EU4Business

COUNTRY REPORT 2019

BELARUS

WWW.EU4BUSINESS.BY

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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY FOR BELARUS:

2019 AT A GLANCE

As this difficult year draws to a close, we are proud to present the results of the EU4Business Initiative in this 2020 Country Report for Belarus. Despite the pandemic and its stark impact on business, the entire EU4Business team has worked tirelessly to expand the range of projects that we collect data on and we are pleased to say that we can now show the results that accurately reflect the entirety of EU support to SMEs in the Eastern Partnership, including Belarus.

WHAT SUPPORT DOES THE EU PROVIDE TO SMES?

Access to Finance (A2F):

- concessionary loans via national banks
- microfinancing for household businesses
- small grants to SMEs
- training staff at national banks to better serve SMEs
- training SMEs in financial literacy

Business Development Services (BDS):

- providing direct advice and training to SMEs
- training and capacity building among national business support organisations (BSOs)
- establishing business incubators for start-ups
- developing business clusters for mutual support and development
- supporting governments in identifying new markets
- building capacities at export support organisations

Business Enabling Environment (BEE):

- promoting regulatory reform and best practices
- building capacity amongst policymakers and regulators
- encouraging public-private dialogue
- informing business about reform processes and rules/ procedures

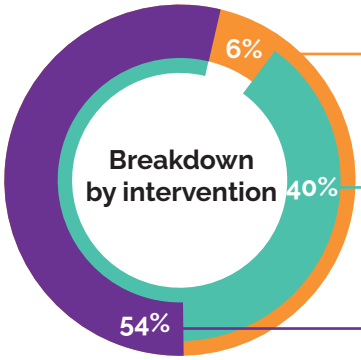
PORTFOLIO FOR BELARUS IN 2019

19 projects

Total budget of EU support in Belarus

€33.08 million

of which **€8.5** million was disbursed

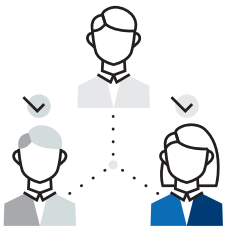


A2F €2.1 million

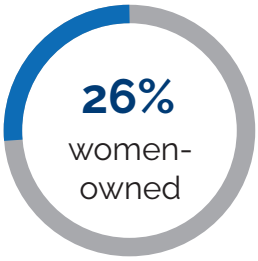
BDS €13.18 million

BEE €17.81 million

RESULTS OF EU SUPPORT IN BELARUS IN 2019



1,415 SMEs supported



€527.18 million

total turnover of SMEs supported

4,563 new jobs created

€60.9 million

extra income generated by SMEs

RESULTS OF EU SUPPORT IN BELARUS IN 2019

26,092

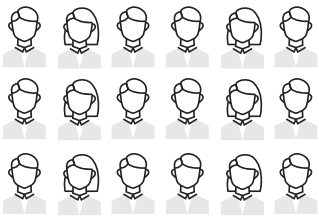
employed in EU-supported SMEs

the average SME supported by the EU in Belarus

has

€370,000

in annual income



employs

18

individuals

WITH THE SUPPORT OF THE EU

these SMEs grew on average by

+13.34%

more SMEs engaged in export by

+6.75%

expanded their staff by

+21.2%

EU-supported SMEs increased their exports by

+4%

For every one million euros of EU support,

€1

million

an average of

167

SMEs

benefited

163

new jobs

were generated

€14.38

million

increase in income was recorded

RESULTS PER PILLARS

ACCESS TO FINANCE (A2F):

250

SMEs received loans

to women-owned SMEs

€11.1

million

total value of loans

€44,400

average loan

3

partner financial institutions supported

BUSINESS DEVELOPMENT SERVICES (BDS):

25

business support organisations improved their capacity

995

consultancy services delivered to SMEs

women-owned

BUSINESS ENABLING ENVIRONMENT (BEE):

15

laws, policies and regulations reformed

211

public-private dialogue events held

65

government institutions improved their capacity

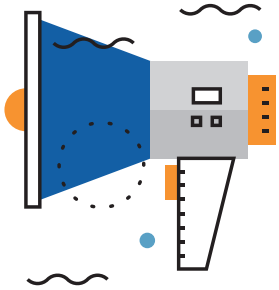
EU4BUSINESS COMMUNICATION

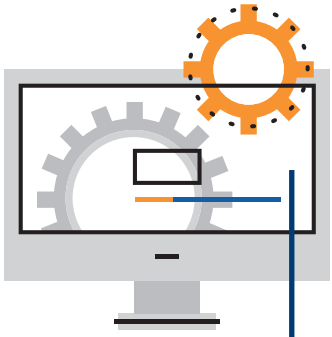
EU4Business communication activities have provided an ongoing continuous effort using a structured and targeted approach. Having set out an updated vision in our communication strategy, we aligned all processes to build a more structured system for communicating the EU4Business brand.

Our focus is on storytelling and putting quality of content over quantity.

Since August 2019, we have written up more than **a dozen success stories** and news items about EU support to Belarusian SMEs that have been shared with the EU, our partners and the press.

Our stories have gained wide coverage in the mainstream media in Belarus.





The number of visitors to the current EU4Business website grew

17.8%

over January-August 2020, compared to the same period last year.

According to Google Analytics, we received

156,975

page views

85.3%

new visitors

The initiative has eschewed paid ads, focusing instead on promoting meaningful content.

MODERNISING OUR WEBSITE

We have revamped our website to better match the needs of our target audiences. In December 2020, we launched the main donor-oriented platform and six country SME-focused web pages, providing a one-stop-shop for SMEs to find information about EU support.

CHECK OUT

- the new SME-oriented EU4Business webpage for Belarus: www.eu4business.by
- the updated donor-oriented main website: www.eu4business.eu

IN RESPONSE TO THE COVID CRISIS

our team quickly launched COVID business help pages for all six countries under the EU4Business Initiative in just two weeks.

We brought together recommendations from the EU, governments and business.

CHECK OUT the Covid-19 Information Support Webpage for Belarus: covid-19-belarus.eu4business.eu

Over May-August 2020, we recorded more than

3,000 visits to these Covid-19 pages

Since the pandemic hit, we have issued more than

25 Covid-19 Weekly Alerts

that registered a remarkable

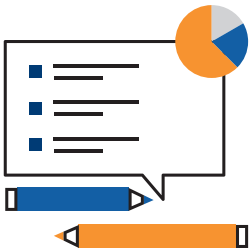
40% open rate

9% click rate

The number of subscribers to our digest has grown by

20% since January 2020

To make sure that all messaging is consistent and cohesive so that a strong brand voice is established, we have upgraded the branding guidelines for the EU and our partners with easy-to-use templates and toolkits that each country will be able to adapt to its needs. The guidelines were presented to the EU, partners and projects at the beginning of 2021. Our information exchange guidelines have been widely communicated to make information flows more effortless, avoid unnecessary paperwork, and bureaucracy.



Despite the challenges facing SMEs in the EaP region, and indeed the whole world, the EU's commitment to supporting Belarusian businesses remains unchanged. With a new and improved vision and approach, EU4Business is ready for any further challenges 2021 might present and looks forward to reporting on yet more positive results for this year.

Mark Hellyer
Team Leader

EU SUPPORT TO SMES IN BELARUS IN 2019

PORTFOLIO OVERVIEW

EU support to SMEs is based on the joint policy between the EU and the EaP states as set out in the Eastern Partnership, 20 Deliverables for 2020, Priority I: regulatory environment, SME development and access to finance.

THE EU IS FOCUSING ON THREE TYPES OF INTERVENTIONS:

Access to Finance (A2F):

Business Development Services (BDS):

Business Enabling Environment (BEE):

19

projects provided support to SMEs in Belarus in 2019

with a total budget of*

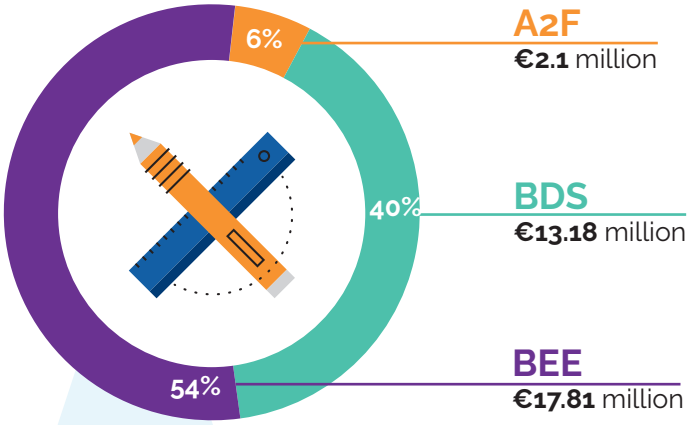
€33.08

million

* This is the total value of contracts being implemented rather than disbursements in 2019.

BREAKDOWN BY INTERVENTION

Breakdown of Active Projects in Belarus by intervention (total regional and bilateral) in 2019

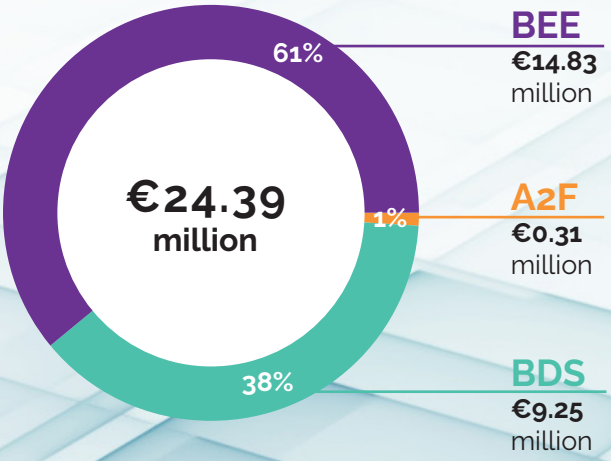


€33.08 million

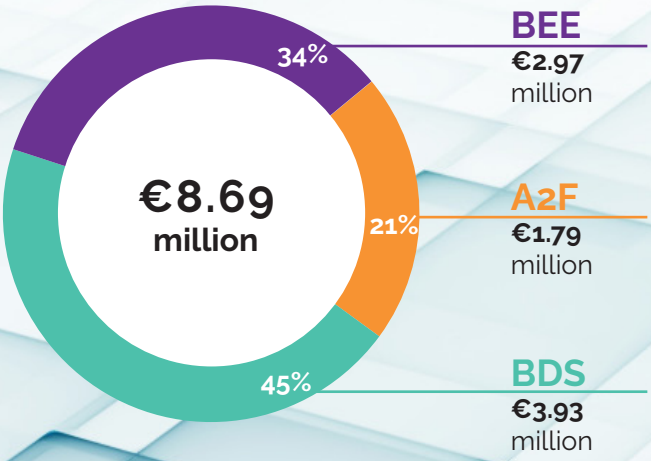
74% of total budget

26% of total budget

Breakdown of Active Bilateral Projects in Belarus by Intervention in 2019



Breakdown of Regional Projects in Belarus by Intervention in 2019



OVERVIEW
BY TYPE OF INTERVENTION

ACCESS TO FINANCE (A2F)

A2F is the smallest area of EU intervention to support SMEs in Belarus.

