

In this issue:

Survey of price and wage changes in Belarus in the first half of 2008. Main changes in legislation that regulates Belarusian business. Results of the business environment research in Belarus in the Report of the World Bank "Doing Business 2009". Corruption and its consequences for the economy (the status of Belarus, international comparisons). Peculiarity of the development of leasing on Belarus.

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Dear Readers!

We present the thirteenth issue of the quarterly survey "Small and Medium Business in Belarus". You will be able to learn about the analysis of the business environment where small and medium businesses operate.

In the first part of the publication we provide the analysis of price changes in Belarus and the reasons of their increase. Wage changes and the forecast of their possible changes in the future are also described. In the second part we provide the survey of legislative changes which directly have an impact on doing business in Belarus. The emphasis is on the changes in import regulation and their possible changes for the economy, the role of business associations in business advocacy. In the third part we give the data from the report "Doing Business 2009" published by the World Bank in September 2008. Though Belarus went up in the list of countries from 115th to 85th place in "Doing Business 2009" report there is still much to be done for real improvement of business climate in the country.

In the fourth part we give the results of the research of the problems of corruption in the economy. International comparisons based on Corruption Perception Index are given. This index is produced by "Transparency International". The status of the fight with corruption in Belarus is analyzed. In the fifth final part we provide the research of leasing in Belarus and analyze the advantages of leasing for small and medium companies.

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Materials of this issue are prepared by experts of the IPM Research Center. The experts' opinions reflected in these materials may not necessarily coincide with the position of the IPM Research Center.

1. PRICES AND WAGES IN BELARUS IN 2008. SHORT SURVEY

One of the key problems that emerged after the gas price rise was inflation. After three-digit inflation in 1998–1999 the National Bank of the Republic of Belarus (NBRB) began to pursue the policy of macroeconomic stabilization. The money supply slowed down. Positive interest rates were set. The exchange rate was unified and the convertibility of the Belarusian rouble in current account operations was achieved. These measures made it possible to lower the annual inflation to the historical minimum of 7% in 2006. In 2007 it went up to 8.4% and in 2008 we estimate that it will reach 15–16% (Figure 1). The acceleration of consumer prices growth happened in the environment of heavy regulation of many of those prices. According to some estimates up to 90% of all consumer prices are regulated. In 2008 it was the price regulation that became the main reason of the consumer price growth acceleration: The government increased prices by passing resolutions in order to shift the consequences of Russian energy resources price rise to final consumers. These price rises were justified by the increase of world food prices. As a result in 2007 annual food prices grew up by 9.8% on average while consumer prices went up by 8.4%. In the first half of 2008 food prices grew by 17.5% (CPI was 14.2% yoy). Another component of consumer prices – utility tariffs in 2007 went up by 9.2% on average and in the first half of 2008 – by 17.5% (CPI was 14.2% yoy) (Figure 2). Even non-food product prices that were mostly tied to the nominal exchange rate (it remained stable) began to grow faster.

One of the reasons of such price situation (or rather the behavior of the government) is the current stage of political and business cycle which is the in-between of presidential elections. On such stage of the cycle the government tends to shift the problems of real sector on the shoulders of consumers. For example after 2001 elections a very unpopular decision to raise the level of cost coverage of utility services for the population was made. As a result while consumer prices in 2002 went up by 61.1% and 42.6% in 2003 tariffs for utility services went up by 172.8 and

Table 1: Producer price indices in main sectors of industry

	2005	2006	2007	First 6 months of 2008
Electric energy	11.5	14.8	30.8	16.6
Fuel	5.4	10.8	33.6	4.8
Ferrous metals	23.1	7.0	8.5	19.1
Chemicals	9.2	5.3	9.8	11.2
Petrochemicals	20.5	13.4	6.3	6.8
Machine building and metal works	14.1	8.2	7.4	7.5
Timber, lumber, pulp and paper	19.6	7.9	12.6	17.1
Construction materials	12.9	7.5	15.2	23.0
Light industry	9.2	5.3	6.6	8.5
Food	10.7	7.3	9.4	15.2
PPI	12.1	8.3	16.3	11.3

Note. Data in % yoy, annual average.

Source: National Statistical Committee of the Republic of Belarus.

147.6% correspondingly. It is likely that in the time closer to the elections the growth of tariffs will slow down but in 2009 their increase is very likely. It is one of the reasons that make inflation forecast for 2009 in the range of 15–17% yoy (Figure 1). It is one year to the presidential elections and the government is likely to continue the policy of purchasing price rise and corresponding prices of consumer goods.

At the same time there is a probability of gradual abolition of formal price regulation. For example in September 2008 the Council of Ministers passed Resolution 183¹ that approved a list of 38 groups of goods the prices of which can be set free. However to ensure effective implementation of this resolution non-price regulations should be abolished. One of such regulations is the requirement to ensure a certain share of Belarusian goods in retail network. The change of producers' prices in 2007–2008 was partly the illustration of world market tendencies but mostly it was due to the increase of gas and oil prices for Belarus. In particular in 2007 prices in electric energy and fuel industry (oil refining) grew up 30.8% and 33.6% correspondingly (annual average). Hence gas and oil price rise was shifter to final consumers. One of the best examples to illustrate this is electric energy. Its price rose to the European level (while the gas price was about 1/3 of the European one). The change of producers' prices in 2008 reflects to a large degree the state of the domestic market. In the context of the construction boom prices of grew in the sector of construction materials and wood-

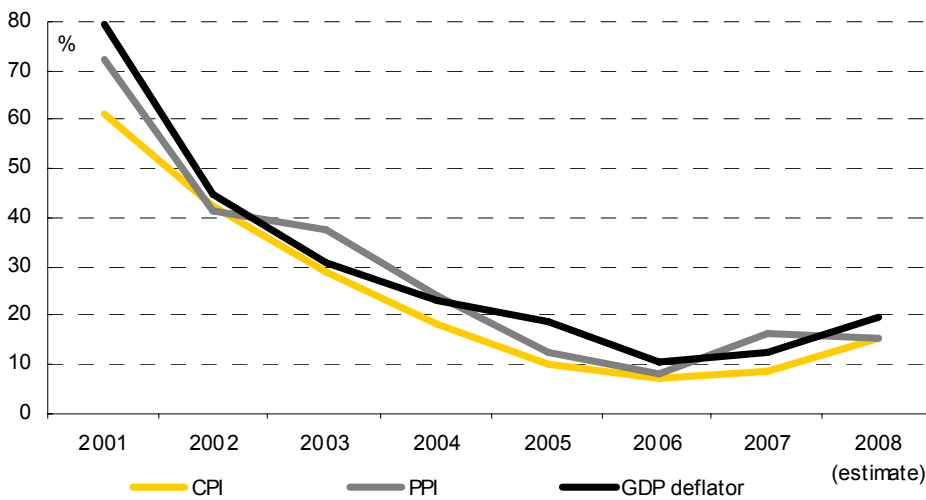
working (Table 1). The price increase in ferrous metals sector reflected the rise of world prices on metals and in electric energy it reflected further delay in shifting costs of gas price increase on industrial enterprises.² Evidently such policy will be pursued in 2009 though tariffs are likely to go up primarily for the population as in industrial sector they are already on the European level. The acceleration of price rise in 2007–2008 had an impact on the change of income of the population. In particular the real wage growth in 2007 slowed down from 17.7% to 9.3% and to 8.1% in 2008 (estimate). Up to 2007 the growth of real wages on rouble and dollar terms was synchronized but in 2008 the growth of real wages slowed down while in dollar terms it grew faster (Figure 3). Higher inflation explains this fact as well as devaluation of the real purchasing power of the dollar equivalent of wages.

