 | 0.7 | 96.1 | 100 | 2.500 |

### 50. In your opinion, did the measures taken by authorities in relation to the situation led to the situation…:

| | Number of SMEs | % |
|---|---|---|
| Improvement | 102 | 24.9 |
| Worsening | 40 | 9.8 |
| Remaining the same | 224 | 54.8 |
| NA/don't know | 43 | 10.5 |
| Total | 409 | 100.0 |

### 51. In your opinion, who more often initiates corrupt activities?

| | Number of SMEs | % |
|---|---|---|
| Businesses | 50 | 12.2 |
| Authorities | 220 | 53.8 |
| NA/don't know | 139 | 34.0 |
| Total | 409 | 100.0 |

## SECTION 6. PUBLIC ACTIVITY, NATIONAL PLATFORM FOR BUSINESS IN BELARUS

### 52. Are you a member of any business unions?

| | Number of SMEs | % |
|---|---|---|
| Yes | 41 | 10.0 |
| No | 368 | 90.0 |
| Total | 409 | 100.0 |

### 53. My business union provides to me the following services…
(*Several options can be chosen*)

| | Number of SMEs | % |
|---|---|---|
| Personnel qualification development | 13 | 31.7 |
| Support in activity's internationalization | 11 | 26.8 |
| Legal services | 18 | 43.9 |
| Assistance in financial resources attraction (investors' search) | 11 | 26.8 |
| Assistance in business operation | 17 | 41.5 |
| Representation of firm's interests in the face of central authorities | 13 | 31.7 |
| Business climate improvement in the country | 9 | 22.0 |
| Sharing experience among organization members | 10 | 24.4 |
| Total | 41 | 100.0 |

### 54. If you are not a member of any business union, what is the reason for that?
(*Not more than 3 options can be chosen*.)

| | Number of SMEs | % |
|---|---|---|
| High membership fees | 9 | 2.5 |
| I believe business unions are helpless in my problems solving | 132 | 35.9 |
| It is better not to use services of such organizations for political reasons | 25 | 6.6 |
| Lack of information about their activity | 108 | 29.4 |
| Hope to solve problems independently | 104 | 28.3 |
| Unsatisfactory quality of the services provided | 22 | 6.0 |
| NA/don't know | 58 | 15.8 |
| Total | 368 | 100.0 |

### 55. Do you know about the creation of the National Platform for Business in Belarus?

| | Number of SMEs | % |
|---|---|---|
| Yes | 94 | 23.0 |
| No, never heard before | 315 | 77.0 |
| Total | 409 | 100.0 |

### 56. If you know about the National Platform for Business in Belarus (NPBB), then do you support its main ideas?

| | Number of SMEs | % |
|---|---|---|
| Completely support | 15 | 16.0 |
| More likely support | 57 | 60.6 |
| More likely don't support | 6 | 6.4 |
| NA/don't know | 16 | 17.0 |
| Total | 94 | 100.0 |

### 57. Range the importance of goals of the National Platform for Business in Belarus in 2011?
(*1 – most important goal, 6 – least important goal*)

| | 1 | 2 | 3 | 4 | 5 | 6 | Total | Average |
|---|---|---|---|---|---|---|---|---|
| Fair competition | 38.1 | 25.6 | 11.9 | 8.0 | 9.1 | 7.4 | 100 | 2.466 |
| Effective de-bureaucratization | 9.7 | 13.1 | 22.7 | 26.7 | 16.5 | 11.4 | 100 | 3.614 |
| Business environment regulation | 14.2 | 22.7 | 19.9 | 19.3 | 12.5 | 11.4 | 100 | 3.273 |
| Privatization (in some cases) | 9.1 | 11.4 | 22.3 | 12.0 | 23.4 | 21.7 | 100 | 3.943 |
| Complex modernization | 15.9 | 15.9 | 16.5 | 17.1 | 19.9 | 14.8 | 100 | 3.534 |
| Partnership of business and the state | 17.4 | 15.1 | 14.0 | 15.1 | 12.2 | 26.2 | 100 | 3.680 |

### 58. If you know about NPBB, what is its role in business community consolidation on protection of their interests?

| | Number of SMEs | % |
|---|---|---|
| Significant role | 18 | 19.2 |
| Insignificant role | 44 | 46.8 |
| No role | 12 | 12.8 |
| NA/don’t know | 20 | 21.3 |
| Total | 94 | 100.0 |

### 59. If you know about NPBB, what is its role in business climate improvement?

| | Number of SMEs | % |
|---|---|---|
| Significant role | 20 | 21.3 |
| Insignificant role | 45 | 47.9 |
| No role | 14 | 14.9 |
| NA/don’t know | 15 | 16.0 |
| Total | 94 | 100.0 |

### 60. How will you estimate the dialog between the state and Belarusian business (business unions)?

| | Number of SMEs | % |
|---|---|---|
| Satisfactory | 82 | 20.0 |
| Unsatisfactory | 247 | 60.4 |
| NA/don’t know | 80 | 19.6 |
| Total | 409 | 100.0 |

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