A total of

€2.1 million

in EU support was allocated to unlock access to finance in Belarus in 2019*

* This is the total value of contracts being implemented, not disbursements in 2019.

5 major specific support instruments:

A1	A2	A3	A7	A8
Capped Loss Recovery	Interest Subsidy	Targeted Assistance (TA) to PFIs	Grants to SMEs	Structured Funds

THE FIVE SUPPORT INSTRUMENTS THAT THE EU4BUSINESS INITIATIVE USES FOR ENABLING ACCESS TO FINANCE IN BELARUS ARE DEFINED BELOW:

A1

Capped Loss Recovery

This is a risk sharing instrument in the form of a grant that the EU provides to an IFI. This grant is used by the IFI to partially cover the loss that any PFI, such as a local bank, would carry as a result of SMEs not repaying part or all of its loan. In this way, the PFIs feel more comfortable and are willing to use the credit lines from IFIs to lend to SMEs. However, the EU grant only partially covers the potential loss that PFIs could claim. The recovery of loss covered by this EU risk sharing instrument is generally up to 10% of the total loan portfolio of the respective PFI (total value of the loans disbursed by the PFI from the respective credit line of the IFI) and generally up to 50% of each individual sub-loan. This actually means that if an SME does not pay back the loan to the local bank, the EU grant for capped loss recovery can actually cover half of the loss of the bank. In this way, the local banks are more willing to disburse loans to SMEs which are generally perceived as high-risk borrowers.

A2

Interest Subsidy

This instrument is a grant given by the EU to IFIs in order to lower the cost of their loans to SMEs in the EaP. The grant provides interest subsidies of up to 10%, which is applied to the regular interest rate, with which the IFI lends to PFIs and further on to SMEs. The purpose of this instrument is to lower the final cost of finance for SMEs in the EaP.

A3

Targeted Assistance (TA) to PFIs

This instrument consists of technical assistance to PFIs in the form of consultancy services, mentoring and specialised training. The main effect of this instrument is that the PFIs (local banks and microfinance institutions) become more familiar with the modus operandi of the big IFIs, with the characteristic of their credit lines, their reporting requirements, as well as to the standards regarding financial and risk analysis of the potential borrowers.

A7

Grants to SMEs

These grants are non-reimbursable and generally modest in value in order to support as many SMEs as possible. In general, SME grants are disbursed in order to target specific economic development goals such as development in rural areas, poor communities, or a response to various types of crisis. These grants are usually disbursed through Non-governmental Agencies (NGOs) with links into the targeted communities.

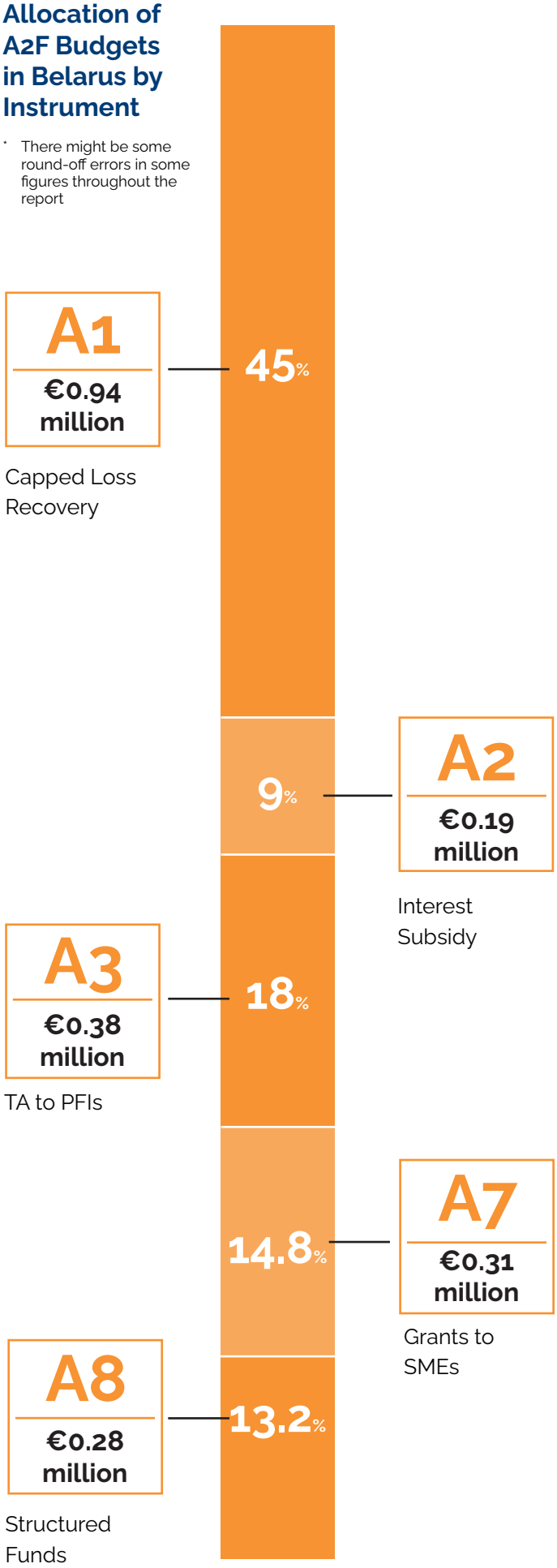
A8

Structured Funds

This direct finance instrument is implemented directly by EU participation as opposed to the risk sharing with IFIs. Typically, this involves direct loans or equity investment in a financial instrument or fund. As the EU does not have the capacity to disburse direct loans to SMEs, this function is assigned to an intermediary. The most important EU investment in Direct Finance is shares in the European Fund for Southeastern Europe (EFSE).

Allocation of A2F Budgets in Belarus by Instrument

* There might be some round-off errors in some figures throughout the report



Allocation of Regional A2F Budgets in Belarus by Instrument in 2019*

€1.79 million

85%

Allocation of Bilateral A2F Budgets in Belarus by Instrument in 2019*

€0.31 million

15%

Capped Loss Recovery — **A1** €0.94 million — 52.8%

Interest Subsidy — **A2** €0.19 million — 10.6%

TA to PFIs — **A3** €0.38 million — 21.1%

Structured Funds — **A8** €0.28 million — 15.5%

100% — **A7** €0.31 million — Grants to SMEs

* There might be some round-off errors in some figures throughout the report

BUSINESS DEVELOPMENT SERVICES (BDS)

BDS is the second largest area of EU intervention to support SMEs in Belarus.

A total of

€13.18

million

in EU support was allocated to improving business development services in Belarus in 2019*

3 **specific support instruments:**

B1	B2	B3
Consultancy Services for SMEs	Capacity Building among BSOs	Incubators

[2] This is the total value of contracts being implemented, not disbursements in 2019.

THE THREE SUPPORT INSTRUMENTS THAT THE EU4BUSINESS INITIATIVE USES FOR IMPROVING BUSINESS DEVELOPMENT SERVICES AND KNOWLEDGE TO SMES ARE DEFINED BELOW:

B1

Consultancy Services for SMEs

Through this instrument, the EU4Business Initiative aims to directly increase the knowledge and skills of SMEs in EaP countries through the direct provision (fully or part paid) of non-financial business services (these can range from basic start up and registration, accounting, marketing, input supply, technology and product development, training and technical assistance, infrastructure support and advocacy). These services can be delivered through both international and/or local consultants, in both private firms/individuals, and/or business support organisations.

B2

Capacity Building of BSOs

This instrument aims at increasing the capacity of Business Support Organisations (such as Chambers of Commerce, SME associations, professional bodies, the Sector Trade Association, training institutes, etc) to deliver BDS services to SMEs (whether members or not). The capacity building is achieved though mentoring, training trainers, advisory services and study tours to either enhance existing services, build new ones, or improve organisational structures.

B3

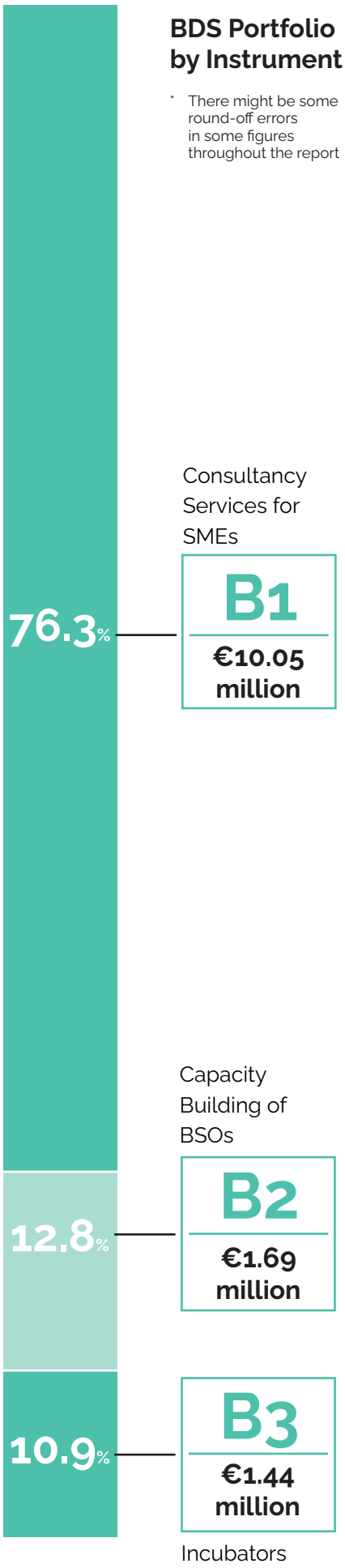
Incubators

The business incubator is an organisation designed to accelerate the growth and success of entrepreneurial companies through an array of business support resources and services that could include physical space, capital, coaching, common services, and networking connections.

EU4Business incubators instrument generally shares the cost with the local authorities where the EU bears the cost of refurbishment and cost-sharing arrangements for the running costs and/or service provision. One of the most important aspects related to this instrument is sustainability. As the operation costs are high, the initial financial set-up is crucial for keeping the incubators viable after the EU4Business intervention ends.