Another important peculiarity of 2008 is higher wage growth rate (both real and in dollar terms) than the growth rate of labor productivity (Figure 3). Such behavior is typical of the periods between political events (elections or constitutional referenda). They reflect the validity of the political business cycle theory. It presumes that on the eve of important political events income grows faster and after them the growth rate falls. Though this political business cycle has been in Belarus since 1995 in 2009–2010 it can be revised. It will happen in case the gas prices will rise considerably. However the future of gas

¹ Resolution of the Council of Ministers 183 as of 10.09.08 "On approval of Instruction on the order of price and tariff formation and its application".

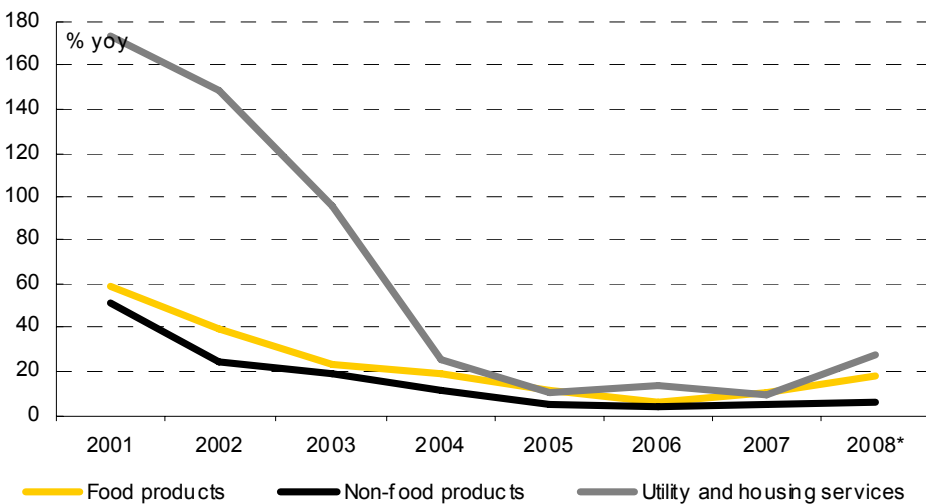
² In January – September 2008 electric energy prices for industry were increased three times: in January (by 0.91%), April (by 2.9%) and in September (by 9.4%). In addition prices for other consumers were also increased.

Figure 1: Price indices



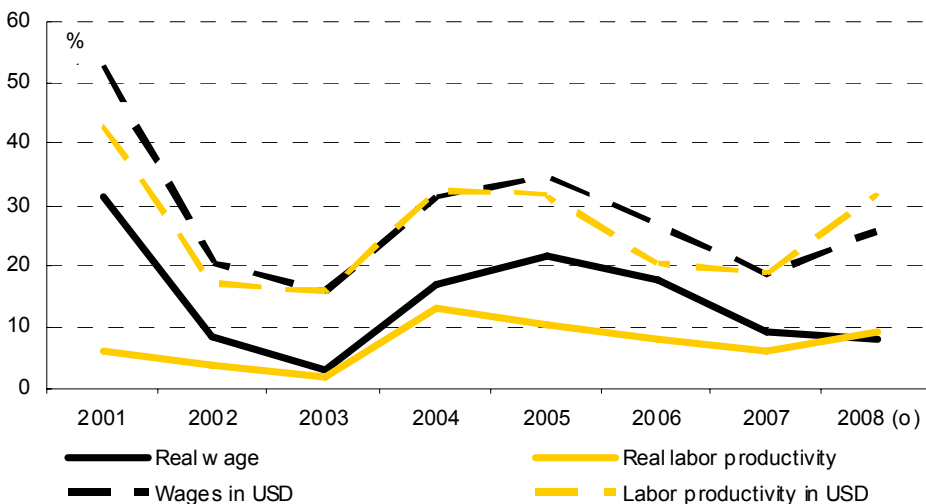
Note. CPI – consumer price index, PPI – producer price index. The data is given in % annual average. Source: calculations are based on the data of National Statistical Committee of the Republic of Belarus. Estimate – IPM Research Center.

Figure 2: Consumer price indices of goods and services



Note. Data is given in %, annual average, * 2008 – data for the first half of the year. Source: calculations are based on the data of National Statistical Committee of the Republic of Belarus. Estimate – IPM Research Center.

Figure 3: Wage and labor profitability growth rate



Note. Labor productivity is calculated as GDP per one employed. Source: calculations are based on the data of National Statistical Committee of the Republic of Belarus (wages, CPI, GDP), NBRB (exchange rate and employment). Estimate – IPM Research Center.

prices is quite vague. On the one hand Belarusian officials are quite optimistic about gas prices for 2009. They argue that it will not exceed USD 140 per 1000 m³. Prime Minister S. Sidorsky expressed this point of view during his visit to Saratovskaya oblast (Russia). He referred to the agreement signed in 2006. On the other hand Russian Ambassador in Belarus A. Surikov after S. Sidorsky's statement expressed his point of view stating that in 2009 gas price can be about USD 250 per 1000 m³. He also referred to the agreement that was signed in 2006. Hence the change of income in 2009–2010 will be mainly determined by the success of Belarus in its negotiation with Russia on prices of energy resources.

2. CHANGES IN BUSINESS ENVIRONMENT FOR SMALL BUSINESSES

In summer there were no significant changes in legislation that would lead to major changes in business environment for small businesses. In summer the tendency to activate the dialogue between the state and business was observed. The parties expressed their intentions to improve business climate. Nevertheless in the beginning of October the government adopted the resolutions that were quite unexpected for business as they deteriorated greatly the conditions for importers.

2.1. Dialogue between the government and business: tax policy and reporting

On August 7, 2008 representatives of the government (the meeting was chaired by Prime Minister S. Sidorsky) and business unions. The purpose of the meeting was the consideration of the problems of tax policy in Belarus. The main issues that were considered at the meeting was the complexity of accounting and excessive requirements to provide various documents. Chairman of Belarusian Union of Entrepreneurs A. Kalinin estimated that about 10% of workforce is employed in the preparation of reports. It diverts considerable resource of enterprises to non-productive work. Minsk Capital Union of Entrepreneurs and Employers estimated that annual costs of Belarusian enterprises for the preparation of different documents including expenditures on paper, office equipment, wages exceed BYR 1.5 trn. It is more that net

profit of the enterprises of Ministry of industry for the whole year of 2007.