BDS Portfolio by Instrument

* There might be some round-off errors in some figures throughout the report



Regional BDS projects by Instrument in Belarus

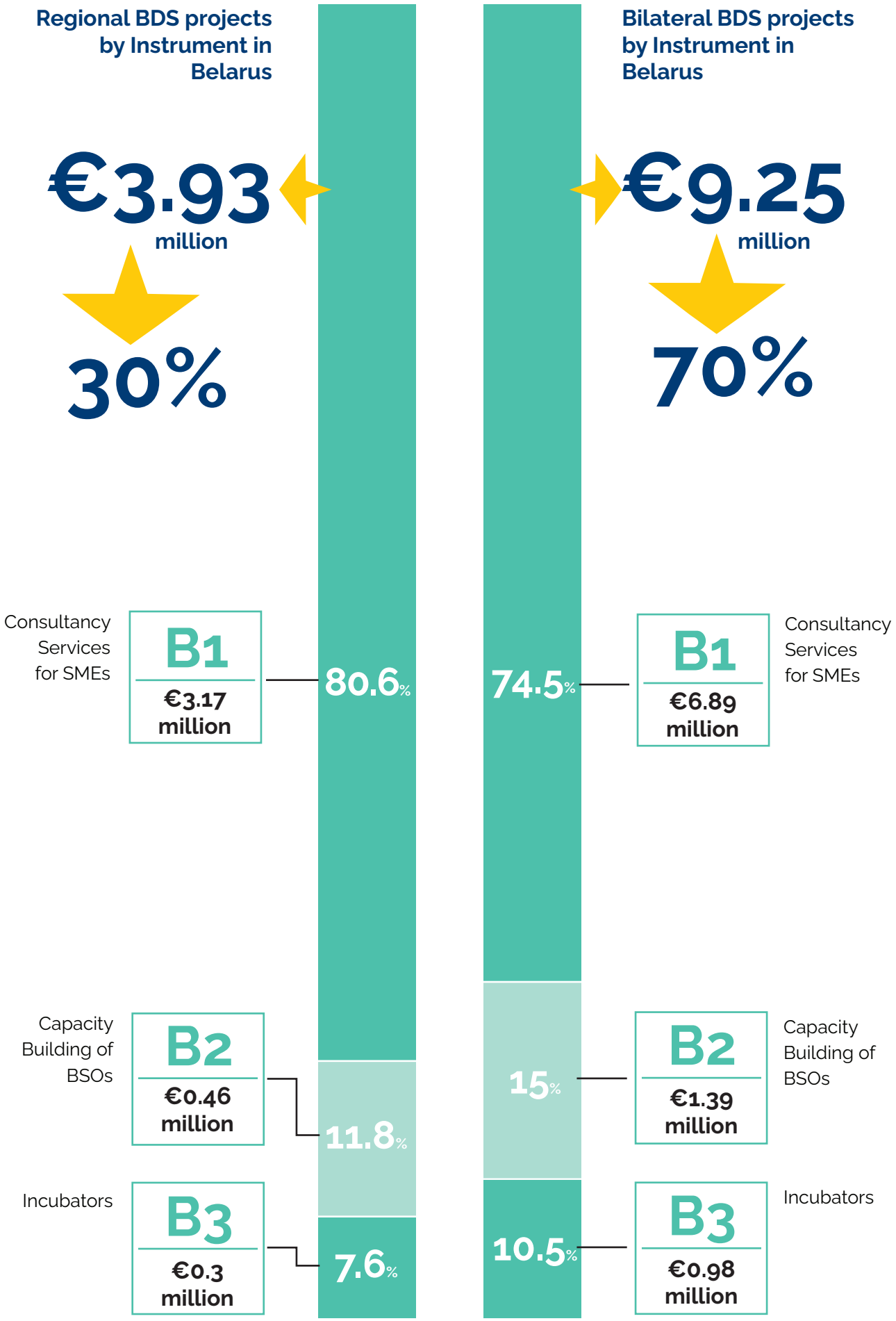
€3.93 million

30%

Bilateral BDS projects by Instrument in Belarus

€9.25 million

70%



* There might be some round-off errors in some figures throughout the report

BUSINESS ENABLING ENVIRONMENT (BEE)

BEE is the largest area of EU intervention to support SMEs in Belarus.

A total of

€17.81

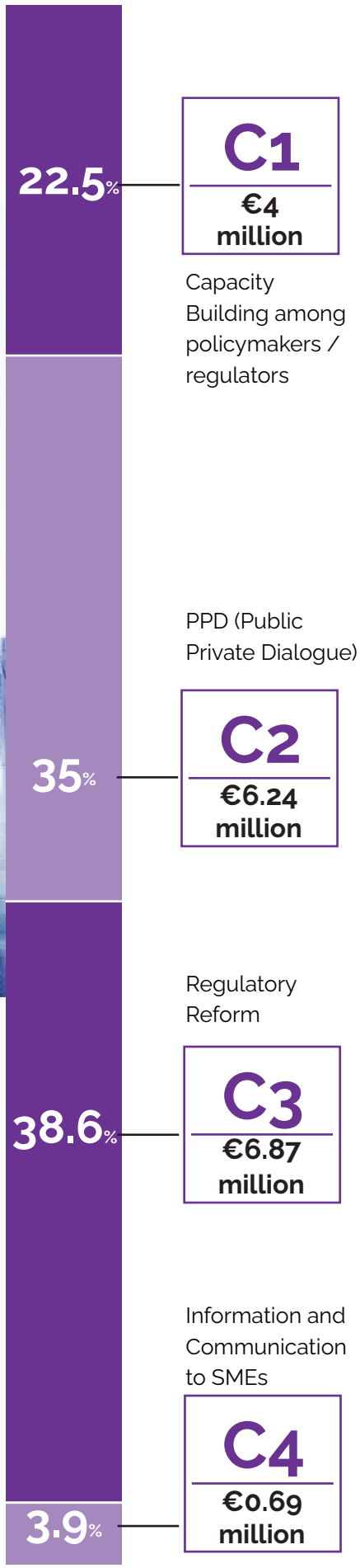
million

in EU support was allocated to improving the business enabling environment in Belarus in 2019[3]

[3] This is the total value of contracts being implemented, not disbursements in 2019.

4 specific support instruments:

- **C1** Capacity Building among policymakers and regulators
- **C2** PPD (Public Private Dialogue)
- **C3** Regulatory Reform
- **C4** Information and Communication for SMEs



THE FOUR SUPPORT INSTRUMENTS THAT THE EU4BUSINESS INITIATIVE USES FOR CONTRIBUTING TO A BUSINESS ENABLING ENVIRONMENT ARE DEFINED BELOW:

C1

Capacity Building among policymakers and regulators

Through this instrument, EU4Business interventions aim at strengthening the capacity of staff of various government agencies to ensure better, more transparent, and open policies and regulations that affect business, whilst ensuring appropriate controls in the six EaP countries. This can include making and amending policies, laws, and administrative procedures based on need and risk assessment. Through this instrument, the EU4Business interventions deliver direct advisory, mentoring services, and study tours to the relevant staff involved in policy making.

C2

PPD (Public Private Dialogue)

Public-private dialogue is an instrument for more inclusive and targeted policymaking. Specifically, it involves effective consultation and collaboration between government and the private sector and/or its representatives, in order to achieve effective reform and administration of regulations that affect SMEs.

C3

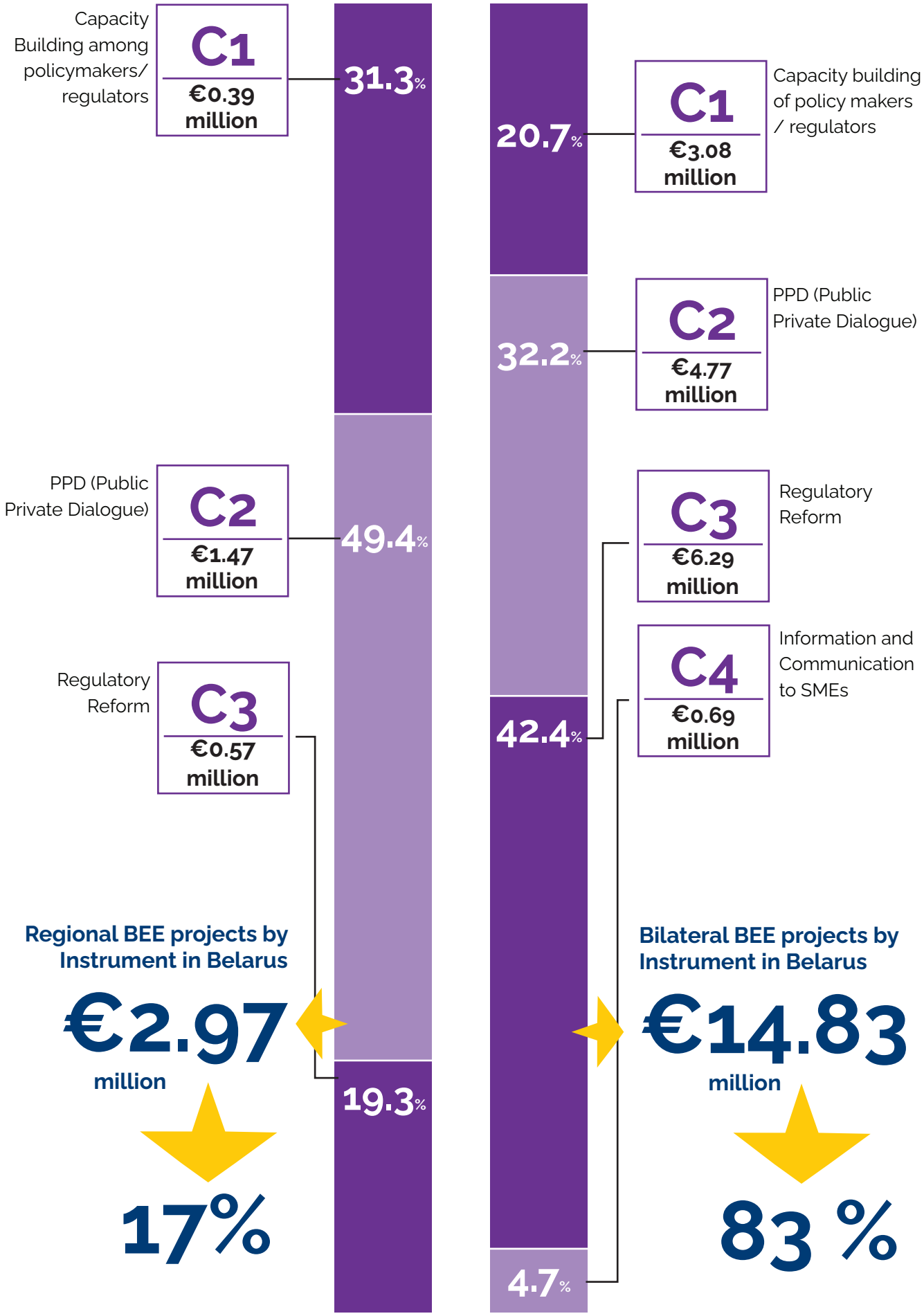
Regulatory Reform

Through this instrument, EU4Business interventions support the EaP countries to improve the regulatory environment based on best practices and most often approximation (to align their SME related legislations, rules, and regulations with those of the EU). Approximation occurs in all six Eastern Partnership countries, but it is more intensely applied in the three DCFTA countries, which have committed to widespread adoption of EU business acquis under the Association Agreement (AA).

C4

Information and Communication to SMEs

Through this instrument, EU4Business interventions support government to inform SMEs on reforms and implications for their business and steps to compliance with regulatory reform.


Capacity Building among policymakers/ regulators
C1
€0.39 million
31.3%
PPD (Public Private Dialogue)
C2
€1.47 million
49.4%
Regulatory Reform
C3
€0.57 million
19.3%
Regional BEE projects by Instrument in Belarus
€2.97 million
17%
20.7%
C1
€3.08 million
Capacity building of policy makers / regulators
32.2%
C2
€4.77 million
PPD (Public Private Dialogue)
C3
€6.29 million
Regulatory Reform
42.4%
C4
€0.69 million
Information and Communication to SMEs
4.7%
Bilateral BEE projects by Instrument in Belarus
€14.83 million
83 %

ACHIEVEMENTS IN 2019

AGGREGATED RESULTS IN BELARUS IN 2019

EU support to SMEs in Belarus is reported here under the EU4Business banner. It is a cumulation of all EU support but, unlike in previous years, we are reporting by instrument rather than by project, based on the three types of intervention (A2F, BDS and BEE). This makes it possible to isolate and present results by country, intervention and/or instrument in a more meaningful way to enable readers to analyse and assess EU support more readily.

In 2019, the EU disbursed

€187.7 million

to support SME growth in the EaP

4.5% of total spending was in Belarus

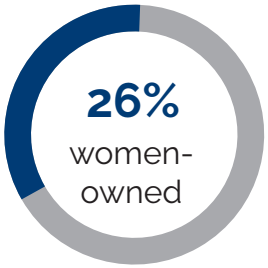
€8.5

NUMBER OF SMES SUPPORTED

Overall, the EU supported a massive of

1,415

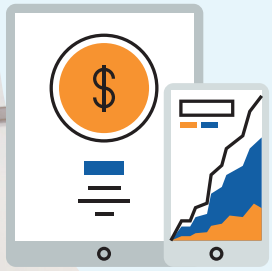
SMEs in Belarus in 2019



€527

million

total turnover
of EU-supported
SMEs in Belarus



26,092

employed in EU-supported
SMEs in Belarus

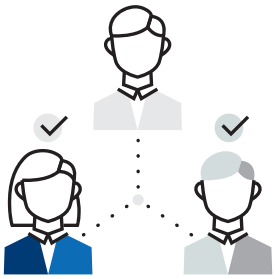
the average
SME supported
by the EU in Belarus

has

€372,438

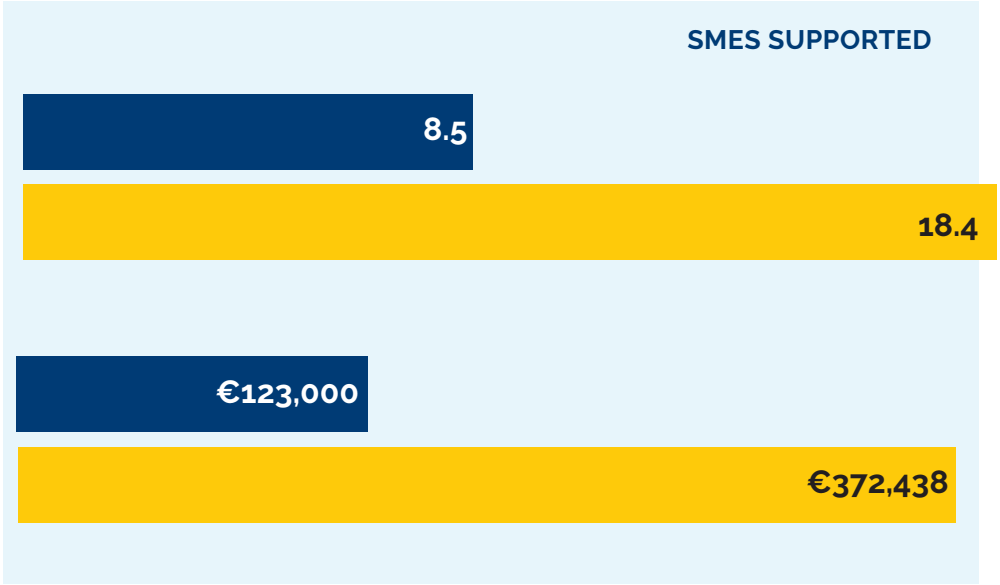
in annual income

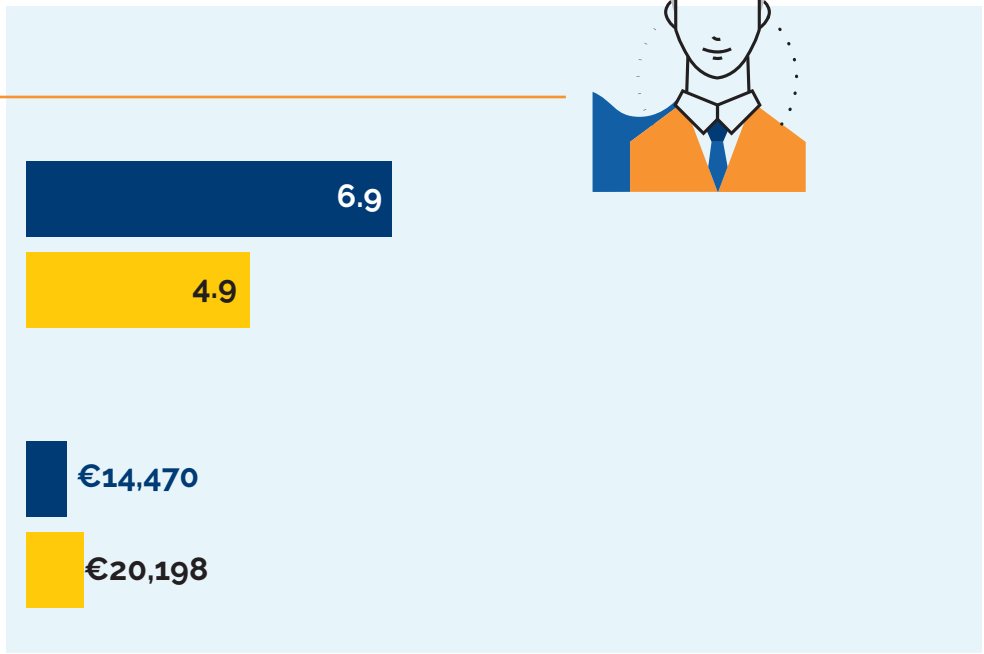
employs **18.4** **individuals**



4.8 of whom
were women

This is the second largest average income per SME supported in the EaP, where the average was **€123,000**.