In fact the cost of accounting and reporting are higher than the public benefit they generate. For example representatives of business associations believe that the requirement to prepare a big number of documents (agreement, act, payment order, VAT invoice, copies of licenses, certificates, protocol of price agreement) by making small deals is not reasonable. In response to these proposals prime-minister ordered to simplify the document turnover and reduce it to just one document if the deal does not exceed EUR 100–200.

Business associations argue that business climate in Belarus can be improved if all orders voiced by S. Sidorsky at the meeting are implemented. The nature of Belarusian business has not changed recently. Businessmen look forward to working openly and transparently. That is why this is no need in such total control over business. The constructive dialogue between the government and business community will contribute to the improvement of business climate in the country.

In 2008 the government stated that in 2009 it was going to reduce tax burden by 1.3% GDP. It is scheduled to cut the rate of the fee to the Republican Foundation for Agricultural Support from 2% to 1%; to exclude from the tax base of real estate tax the active part of fixed capital (tools and equipment); to set the single rate of local retail turnover tax (good and services) at 5%; to lower the tax on purchasing vehicles from 5% to 3%. Moreover since 2009 the single personal income tax rate 12% will be introduced.

All these measures are beneficial to the increase of competitiveness both of Belarusian economy and SMEs which suffers most from a big number of taxes and their high rates. Lowering wage taxes will enable business to increase wages which is a very important move in the context of growing competition in labor market. We can estimate that due to these measures Belarus will again improve its position in the world rating Doing business (see part 3).

However it often happens that the measures to lower tax burden are accompanied by countermeasures to compensate budget expenditure losses by

means of various fees to different innovation funds. Recently enterprises and business unions criticize the government for such policy.

According to Decree 492³ the rates of ecological tax were increased by 19% as it was required by indexation. At the same time the rates of the tax on import of packaged goods from 0.3% to 10% of the price of the good indicated in the agreement if the documents (agreement or invoice) do not contain the indication on the weight of the package. As a result prices for drinking water and beer in Belarus should go up.

2.2. Attraction of foreign investment to the Belarusian economy

The topic of attracting investment to the Belarusian economy is one of the most topical in recent months. The attitude of state enterprises to privatization is controversial. Directors of some enterprises prefer to have the status of a “strategic” state enterprise as goals and possible consequences are not clear. As they are not independent in making strategic solutions, the scope and directions of privatization will be limited by the state.

Moreover the change of the owner makes directors anxious as it can lead to their firing. Workers are also afraid of mass firing. Chairman of the department to reform state property of the State Property Fund I. Barkovskaya believes that though mass privatization as launched the approach to it will be individual.⁴ However analysts argue that the individual approach can mean absolutely different things. The purpose of privatization may be different and it can be carried out to benefit a specific owner if transparent rules of privatization for everybody are not in place.

In the process of privatization many technical and legal difficulties arise. For example as I. Barkovskaya said realtors and evaluators can evaluate the price of the enterprises to be privatized. However according to Decree 615 as of 13.09.08 the evaluation of the value of state assets for making deals with it or

³ Decree 492 as of 02.09.08 “On amendments and additions to Decree 215 as of May 7, 2007 “On tax rates on use of natural resources (ecological tax) and some issues of their payment”.

⁴ www.neg.by, issue of the paper 57(1175) as of 25.07.2008.

any other legally meaningful actions should be made by state evaluators. Belarusian legislation does not support the world practice of having independent evaluation of assets. I. Barkovskaya believes that on the first stage the state will keep its influence on privatized enterprises as they will keep the control stock. Only 25% of stocks of each enterprise will be sold. Nevertheless as we observed even such practice was appealing to foreign investors in the emerging Belarusian market. Thus the state wants to eliminate the sole influence of big owners on stock holding companies.

2.3. Small business financing

Financing small business is one of the key obstacles for its development. As directors of enterprises stated in the opinion poll held by IPM Research Center⁵ the existing financial credit support of small business does not meet its demand. Experts see that state financing is not adequate as business faces deficit of accessible resources, long duration of procedures to get financing, inefficient information support of potential borrowers. The share of small enterprises and individual entrepreneurs (IEs) that received state support in 2006–2007 amounted to 0.05% of the overall volume. On the other hand it is very difficult for small businesses to get loans and there are no alternative sources of financing (funds of mutual crediting, credit cooperatives).

State programs of small business support stipulate that regional budgets are granted funds to finance its investment projects. Such financial support should be paid back. Interest should also be paid. The program also states that partial compensation of leasing and interest payments for small enterprises and IEs should be made. In reality the access to such financing is very difficult. The budget expenditures on for such programs are minimal (BYR 15-20 thsd on average per one legal entity) but the control on the use of such funds is very strict. As a result of even minimal budget funds are not used by enterprises.

The state can increase the financial support of small business in the near future.

⁵ “Factors of small business success”. Time of polling August – September 2007. 517 directors of small and medium size companies were polled. <http://www.research.by/rus/surveys/cf8d430297c09de2.html>.

Ministry of economy worked out the draft decree to improve mechanisms of preferential crediting, compensation of interest payments and granting guarantees on bank loans. The draft decree states that entrepreneurs would be able to get compensation for leasing payments and the fees for participation in exhibitions and trade fairs. The cooperation of the Council for development of entrepreneurship and UNDP within the project "Formation of favorable administrative, legal and economic conditions for the development of entrepreneurship by means of activating the dialogue of the state and private sector".

The draft Decree provides a more detailed definition of the notion "subjects of small and medium entrepreneurship": individual entrepreneurs, micro organizations (less than 15 employees during a year) and small organizations (from 16 to 100 persons). Medium enterprises are defined as legal entities with the number of employees from 101 to 250 persons.

Monetary assistance is likely to be provided through Belarusian foundation of financial support of entrepreneurs and local budgets. Budget money is supposed to be used in the following way: preferential crediting (the interest rate should be at the level of discount rate), location of deposits in Belarusian banks that will finance private business (the interest rate should also be at the level of discount rate). The draft of the decree stipulates that it would be possible for subjects of small entrepreneurship to compensate interest payments on loans. In addition there is legal norm there that empowers the Fund to provide guarantees on bank loans. The size of guarantees to one borrower can not exceed 70% of the size of the loan. The share of the borrowers' participation should be at least 30% of the size of the loan. As for leasing operations only half of leasing payments while carrying out an investment project can be compensated from the budget during the term of leasing.

2.4. Import regulation

In the beginning of October the Ministry of Economy adopted Resolution 179⁶ which caused protests of the business

community. This resolution changed the order of price formation on foreign goods. The resolution enumerated a list of expenditures that importers can include into the selling price of the imported goods. It also introduced the limit on retail and wholesale premium on imported goods which correspond to the limits on Belarusian goods (30% win which the wholesale premium is 20%). Earlier retail prices of imported goods for final consumption of the population and for enterprises (as raw materials) were formed based on the contract price, expenditures, taxes and profit in line with the market demand (Resolution of Ministry of Economy 43 as of 22.04.1999). Resolution 179 abolished these norms.