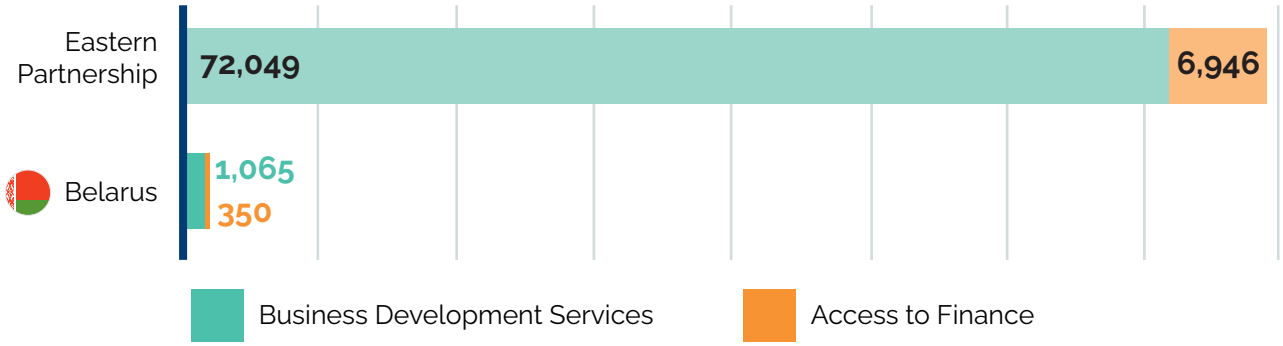


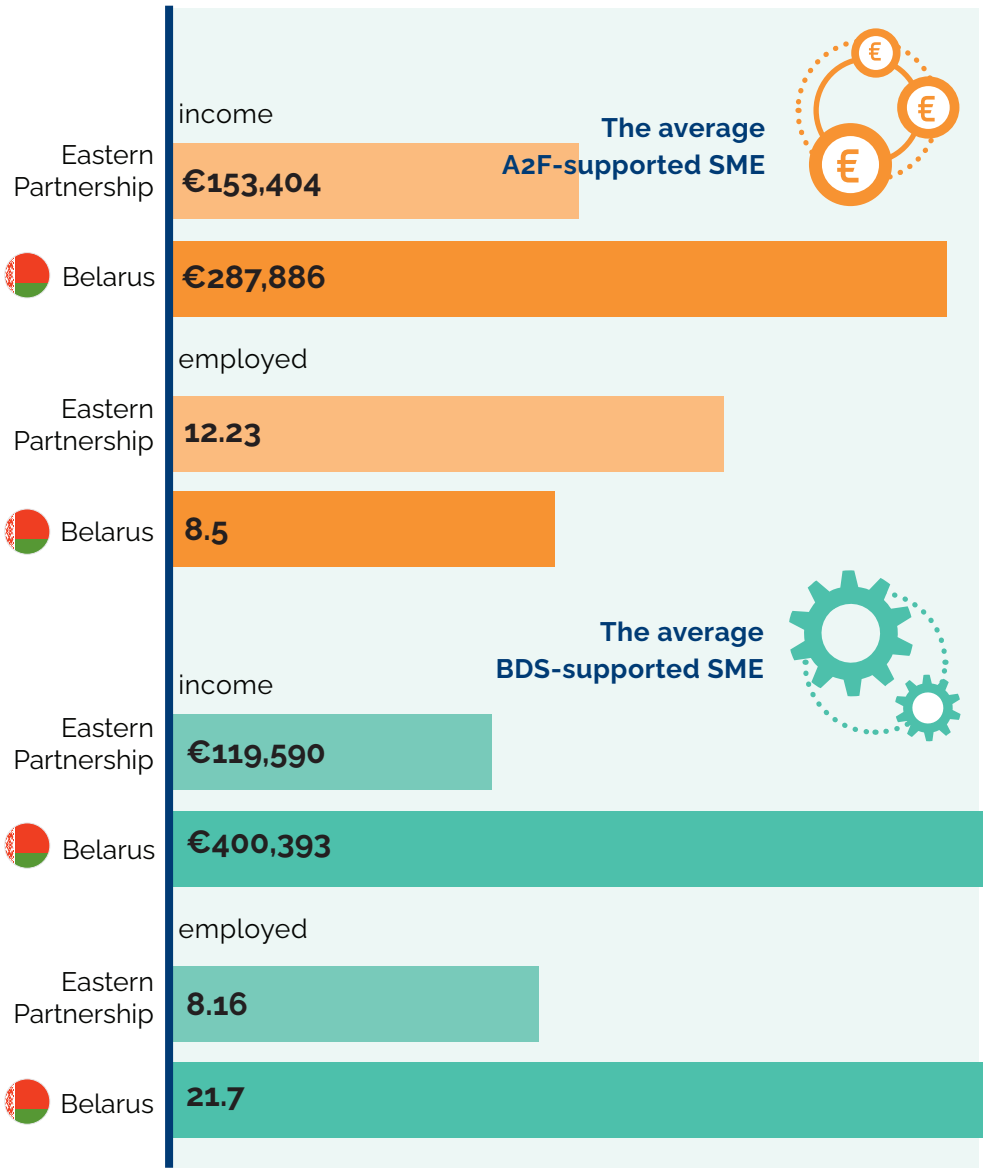
Eastern Partnership Belarus

The average number of jobs in SMEs supported, income per SME supported, and income per employee in Belarus is higher than the EaP average. This clearly shows that the SMEs supported in Belarus are larger than the average in the EaP.

NUMBER OF SMES SUPPORTED PER PILLAR BELARUS VS THE EAP

The number of SMEs supported through access to finance accounted for **24.7%** of all SMEs supported in Belarus, higher than the average of **8.8%** across the EaP, with the remaining SMEs being supported through business development services. Note that SMEs benefiting from improved business enabling environment activities are not included in the consolidated reporting of support, as potentially all SMEs in the country can benefit from reforms.





This shows that the SMEs receiving both A2F and BDS support in Belarus have a higher income (**1.9** and **3.3** times higher respectively) than the regional average.

Employment in supported SMEs in Belarus is lower (**30%** less) in A2F-supported SMEs, but **2.7** times higher in BDS-supported SMEs than the regional average.

JOB CREATION PER PILLAR BELARUS VS THE EAP

In 2019, SMEs supported by the EU in Belarus generated

4,563

jobs

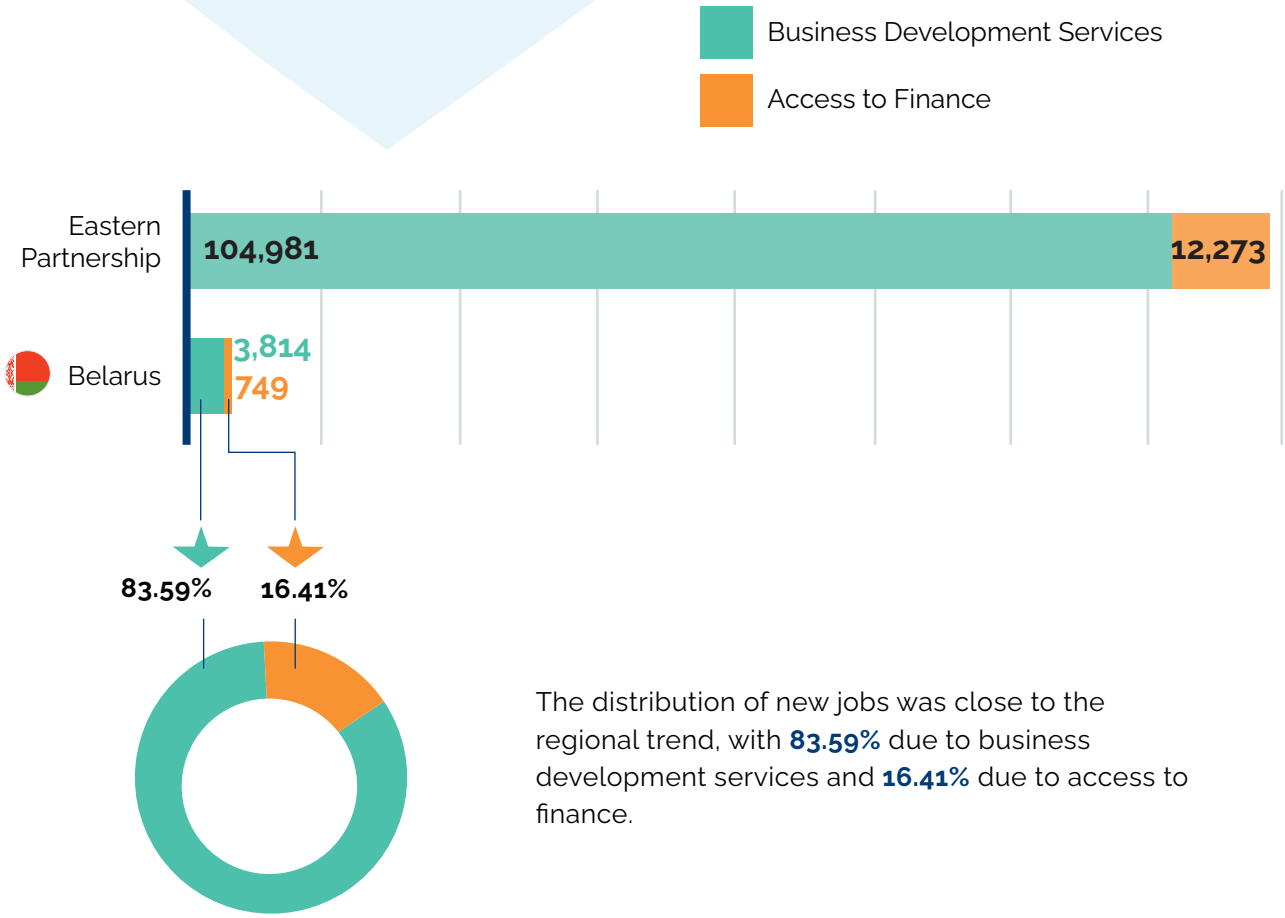
increased staff by

+21.2%

and ranked fifth highest in the Eastern Partnership region

compared to the EAP average of

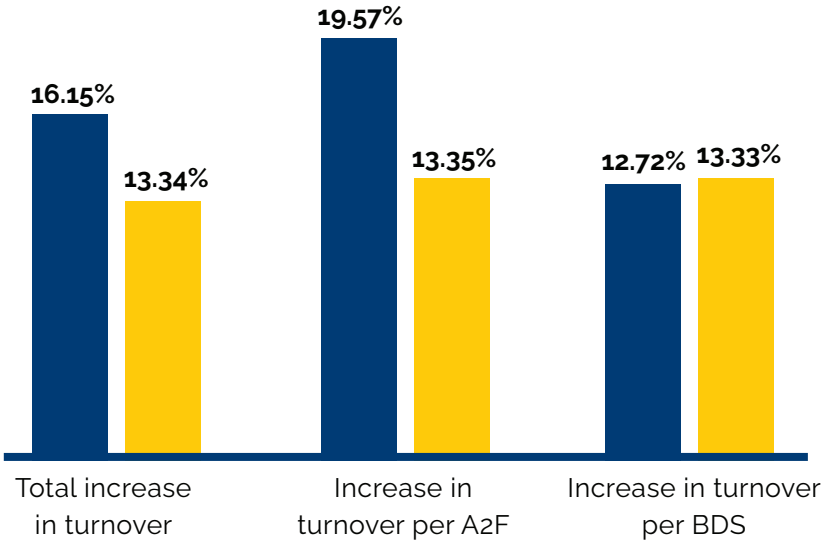
+21.1%



The distribution of new jobs was close to the regional trend, with **83.59%** due to business development services and **16.41%** due to access to finance.

This is in line with the EaP average, where the majority of SMEs supported, **91.2%**, are in BDS and on average **89.53%** of jobs generated are among the BDS firms.

INCREASE IN TURNOVER

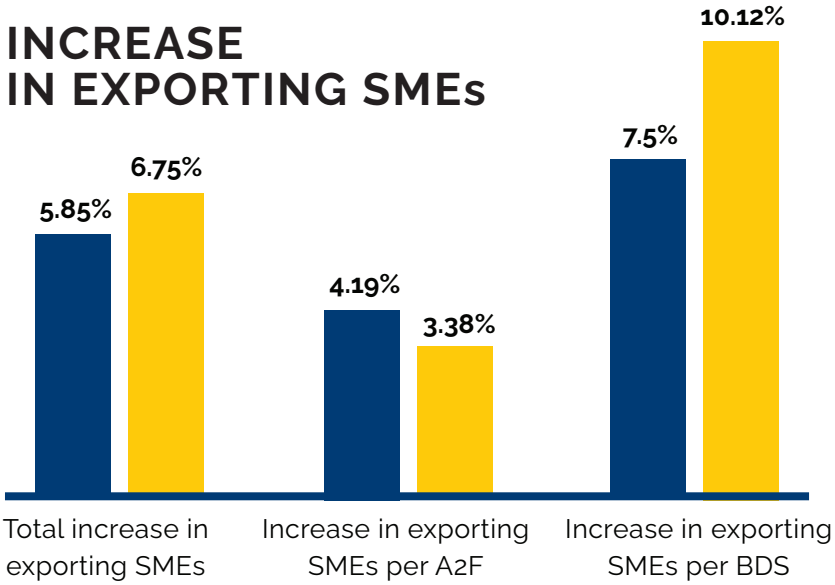


Supported SMEs in Belarus increased turnover by **13.3%** in 2019, which is close to the regional average of **16.15%**.

Eastern Partnership

Belarus

INCREASE IN EXPORTING SMEs

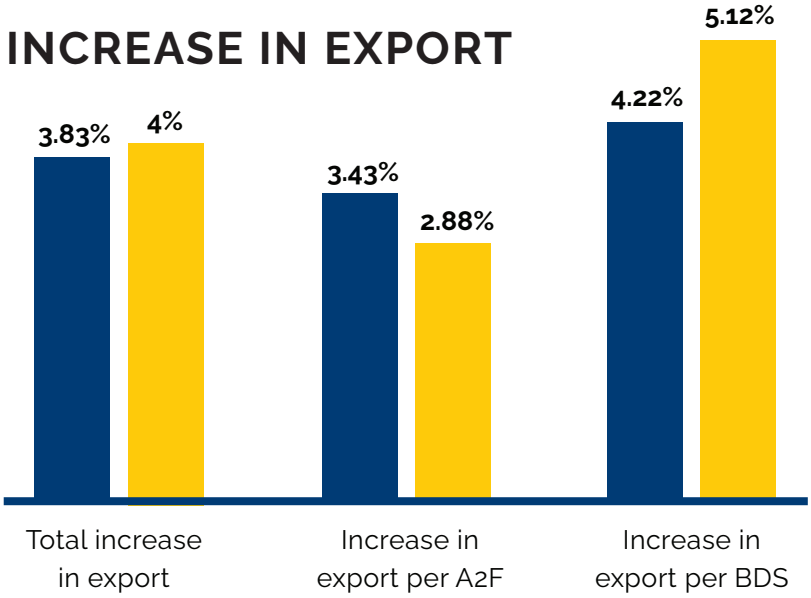


The number of supported SMEs in Belarus engaged in exporting grew more than the EaP average.

Eastern Partnership

Belarus

INCREASE IN EXPORT



Amongst supported SMEs engaged in export, there was a **4%** increase in exports, which is third place for the region and above the **3.8%** average growth.

Eastern Partnership

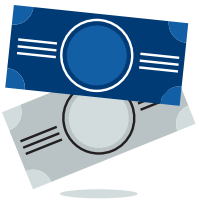
Belarus

ACCESS TO FINANCE FOR BELARUSIAN SMES

MAIN FIGURES

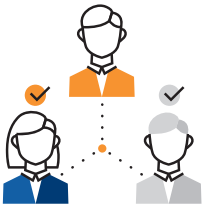
OVERALL RESULTS OF A2F INTERVENTIONS IN 2019 WERE:

350
SMEs supported with A2F interventions



€11.1 million
in loans disbursed

€70,000
in grants disbursed



749
new jobs
generated at SMEs supported through A2F

13.35%
increase in income of supported SMEs

SUCCESS STORIES

SUOMIKIDS KEEPS BELARUSIAN BABIES WARM

SuomiKids, a Belarusian brand selling warm clothes for children, took out an EU and EBRD supported loan worth US $400,000 at Idea Bank to expand its retail network. The company also turned to consultants to find out about expanding to foreign markets, advertising strategies, developing an incentives system for employees, and a loyalty system for customers. As a result, SuomiKids doubled its customer base, increasing its working capital by 116% and sales by 80%, and its brand had become much more visible.

"In Belarus, small business loans are given out very reluctantly. So it was a complete surprise that, just 10 days after we called the bank, the loan was issued. This is something that never happens in any domestic bank."

Irina Serezhonok
Co-Founder
of SuomiKids

Read full story

NUMBER OF SMES SUPPORTED PER ACCESS TO FINANCE INSTRUMENTS IN BELARUS

350

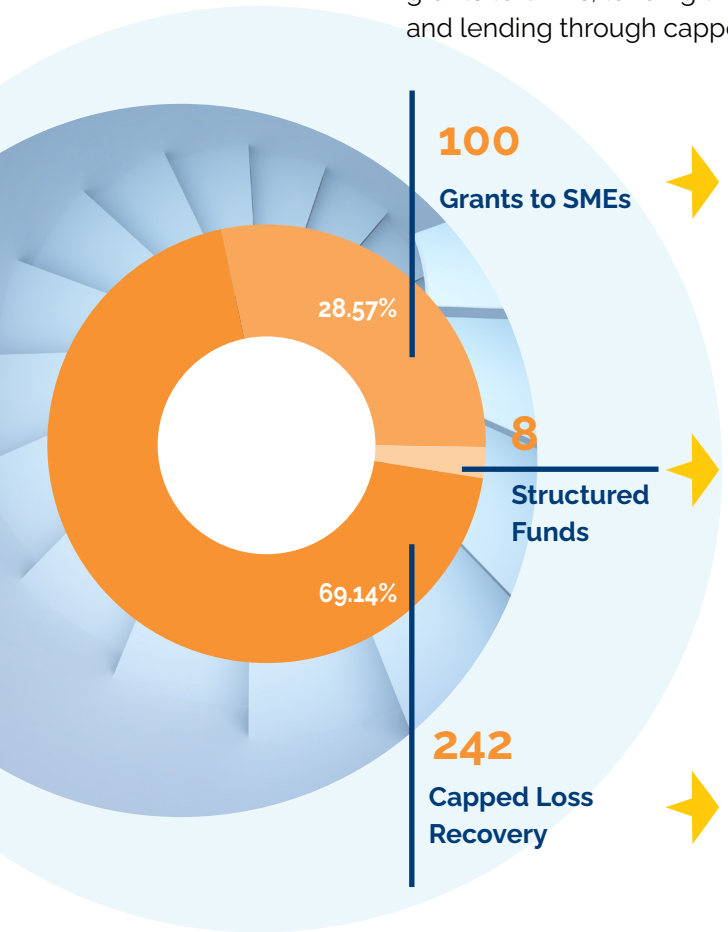
SMEs were supported with A2F interventions in Belarus through access to finance instruments in 2019.

2.4% of total spending for Belarus

€1.6 million

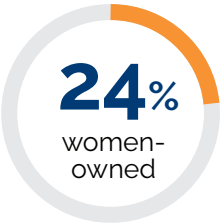
The EU used three instruments:

grants to SMEs, lending through structured funds, and lending through capped loss recovery.



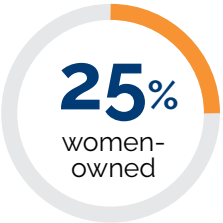
100
Grants to SMEs

€7,000
average size of grant



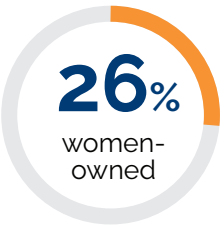
8
Structured Funds

€162,500
average size of loans



242
Capped Loss Recovery

€40,392
average size of loans



250
SMEs received loans

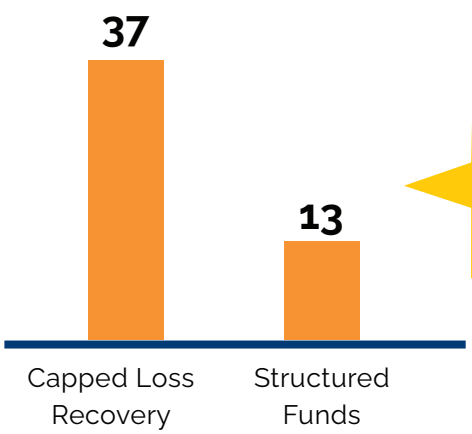
€44,299
average size of loans

3
local financial institutions provided support

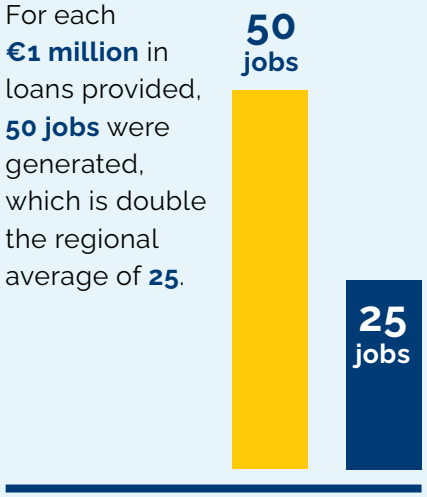
RESULTS PER A2F INSTRUMENT

	Number of SMEs supported	Income of SMEs	Jobs in SMEs	Jobs generated	Increase in turnover
Total	350	€100,760,000	2,974	749	€22,776,800
Structured Funds	8	€4,000,000	560	140	€320,000 ↑ 8.00%
Capped Loss Recovery	242	€91,960,000	2,064	409	€22,070,400 ↑ 24.00%
Grants to SMEs	100	€4,800,000	350	200	€386,400 ↑ 8.05%

JOBS CREATED PER €1 MILLION LOAN IN BELARUS



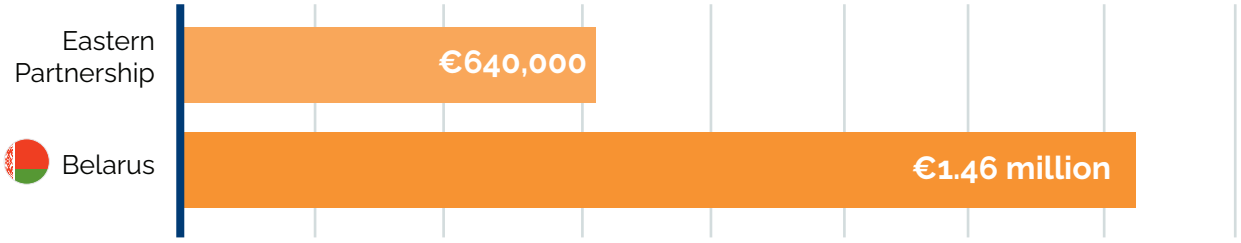
For each **€1 million** in loans provided, **50 jobs** were generated, which is double the regional average of **25**.



JOBS CREATED PER €1 MILLION GRANTS

INCREASE IN TURNOVER PER €1 MILLION LOANS

Similarly, for each **€1 million** of lending in Belarus in 2019, supported SMEs increased turnover by **€1.5 million**. This is far higher than the regional average of **€640,000**.



INCREASE IN TURNOVER PER €1 MILLION GRANTS

Moreover, the increase in turnover of supported SMEs per **€1 million** in grants, **€5.5 million**, is four times higher than the regional average in 2019.

BUSINESS DEVELOPMENT SERVICES (BDS)
FOR BELARUSIAN SMES

OVERALL RESULTS OF BDS INTERVENTIONS IN 2019

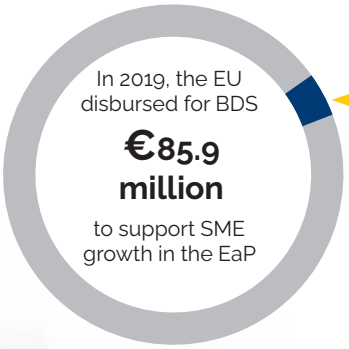
1,065
SMEs supported through BDS interventions

3,814
new jobs
generated at SMEs supported through BDS

13.33%
increase in income at supported SMEs

25
BSOs capacitated

Belarus ranks sixth in the Eastern Partnership region for funds disbursed to improve business support services in 2019.