Though the official motivation to adopt this resolution was still unknown the government probably wanted to solve the problem of the growing negative trade balance, the reduction of import prices and creating equal conditions for Belarusian producers and importers. In practice the new resolution could not solve these contradictory tasks. For example consumer import in overall volume of import does not exceed 12%. Reduction of import prices could not increase competitiveness of Belarusian goods. In addition it should be noted that imported goods have a minimal impact on inflation. As a result the resolution brought about major deterioration of the business environment in Belarus.

After the adoption of the resolution business unions and entrepreneurs protested openly and vehemently. A wave of protests was observed by the government. As a result Ministry of economy abolished the resolution in a few days. In new Resolution 183 the government allowed to increase the trade premium (the margin) on imported goods from 30% to 60% sharing it equally between importers (wholesalers) and retailers. Now an importer can form the price in the following way: contract prices + transportation costs + customs duties and fees + interest on bank loans and other payments connected with import + the premium of no more than 30%. The other 30% premium is shared by all other intermediaries in the wholesale and retail network. Though resolution 183 improved the conditions for doing business for importers compared to Resolution 179 it has introduced a few considerable limitations. At the same time it contains a few drawbacks. For

example it is quite problematic for enterprises to determine the expenditures that can be included into importers' prices. The Resolution states that importers' prices contain contract prices, customs payments, transportation expenditures and other expenditures that are connected with meeting obligations of legislation on merchandise import like insurance and interest payments. As Ministry of economy clarified under "other expenditures" it means the expenditures for purchasing documents without which a good can not be cleared at the customs and let in free commercial turnover in Belarus. The documents that reflect the payment for the entry into the zone of customs control, storing goods in the customs warehouse when the documents are being prepared, statistical (customs) declarations and passports of commercial deals can also be qualified as "other expenditures". Alongside with these expenditures payments for getting certificates, obligatory expertise payments, inspections, getting identification marks including the ones that are stuck abroad, obligatory fees (including fee for import of plastic, glass package, paper and cardboard package and the fees for goods that are packaged). Still it is not clear what constitutes different groups of expenditures (for example interest payments) and how to include in the price other expenditures that are directly connected with export.

In Supplement 1 to Resolution there is a list of goods of Belarusian and foreign origin (except goods for children) that are to be sold via retail network on which trade (wholesale) premiums (margins) to selling prices are defined based on the market demand. This list consists of 30 non-food and eight food goods. It should be noted that the definition of the group of goods is too vague and many goods that were under market demand pricing regime before were not included here.

For example according to the resolution flowers were excluded from the list. As a result representatives of flower business stated that they can not cover all expenditures within the trade premium limit set by the government. Their calculation showed that the trade premium should be at least 45–47% of the base price of an importer without profit to cover expenditures and obligatory payments. For retail trade such trade premium should be at least 100% of the

⁶ Resolution of the Ministry of Economy 179 as of 27.08.08 "On amendments and additions to some resolutions of Ministry of Economy of the Republic of Belarus and abolition of Resolution 156 of Ministry of Economy as of July 29 2008".

base price of importers to cover expenditures on rent, transportation and other payments. Hence under the existing premiums limits trading flowers can not be profitable. The representatives of this business believe that such perishable good as flowers can be traded only under free pricing regime.

Producers of baking products also expressed their negative reaction at resolution 183. Profit is needed in order to develop production. Even the most successful of them can not get it under 30% trade premium limit. Moreover producers point out at vague propositions in the resolution. In the end of the day such regulation of import deteriorates conditions for Belarusian enterprises as they can not get necessary intermediate imported goods. For example more than 60% of confectionery goods in Belarus are made with vegetable cream which is imported. The new regulation of import can lead to the reduction of the assortment of goods and to breaks in the operation of Belarusian enterprises that use imported raw materials. Moreover the production of many kinds of intermediary goods in Belarus is more expensive than abroad.

Possible consequences of such import regulation for the economy of Belarus are the following:

- Bankruptcy of many companies and transferring of activities of some others into grey area;
- Reduction of assortment of goods;
- Destruction of the balance in food portfolio of trade companies where the loss coverage caused by selling so called socially important goods and other goods of Belarusian origin are compensated by selling profitable imported goods;
- Difficulty with financing retail sector;
- Negative impact on the market of advertisement as experts estimate that the orders connected with advertisement of imported goods make the biggest source of revenues;
- Reduction of investment of imported to the Belarusian economy;
- Reduction of budget tax revenues etc.

So far it is difficult to say what impact Resolution 183 will have on Belarusian business. Business associations ex-

pressed their concern that the state can continue its policy of tight price regulation of imported goods. However they also acknowledge that the abolition of Resolution 179 happened because of mobilization of forces of business community and its open advocacy campaign.

2.5. Increase of activities of entrepreneurs in their advocacy

Considerable victory

Employees of the Ministry of Economy did not expect such vehement reaction of business community on Resolution 179. The reaction was quick, based on facts and calculations and with good information support. We can say that the efforts of various social groups, in the face of various external and domestic factors Belarus is changing is “social contact” between the authorities and entrepreneurs and the population in general. Until September 2008 the authorities used its possibilities to pass ineffective and unnecessary resolutions and decrees that deteriorated business climate. However the protest of entrepreneurs 1) was not institutionalized and well-grounded as in September; 2) due to many reasons it was not seen and heard. The authorities argued, ‘If you do not want to do this kind of business – leave the country’; 3) prices grew and goods disappeared from shop shelves and “dishonest entrepreneurs” were accused of it.

As a result there was a kind of social contrast between the authorities and entrepreneurs for a long time. What the authorities did entrepreneurs “digested” just for a mere opportunity to do business in the country. Those who protested just had to close down their businesses and leave the country. Even relatively big mass protests of entrepreneurs were ignored and suppressed by force.

As a result of active work of business associations and the government which due to the internal ineffectiveness of state economy acknowledged that it was interested in development of private sector the place of entrepreneurs in the society had changed. At present the government works with international organizations, analytical centers and business associations to improve business climate in the country. The government can't help hearing the active

protest of entrepreneurs. “The same day when the resolution was published we held our first meeting with representatives of business. We began to discuss pros and cons of this document. During the discussion we held two meetings at Prime Minister's where we considered this difficult situation”, minister of economy N. Zaichenko said at the press-conference.

It is difficult to recall when such unprepared documents were passed. Leaders of entrepreneurial movement said that they had not expected such legislative change. The new document does not fully satisfy entrepreneurs (not 100% but just 95%) but we believe it is a much better event to celebrate than Belarus' jump up in “Doing business” rating by 30 positions. It was for the first time when one social group managed to carry out such collective well-coordinated action to protect its rights and to change the conditions of relationship with the state.

Continuation of efforts

Business associations continue their work to change business climate and to do effective advocacy. The Republican public association “Belarusian Union of Entrepreneurs” (BUE) sent Ministry of economy a letter requesting to change Code of Administrative Violations (the CAV). Chairman of the Union said that in it they asked the government to consider the reduction of punishment for violations in the area of entrepreneurship. “We sent Ministry of Economy an offer to change the CAV to reduce administrative punishment for various violations, A. Kalinin said. He believed that members of the BUE have been insisting on this position for more than 10 years. In many cases administrative punishment is too harsh and the application of confiscation of property is too frequent. A. Kalinin thinks that many forms of administrative punishment became obsolete and do not fit the context of new priorities declared by the leadership of the country (development of market relations and freeing entrepreneurial initiative of small and medium business. “I have the impression that in quite a few cases authors of draft laws and resolutions did not want business to be law-abiding but literally to bankrupt it”, A. Kalinin argues.

Representatives of business suggested making eight amendments in the CAV.

The Chairman of the business association believes that to improve business environment it is necessary to revise the size of fines, to practice more preventive measures like warnings and to reduce the number of cases when both physical and legal entities are punished.

3. CONDITION FOR DOING BUSINESS IN BELARUS. WORLD BANK REPORT «DOING BUSINESS 2009».

In September 2008, World Bank and International Finance Corporation published the Report «Doing Business 2009». International experts analyze barriers for doing business in different countries (this year 181 countries were studied) and rank them according to the quality of business climate. The research estimates the costs of opening and closing businesses in different countries, getting licenses, hiring etc. (overall the measurement is done based on 10 indicators). The leaders of the rating are Singapore, New Zealand and the USA.

As the Report states Belarus has considerably improved its position in the ranking of Ease of doing business. Thanks to the reforms in six out of ten areas Belarus made it to the top ten of reformers of the world taking the fourth place after Azerbaijan, Albania and Kyrgyzstan. Thanks to such success the presentation of the report also took pace in Belarus.

In Doing Business 2009 Belarus has become of the leading reformers in the area of registering property. Belarus introduced Single State Register of real estate, its rights and deals with it. Time for registration of property in Belarus was dramatically cut from 231 days to 21 days. This reform moved Belarus from 95th position last year to 14th place this year.

The Report states that Belarus simplified the procedure of getting a credit due to the abolition of the requirement of providing information on the minimal sum of a loan to the bodies of registering loans. At the same time Belarus ranks 109th in "Getting credit".

The procedure of starting up a business was simplified due to the creation of the Single Register and the reduction of the minimal size of the authorized fund. However Belarus'

Table 2: Indices of Doing Business in Belarus 2008–2009

	Doing Business 2009, rating of the country	Doing Business 2008, rating of the country	Change of the rating
<i>Ease of doing business rating</i>	85	115	+30
Starting a business	97	121	+24
Dealing with construction permits	65	93	+28
Employing workers	49	48	-1
Registering property	14	95	+81
Getting credit	109	126	+17
Protecting investors	104	101	-3
Paying taxes	181	181	0
Trading across borders	134	142	+8
Enforcing contracts	14	15	+1
Closing a business	71	72	+1

Note. Ease of doing business index in 2008 was recalculated according to the new methodology and three more countries added to the list.

Source: World Bank/IFC, 2008.

place in this area is quite low – 97th (last year it was 121st).

In addition the procedure of dealing with construction permits was also simplified. The time limit on getting preliminary approvals was introduced. On average time costs were reduced by 140 days. Belarus ranks 65th in this area. High places in the indicated above areas and traditionally good position in "Employing workers" (49th place), the average indicator in "Closing a business" (71st place) enabled Belarus to improve its position in the general ranking.

At the same time Belarus deteriorated its position in a few areas. For example in "Protecting investors" Belarus went down by three places. It was due to the fact that the indicators of transparency were value quite low (5 points), propensity to abuse the administrative resource (1 point), the degree of an investor's protection (4.7 points). Indicators are measure on the scale from 1 to 10 where "10" is the maximum transparency, responsibility of directors and influence of stock holders on deals as well as the best protection of investors' rights.

Belarus stayed in the last place (181st position) in "Paying taxes" (number of taxes and fees, number of payments, tax burden, number of hours that is necessary to spend to pay taxes). The indicator of Eastern Europe and Central Asia on "number of tax payments" is 47.2 on average but in Belarus it is 112. Businesses in the countries of the region spend 367 hours to pay taxes while in Belarus they spend 1188 hours. The average tax on profit in Eastern Europe and Central Asia is 11.8% and in Belarus it is 22%, the general tax rate (%)

of profit) in Belarus is 117.5% and in the region on average it is 48.1%.

It also should be noted that such categories as "protecting investors" and "Paying taxes" are key indicators for potential investors and low positions of Belarus there have a negative impact on its international image.

The fact that Belarus moved up from 115th place to 85th is a considerable progress. However World Business Report received contradictory estimates from the Belarusian government. On the one hand they disagree that the indicator of the tax system remained unchanged as in 2008 Belarus made some changes in the tax system (rating was measured on the period June 2007 – June 2008) but some changed were not taken into account. Head of the Main Department on Tax Policy of Ministry of Finance A. Kozlyakov noted among drawbacks a few methodological problems. A. Kozlyakov sees as a discrepancy the fact that the number of tax payments went down from 124 to 112 but the number of hours to calculate and pay taxes remained unchanged (1188 hours). It is not possible in real life as if the number of procedures change under things being equal the time spent on these procedures should also go down. Nevertheless the authors of the report acknowledged that the methodology might be not the most convenient but it is important for international comparisons.

On the other hand representatives of the government believe that the rating does not take into account many circumstances that can make the general estimate of business climate higher. Prime Minister S. Sidorsky said that

suck ratings do not take into account macroeconomic situation, the quality of development infrastructure, the national currency stability and crime situation but these factors have a favorable effect on the competitiveness of the economy. However the goals and tasks of the rating are different. This research of the World Bank and IFC deals only with the analysis of business climate in 10 areas (by the way corruption is estimated in the rating).

In spite of the drawbacks of the Report "Doing business" which can hardly be avoided with this kind of complexity of the analysis this rating is important to estimate business environment in Belarus. It is a sort of a beacon for investors. The Belarusian government recognizes this fact and sets an even more ambitious task – to make it to the Top-30 countries in ease of doing business index. Even if this task is not realistic the intention to improve business climate for business will be positively estimated both by Belarusian business and foreign investors that the state is interested in attracting.

At present it is clear that the mere wish to reform or minimal progress in reforms in Belarus can be highly estimated. Besides the complex procedures of calculating and evaluating various procedures allow for subjectivism. Mild reforms that the Belarusian government is willing to make can move the country up in the world rating. However such movement has its limits. Without major reforms in taxation, licensing, investor's protection etc. it would be realistic for Belarus to move up.

Next year Belarus may move up by five positions but getting into Top-30 which the government wants would require major reforms. It is necessary to move from monthly to quarterly (annual) payment of taxes, to electronic way of filing up documents, to simplification of legislation and the reduction of punishment for unintentional mistakes. Reforms in other areas that IFC, business associations, analytical centers recommend are necessary. For example we believe that National business platform of Belarusian business is a constructive program of activities to reform business climate. It sets the guidelines of the dialogue between the government and business.