4.1% of total spent on BDS occurred in Belarus

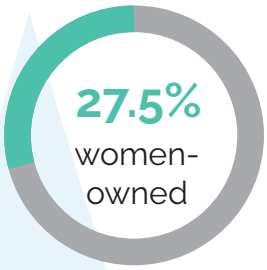
€3.6 million

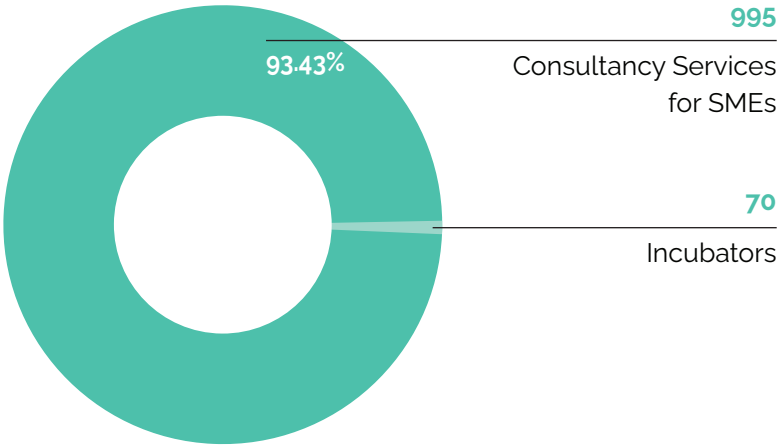
NUMBER OF SMES SUPPORTED PER BUSINESS DEVELOPMENT SERVICES INSTRUMENTS IN BELARUS

1,065

SMEs benefited

A total of **1,065** SMEs benefitted from business development services support provided by the EU; over **93.4%** through consulting services provided directly to SMEs, and **6.57%** through incubators.





RESULTS BY BDS INSTRUMENTS

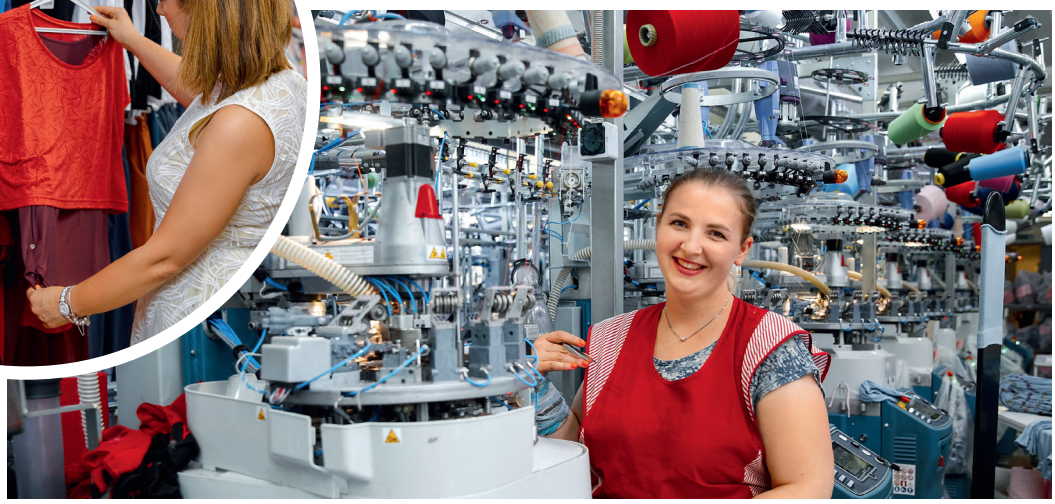
	Sustained jobs	New jobs	Turnover	Turnover increase
Consulting Services to SMEs	22,998	3,764	€411,409,885	€41,140,989 ↑ 10%
Incubators	120	50	€15,008,895	€2,501,893 ↑ 16.67%

SUCCESS STORIES

MARK FORMELLE AIMS FOR THE HEARTS OF FASHION MAVENS AND FAMILIES ALIKE

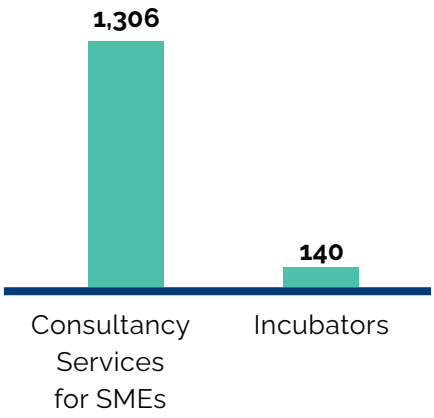
Mark Formelle, Belarus' leading fashion brand, received support from EU4Business and the EBRD with advice on branding and marketing, which helped MF expand its retail chain, double exports and increase turnover by 87%.

Read full story



JOBS CREATED PER €1 MILLION EU SPEND ON BUSINESS DEVELOPMENT SERVICES IN BELARUS

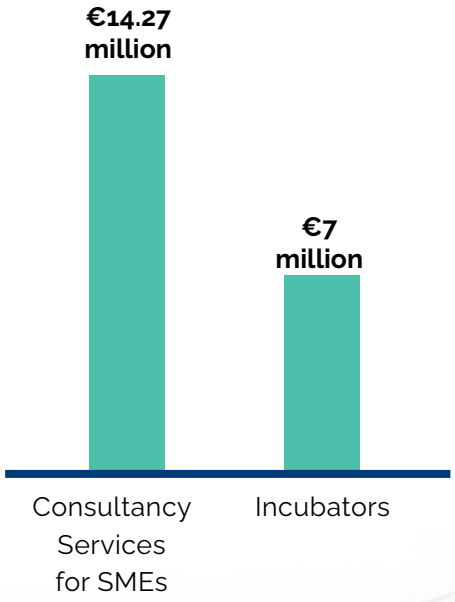
In terms of job generation, SMEs that received EU support through consulting services generated more jobs for every **€1 million** of support, **1,306**, compared to only **140** for those SMEs supported through incubators.



INCREASE IN TURNOVER PER €1 MILLION EU SPEND ON BUSINESS DEVELOPMENT SERVICES IN BELARUS

SMEs receiving consulting services increased their income twice as much as SMEs supported through incubators.

For each **€1 million** of support in consulting services, supported SMEs grew **€14 million**, compared to only **€7 million** for those in incubators.



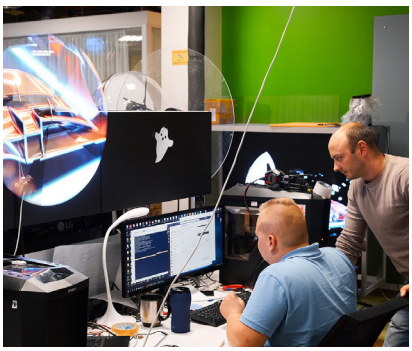
BELARUSIAN START-UP MAKING HOLOGRAPHIC ADS PROVES "A PICTURE'S WORTH 1,000 WORDS!"

EU4Business and the EBRD helped HYPERVSN, a technology start-up developing 3D holographic images, step up its management effectiveness by implementing resource management systems and integrated accounts. This support translated into higher productivity and an increase in the company's income and net profitability. The start-up has attracted major brands like Adidas, Samsung, Coca Cola, and Louis Vuitton.

"We trigger very different emotions in people. Some are amazed, some are doubtful, but they all have something in common: they can't look away!"

Artem Stavenka
founder of HYPERVSN

Read full story



SILVER SCREEN TAKES BELARUSIAN CINEMAS TO A NEW LEVEL

EU4Business and the EBRD matched Silver Screen, an unconventional cinema chain in Belarus, with a consultant on strategic and sustainable development. This helped the company experiment with new ideas, such as ScreenX, the world's first multi-projection theatre technology. With select scenes of feature films expanded to the left and right walls of the hall, the audience can go beyond the traditional movie experience. "We bring people the best two hours of their lives," is Silver Screen's philosophy.

Read full story

BUSINESS ENABLING ENVIRONMENT IN BELARUS

OVERALL RESULTS IN BUSINESS ENABLING ENVIRONMENT INTERVENTIONS IN BELARUS IN 2019

15
laws changed

221
PPD events

65
regulators/policymakers strengthened capacity

In EU4Business reports, support for improving the business enabling environment is treated differently. Whilst improvements in the business enabling environment will inevitably improve competitiveness, lower costs, and make SMEs more efficient, it is more difficult to isolate which SMEs actually benefit, as, potentially, all will benefit: for example, reforms that make it easier and less costly to pay taxes will benefit all SMEs.

EU SUPPORT AIMED AT IMPROVING THE BUSINESS ENABLING ENVIRONMENT IN BELARUS

In 2019, the EU disbursed for BEE
€33.8 million
to support SME growth in the EaP

9.7% of total spending for BEE was in Belarus

€3.3 million

This is the third largest amount out of the six EaP countries

THE SUPPORT INSTRUMENTS USED TO IMPROVE THE BUSINESS ENABLING ENVIRONMENT ACTIVE IN BELARUS IN 2019 INCLUDED:

- Changing / improving laws and regulations
- Public-private dialogue events
- Capacity-building among government agencies / regulators

The best-performing instrument used in Belarus to improve the business enabling environment in 2019 was capacity building among government and regulating organisations.

NUMBER OF REGULATORS/GOVERNMENT BENEFITING FROM CAPACITY BUILDING

Belarus ranked fourth in the Eastern Partnership region with **65 supported government** and regulating organisations.