4. CORRUPTION: DEFINITION, CAUSES AND CONSEQUENCES. CORRUPTION IN BELARUS: INTERNATIONAL AND OFFICIAL DATA.

4.1. Definition and measurement of corruption

Corruption is a major public and political problem. It lowers the economic growth rate and deteriorates its quality. The World Bank includes the scale of corruption in the set of six indicators to measure governance.⁷ It interprets corruption as an indicator of low quality of governance. At the same time low quality of governance is an indicator of the institutional weakness of the government and poor quality of its services.

The size of corruption in the world is measured by trillions of dollars. International organizations draw much attention to corruption. It is widely discussed. Committees are set, laws are made and many programs are adopted both in Belarus and all CIS countries. However they can hardly boast of the results of the fight with corruption. Vice versa numerous studies and indirect indicators prove that corruption has increased.

There are many definitions of corruption. The most general one is the abuse of the power for private or a group's gain and also illegal receipt by state employees of personal gain by the abuse of their position.

Measurement of corruption is another important element of any national or regional anticorruption strategy. It helps to estimate the general level of corruption in the country or in a sector of the economy and to discover "hot spots" where corruption in the highest and the fifth with it should be considered as a priority. Regular studies of the level of corruption provide facts about the factors that beget corruption in its various forms. They also help to work out adequate anti-corruption measures. The measurement of corruption itself is a powerful means to pursue the policy. The results of such studies draw attention of the society, emphasize its danger and increase the pressure on the

government. Monitoring of corruption by means of measuring it helps to carry out anticorruption policies more effectively.

The tasks of measuring corruption are the following:

- Making government decisions: discovery of "hot spots" and factors that beget corruption and to formulate effective anticorruption policy;
- Carrying out the following policies: raising awareness of the society on dangers of corruption, putting public pressure on the government, the support of regulatory monitoring of corruption in order to strengthen the mechanisms of pursuing policies;
- Making decision in the private sector, investment and other recommendations.

There are a few other approaches to measuring corruption including

- Measuring actual and perceived level of corruption and ranking countries based on such measurement;
- Sector of country evaluations;
- The evaluations of effectiveness of anti-corruption measures.

International public movement to combat corruption Transparency International (TI) does the biggest country comparison study on the perceived level of corruption. This movement was founded in 1993. At present this organization has more than 100 branches all over the world. Since 1995 TI calculates Corruption Perception Index (CPI) which makes it possible to rank countries on the perceived level of corruption among government employees and politicians. Such composite index based on the results of the opinion polls and the research of corruption which are done by various organizations.

CPI focuses attention on the corruption in state sector and defines corruption as the abuse of the position for private gain. It is very difficult to make a comparative analysis of corruption level in different countries based on facts for example criminal cases or court decisions as such indicators demonstrate rather the quality of work of enforcement structures, courts and mass media. That is why as TI experts believe the only method of gathering comparative data is to address

⁷ Other factors are voice and accountability, political stability and absence of violence, effectiveness of the state, quality of regulation and rule of law.

the experience and opinions of those who directly deal with real corruption.

In Table 3 the change of countries in the CPI is given. In 2008 Denmark, New Zealand, Sweden, Switzerland and Singapore top the rating as earlier. Somalia is at the very bottom accompanied by Iraq, Myanmar and Haiti.

In spite of low level of market reforms and keeping the state economy Belarus once again deteriorated its position (all in all 180 countries were ranked). Belarus shares 151st place with such countries as Laos, Ecuador, Papua New Guinea, Tajikistan, Central African Republic and Cote D'Ivoire. Hence the fight with corruption is quite a topical issue for Belarus.

At the presentation of 2008 study Urgett Labelle, Chairwoman of TI Board said, "High levels of corruption and poverty still poison lives of many communities in the world. They are an endless humanitarian catastrophe which must not be tolerated. However even in the countries which are in a more favorable situation there are concerns on the way anticorruption legislation is implemented. Tougher measures to combat corruption are required".

4.2. Drawbacks of corruption

Most of the countries fight with corruption due to its extremely negative consequences:

1) Poverty

Former Chairman of TI Board Peter Eugen believes that "corruption is not only the reason of poverty but an obstacle to overcoming it". Results of the CPI 2007 point out at the strong correlation between corruption and poverty, 40% of the countries with CPI score of less than 3 points (Belarus has 2.1 points) are low income countries based on the World Bank definition.

2) Worse access to education and healthcare services

Corruption as a regressive tax is levied on the shoulders of the poor. In the end of the day they give away a disproportionate big share of their income in the form of bribes to get basic services. At the same time they suffer from the restricted access to healthcare, education and other services. "Despite of some achievements corruption remains a huge problem which drains away bud-

Table 3. Rating (place) of some countries on Corruption Perception Index (CPI)

Country	2002	2003	2004	2005	2006	2007	2008
Poland	45	64	67	70	61	61	58
Lithuania	36	41	44	44	46	51	58
Latvia	52	57	57	51	49	51	52
Estonia	29	33	31	27	24	28	27
Armenia	--	78	82	88	93	99	109
Azerbaijan	95	124	140	137	130	150	158
Belarus	36	53	74	107	151	150	151
Georgia	85	124	133	130	99	79	67
Moldova	93	100	114	88	79	111	109
Kazakhstan	88	100	122	107	111	150	145
Kyrgyzstan	--	118	122	130	142	150	166
Russia	71	86	90	126	121	143	147
Ukraine	84	106	122	107	99	118	134
Uzbekistan	68	100	114	137	151	175	166

Note. High ratings of some countries in the beginning of 2000 were due to a big extent to the much fewer countries in the study (for example in 2002 102 countries were ranked, in 2005 – 158 countries).

Source: Transparency International 2002–2008.

get resources which are necessary for education, healthcare and infrastructure. The countries with corruption perception index should seriously consider it and take measures to improve accountability of state institutions", – said Guett Labelle, Chairman of TI in 2007.

3) Additional burden for investors

Corruption is a heavy burden for investors (World Bank experts believe that it corresponds on average to 20% tax). Alongside with high taxes and complex overbureaucratized system of issuing various permissions corruption is an additional factor that influences investment decisions. As a result it has an impact on the rate of economic growth and other macroeconomic indicators.

4) Emerging and widening disrespect to law

A country may fall into a kind of "corruption trap" as the disrespect to law that emerges as a result of such situation will reduce the probability of reforms. In this situation informal economy is stronger than the legal one.

At the same time there are positive consequences of corruption.

Professor of the business department of Kansas University Douglas Houston in his work "Can Corruption Ever Improve an Economy?" analyses in detail the case of positive and negative impact of corruption on the economy of a country.⁸ According to this research in

countries with stable situation and effective legislation negative consequences of corruption can exceed negative ones by 50–100 times. However if a country does not have a well-functioning governance system and its legislation on property protection is poorly developed corruption can give an expectedly string positive effect.

Professor Houston believes that if we talk about the situation when human rights and property rights are effectively protected by law arguments against corruption are logical. However it is interested to know if the refer to the countries where there is no strong rule of law or if law is not consistently enforced. Leff and Huntington⁹ thought that corruption can be a useful substitute to the rule of law in the countries where this principle is poorly implemented. In other words benefits from corruption are the value created as a result of additional production transactions that it helps to carry out. This value can exceed costs. Such situation is more likely when legal possibilities for doing business are severely restricted. Hence corruption can lead to the expansion of economic activities. It happens for example when citizens "buying" government officials avoid abiding by bad unreasonable laws. This is the basis of shadow (informal) economy.

In many countries of Latin America license restrictions on many kinds of activities are so draconian than companies often work illegally to avoid nu-

⁸ This article was published for the first time in Houston D.A. Can Corruption Ever Improve an Economy // Cato Journal. 2007. Vol. 27. #3, <http://www.polit.ru/research/2008/02/21/houston.html>.

⁹ Leff N.H. (1964) Economic Development Through Bureaucratic Corruption // American Behavioral Scientist, 82, 2, 337–341; Huntington S. (1998) Political Order in Changing Societies. New Haven: Yale University Press.

merous obstacles and delays that legally acting companies have to overcome. Bribes are necessary to support the companies than work in informal economy. Obviously companies would not bribe state officials if the value of their production does not exceed all costs connected with doing business. Hence corruption contributes to economic growth in the countries where here is no rule of law and the legislation that regulates business activities is very burdensome.

4.3. Guidelines for fighting corruption

One of the lessons of fighting corruption in many countries is the acknowledgement of the fact that it is not possible to fight corruption just by “fighting corruption”, i. e. by passing new anti-corruption campaigns, creating additional anticorruption structures and adopting new resolution, laws and programs to fight corruption.

It is more important to carry out the reforms that institutionalize the principle of the rule of law, protect property, freedom of media, political competition etc. In addition it is also important to stimulate transparency of governance including laws on freedom of information, publication of income statements of the top government officials and politicians, information systems on tenders etc.

Another important element of the fight with corruption is carrying out administrative reform which aims at reduction of bureaucracy, reduction of the number of permission and agreements, liberalization of trade, competition policy, and fight with illegal influence of some privileged groups.

Another way of fighting corruption is pursuing the policy of *glasnost* and democratic accountability of state bodies of power. All segments of the civil society, mass media, private sector should be a part of the campaign to combat corruption, ‘Partnership with civil society and citizens is an important strategy for the countries that want to ensure accountability of their governments. Organizations of the civil society pay a key role in the fight with corruption in bodies of state power. They are vital observers who can stimulate the demand for reforms and provide expertise on technical matters’, argues managing director of Transparency In-

ternational Cobus de Swardt. We believe that these aspects of the fight with corruption are extremely important for Belarus.

Fighting corruption in Belarus

The main normative act in the sphere of fighting corruption in Belarus is Law of the Republic of Belarus as of July 20, 2006 “On fighting corruption”. The new law details the definition of corruption and it formulates the goal of corruption – illegal acquisition for oneself and for relatives property and non-tangible goods, benefits and privileges. In additions the law defines a new kind of “corruption service’ – promise of advantages.

According to Article 3 of the Law the subjects of corruption violations are the following:

- Government officials;
- Persons whose status is equal to the status of government officials;
- Foreign government officials;
- Persons who bribe government officials or the persons with the equal legal status or foreign government officials.

At the same time it should be noted that the order of setting up special structures to fight corruption in bodies of state power is given by the president.

Prosecutor’s Office is defined as a state body that is responsible for the organization of the fight with corruption. Its expanded set of powers in this area was adopted. The Prosecutor’s Office was granted the power to coordinate the activities of other state bodies that fight corruption.

The limitation for members of the families of government officials and the persons equal to them were defined. The law states that these members of the family can not accept property and services including invitations to tourist, health or any other trips at the expense of legal or physical entities that are dependent upon this government official and connected with him in his professional activities.

In addition all government employees must annually declare their income and assets (law “On government service”). However these declarations are considered to be tax secret and can not be

revealed for public scrutiny. Hence the use of such legal norm for anticorruption activities is limited.

Decree 220 of the president of the Republic of Belarus as of May 7, 2007 adopted the State Program of Fighting Corruption for 2007–2010”. The main goals of the program are to protect rights of citizens and valid rights of the state from corrupt practices, to further improve normative legal base on prevention, discovery and optimization of corruption as well as the expansion of international cooperation of the Republic of Belarus in fighting corruption. These measures described in the Program are based on the analysis of the crime situation in the country, the change in the structure of corruption crime, practice of fighting corruption and the results of the scientific research.

The Program envisages the coordination of activities of state bodies and other organizations in the process of organizational and legal, social and economic, organizational and practical activities of anti-corruption character which are directed at effective prevention of corruption and the fight with it. Special attention was paid to the organizations that fight corruption in the spheres that are most prone to corruption risks. They are the use of budgetary funds, credit and financial area, banking, fuel and energy sector and petrochemical sector.

The Program also defines the main tasks: lowering crimes connected with corruption, raising the effectiveness of enforcement structures in their fight with crime, enhancing the prosecutor’s supervision and state control over the execution of anti-corruption activities; setting up effective mechanism of corruption prevention, deepening scientific research aimed at working out practical recommendations in the sphere of fighting corruption, the creation of the atmosphere of zero tolerance to corruption in all its forms.

*Main results of fighting corruption in 2007 provided by Prosecutor’s Office of the Republic of Belarus*¹⁰

The activities in the sphere of fighting corruption in 2007 revealed and registered 3084 corruption crimes. 675 of

¹⁰ <http://prokuratura.gov.by/main.aspx?guid=17074>.

them were property theft by means of abuse of power, 1066 – bribery, 310 – abuse of power, 51 – exceeding the powers of the position in the government, 17- inactivity of government employees; 931 – forgery, 7 – legalization of material goods acquired by illegal means.

Among the spheres and branches of activities in 2007 a considerable number of corruption crimes were in trade – 511, agriculture – 482, industry – 427, sphere of government regulation – 415, construction – 210, healthcare – 126, education – 104 and transport – 106.

The number of persons who committed corruption crimes in 2007 fell to 1563 persons. It is 6.9% less than in 2006. The enforcement structures investigated many cases of corruption crimes committed by employees of force structures though compared to 2006 this number fell. In 2007 62 employees of the Ministry of interior, 4 employees of bodies of state security, 2 employees of the bodies of financial investigation of the State Control Committee and 14 employees of customs bodies committed corruption crimes. There were no criminal cases connected with corruption opened against employees of the persecutors. In spite of the reduction of the general level of registered corruption crimes the damage caused by them in 2007 went up by 46.1% compared to 2006. In absolute numbers the material damage caused by corruption crimes in 2007 reached BYR 82.3 bn. 1198 cases were sent to court where 1574 persons were accused. In 2007 prosecutors carried out more than 820 inspections of anticorruption nature. More than 300 protocols were written and 130 recommendations were made. In 2007 based on the information from the general Prosecutor's office 196 articles were published.

*Fighting corruption in 2008*¹¹

According to the data of prosecutor's offices the number of corruption crimes in the first five months of 2008 exceeded visibly the number of such crimes in the same period of 2007 (1566 vs. 1356).

Most of criminal cases under investigation in this category are connected with

bribery and the abuse of the position. A considerable increase of such crimes is registered in Minsk oblast, Minsk and Mogilyov oblast.

5. PECULIARITIES OF LEASING DEVELOPMENT IN BELARUS

The development of leasing in Belarus began in the 1990ies when leasing legislation was adopted in Belarus. The degree of leasing development is defined by its share in GDP and investment. In it won turn these two indicators illustrate the growth of economy. Developing countries have the highest share of leasing as the demands for modernization of fixed capital is higher if the countries created favorable investment climate. Correspondingly in economically developed countries the share of leasing in GDP makes about 2% and in the countries with high economic growth rates it is higher. In Belarus it is 1.9% (2007). The level of leasing is lower than its potential.

The widely used criterion of leasing development is the size of new businesses which equals to the overall price (including VAT) of all leasing agreements (the sum of commitments). In 2004–2007 in Belarus this volume grew from BYR 871.5 bn to BYR 1802.6 bn or it more than doubled. Moreover leasing growth rate was higher than fixed capital investment growth rate. It lead to the increase of the share of leasing in the general volume of capital investment (in 2004 – 8.1%, in 2005 – 6%, in 2006 – 6.5%, in 2007 – 7.1%. The average European indicator is 17%). The reduction of leasing in 2005 was mostly due to the credit policy of some Belarusian banks which began to finance only their affiliated leasing companies and also due to the deficit of credit funds to finance leasing. The thing is that the banking sector had the priority of financing state programs. As a result many leasing companies had to leave the market that time.

In 2007 151 companies are involved in leasing activities. 109 of them were in Minsk. Private companies provide leasing of 90% of the objects (about 90% of all leasers) while state companies make just less than 1% (based on 2007 data). The share of foreign leasers and the leasers with mixed form of property is growing fast (about 20% in 2007). It is an indicator of attractiveness of Belaru-

sian leasing market to foreign investors.

In Russia the growth of leasing operations was due to the growth of liquidity of Russian banks. It led to their active financing of leasing operations and to fast development of small business as the main consumer of leasing services. In Belarus the growth rate of leasing was not that high. The development of leasing much depends on tax policy, freedom of access to financial resources and the growth of customer base.

The use of leasing give companies the following main advantages:

- Possibility to purchase equipment without considerable one time expenditures which gives a chance to pay for the equipment from the revenues generated by its use;
- Decrease of tax burden (leasing payments in the sum of the main debt are included in the costs of production);
- Accelerated depreciation of equipment which decreases real estate tax and enables leasees to change equipment due to its physical and moral depreciation;
- Convenient for leasees schedule of payments that takes into account seasonal character of operations and other factors.

Leasees in Belarus are primarily private enterprises, mostly small and medium ones. The main objects of leasing operations are machines, equipment and vehicles. Recently there is a tendency for the share of vehicles to grow (from 21% in 2005 to 48% in 2007) and the share of machine and equipment to fall (from 70% to 40% correspondingly). Experts believe that it is due to high liquidity of vehicles as a leasing object and quick payback time.

Leading leasing companies in Belarus are Raiffeisen-Leasing, Pronagroleasing and Parex Leasing (jointly they make about 25% of the market). The group of companies "Westleasing", which is represented by two companies: foreign company limited "Westleasing" and a limited company "Westleasing". There are also "Agroleasing", "Mazkontraktleasing", "Stroiinvest leasing", "Premierleasing", "BNB Leasing", "Intellect-Leasing", "Activleasing" and "Mobilny leasing".

¹¹ <http://prokuratura.gov.by/?guid=18029>.

Table 4: Rating of leasing companies, 2007

Company	2007		2006		2005		2004	
	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Raiffeisen-Leasing	1	580	5	170	8	70	--	--
Pronagroleasing	2	470	1	830	1	850	1	850
Parex Leasing	3	390	4	220	6	90	--	--
The group of companies "Westleasing"*	4	320	2	300	3	260	4	240
"Agroleasing"	5	260	11	70	--	--	--	--
"Mazkontraktleasing"	6	230	3	260	2	300	2	460
"Stroiinvest leasing"	7	150	6	130	5	110	5	130
"Premierleasing"	8	140	7	120	4	160	3	340
"BNB Leasing"	9	80	10	90	--	--	--	--
"Intellect-Leasing"	10	60	9	90	7	80	7	90
"Activleasing"	11	20	8	100	9	60	6	100
"Mobilny leasing"	12	20	12	10	10	20	8	10

Note. * – consolidated data for the foreign company limited "Westleasing" and a limited company "Westleasing".

Source: Belarusian union of leasers, IPM Consulting company.

Some participants of the market do specialization and operate in two or three segments offering a wide range of services there. Parex Leasing, the group of companies "Westleasing" chose this strategy. Other companies including Raiffeisen-Leasing chose the universal approach offering a wide range of leasing objects without sticking to one or two sectors. The company "Mobilny leasing" chose to work with small land medium businesses offering a wide range of leasing objects. It is worth noting that the demand for leasing services in Belarus is growing.

Experts of IPM Consult offered the methodology of evaluating activities of leasing companies. They made an attempt to make a rating of leasing companies based on the results of 2007. 12 companies took part in the rating. The following indicators were analyzed:

- Volume of new business (difference between the volume of purchased leasing objects for the period and the volume of received advance payment from a leasee. This indicator reflects the effectiveness and stability of activities of a leasing company in the market);
- Current portfolio. It points out at the volume of debts of leasees and characterizes the volume of business of future periods;
- Ratio of the overall number of clients per year and the number of leasing agreements signed. It reflects of the number of agreements per one client. Evaluating this index we can define the degree of market penetration of a company hence the effectiveness of its operation;

- The volume of received leasing payments. It evaluates the past activities of a company.

Each of these indicators was given a numerical indicator (in points). The final rating was the sum of all points. The analysis of each of these positions enabled us to estimate the relative place of each company in the market.

Experts believe that the market of leasing services in Belarus is not saturated. Demand exceeds supply. It is mainly due to the deficit of financial resources in general and also to inflexibility of the biggest suppliers of leasing services (leasing companies). It is also explained by the orientation of leasing companies at big and extra big projects (more than USD 250,000). At present the saturation big leasing operations of the market is taking place. The supply in the segment of mini-crediting is almost non-existent (from USD 5,000 to USD 50,000). Moreover the growth of leasing companies is restrained by limited resources of banks even in high yield and well ensured projects.

In the situation of limited access of small business to credit resources leasing can become an alternative source of financing investment in the development of small and medium size companies. It can also contribute to the process of attracting foreign capital and the development of the economy in general.¹²

¹² Based on the materials of Belarusian Union of Leasers <http://infobank.by/>, portal <http://bel.biz>, expert evaluations.