NUMBER OF LAWS / REGULATIONS CHANGED

NUMBER OF PUBLIC PRIVATE DIALOGUE EVENTS

ARTICLE:

SMES IN BELARUS BENEFIT FROM IMPROVED BUSINESS ENVIRONMENT

NUMEROUS CHALLENGES REMAIN

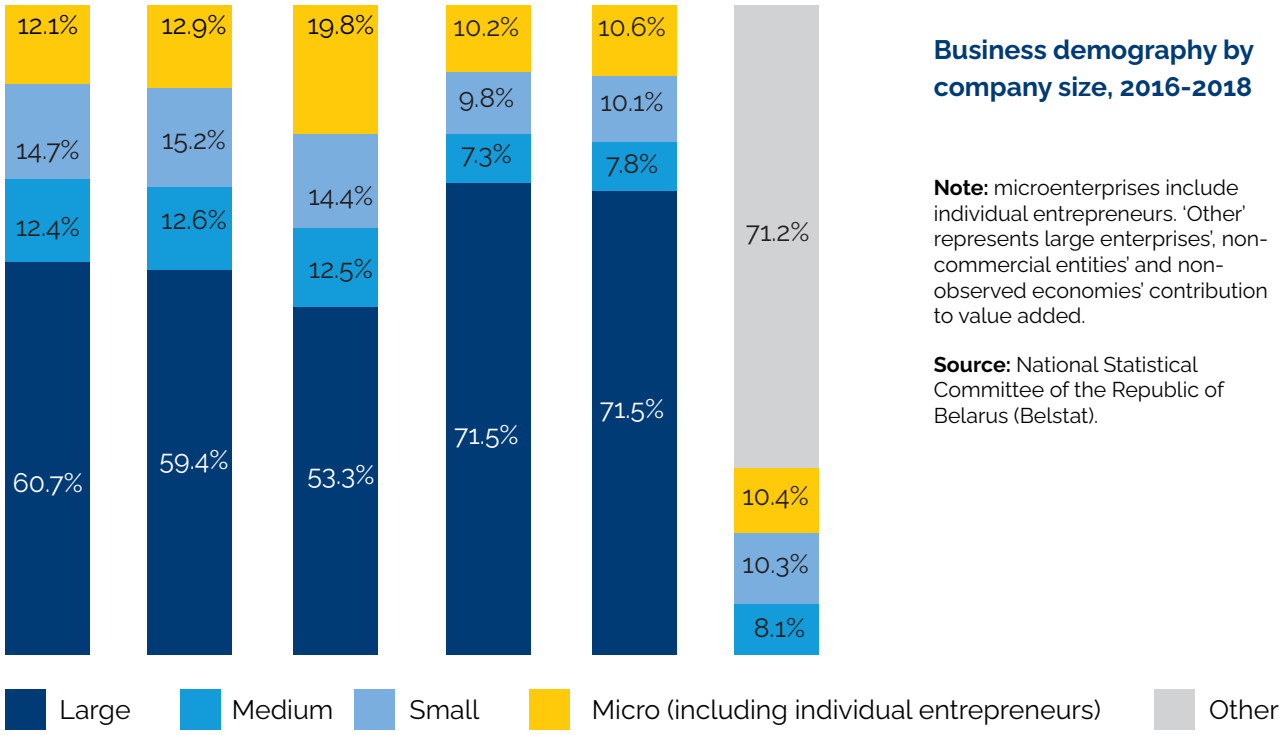
The OECD has been working with Eastern Partner (EaP) countries for more than 10 years in an effort to guide SME policy reforms. Within the framework of the EU4Business Initiative, the OECD together with the EBRD, the European Training Foundation, and the European Commission published a third edition of the SME Policy Index[1] in March 2020, monitoring progress with regards implementation of the Small Business Act for Europe (SBA) and highlighting outstanding reform priorities.

In recent years, the Government of Belarus has been increasing efforts to promote private-sector development, strengthen the position of SMEs, and sustain growth, employment, and resilience. However, SME contribution to value added and employment in the business sector remains limited, and state-owned enterprises continue to play a disproportionate role in the economy, accounting for more than 1/3 of total employment and gross value added. To increase SME competitiveness, the authorities could reinforce their efforts to create level-playing-field conditions for all firms regardless of size and ownership status, establish a healthy competition culture in the economy, and support the development of entrepreneurial human capital.

SMES IN BELARUS' ECONOMY

The economic role of SMEs in Belarus remains limited. In 2018, they accounted for **46.7%** of employees and **28.8%** of gross value added, up from **43%** and **27.6%**, respectively, three years earlier. They mostly operate on very small scales in **non-innovative low-productivity industries**, which explains their limited contribution to value added.

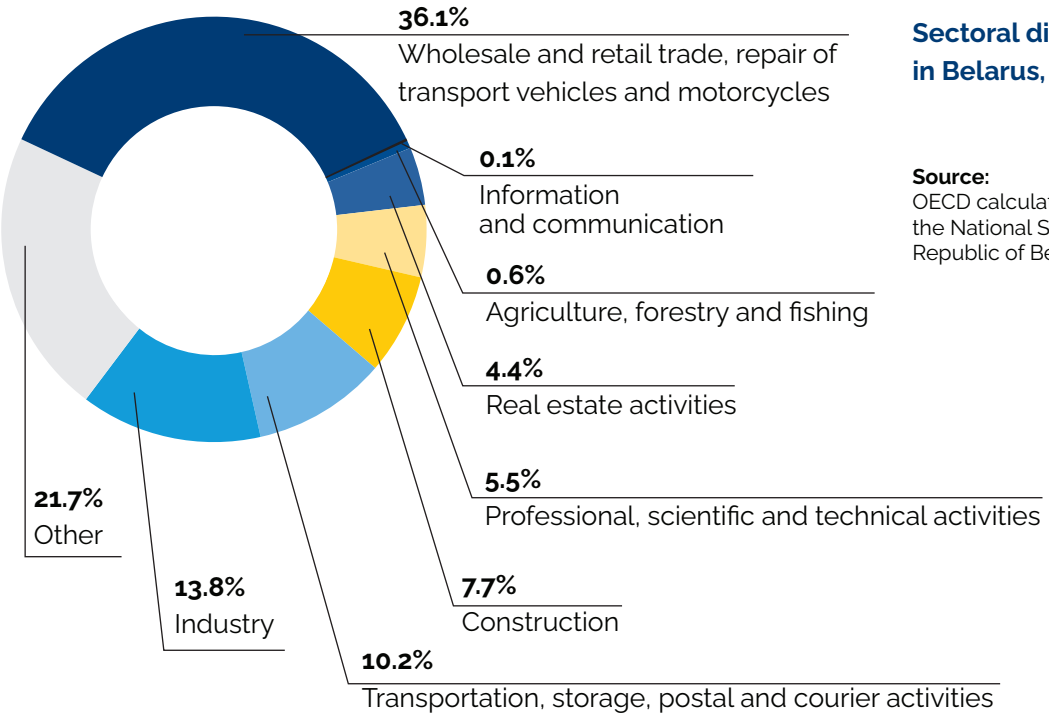
[1] OECD et al. (2020), SME Policy Index: Eastern Partner Countries 2020: Assessing the Implementation of the Small Business Act for Europe, https://www.oecd.org/development/sme-policy-index-eastern-partner-countries-2020-8b45614b-en.htm



Business demography by company size, 2016-2018

Note: microenterprises include individual entrepreneurs. 'Other' represents large enterprises', non-commercial entities' and non-observed economies' contribution to value added.

Source: National Statistical Committee of the Republic of Belarus (Belstat).



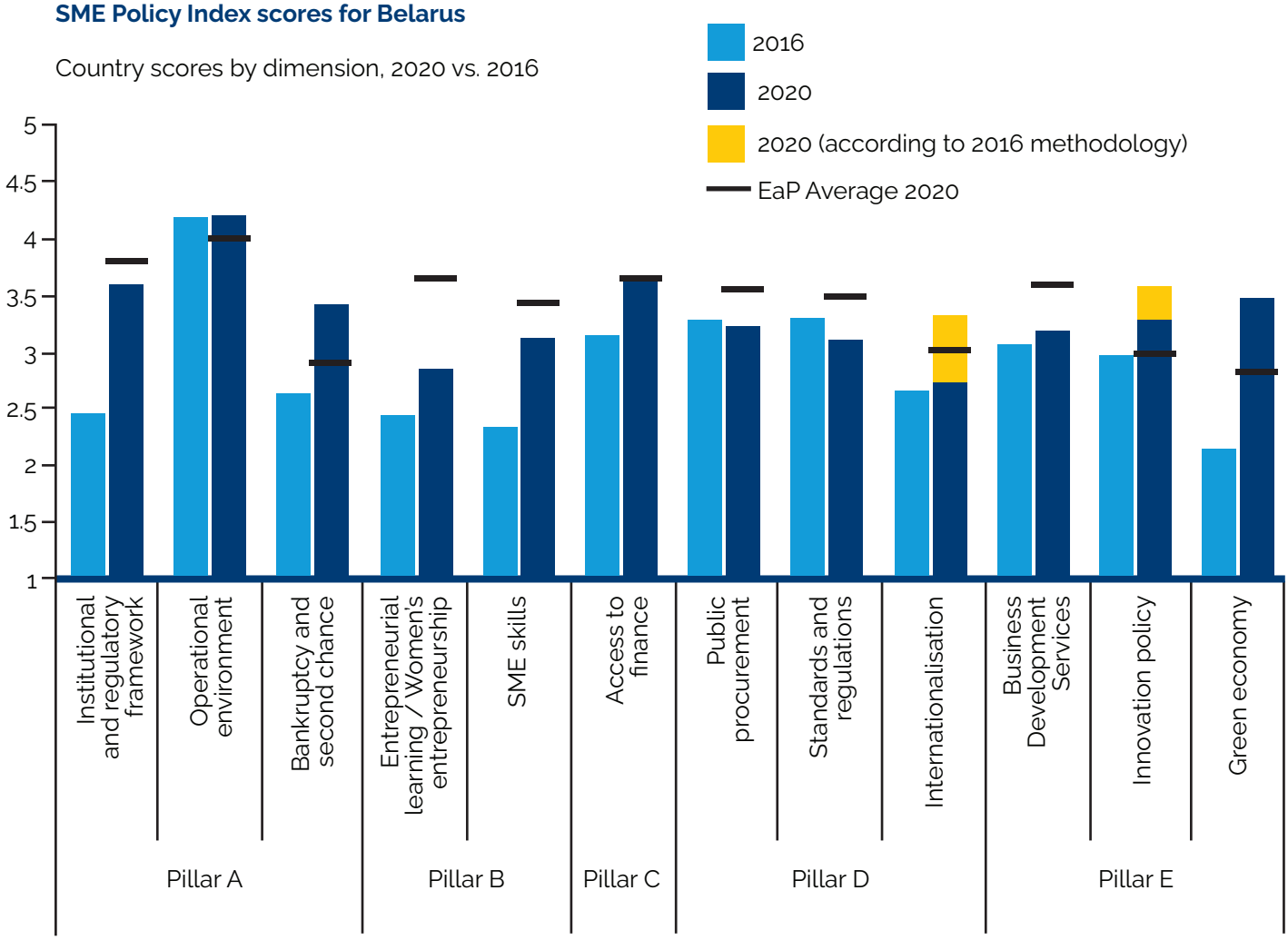
Sectoral distribution of SMEs in Belarus, 2018 year

Source:
OECD calculations based on data from the National Statistical Committee of the Republic of Belarus (Belstat).

Thanks to these efforts, Belarus has improved its score in 10 out of 12 dimensions, and has achieved an overall score increase of 18% on average. The country's remarkable progress regarding bankruptcy procedures and green policies has made it the best performer in both dimensions. However, much remains to be done to foster entrepreneurial learning and access to SME standardisation.

SME Policy Index scores for Belarus

Country scores by dimension, 2020 vs. 2016



Belarus has made significant progress in the establishment of a comprehensive **institutional, and regulatory framework** for SME policy. The country adopted its first SME strategy in 2018, covering a 12-year period (to 2030). Public-private dialogue has been strengthened through expansion of a mandate put forth by the Council for Entrepreneurship Development, which brings together representatives of both sectors. Regarding bankruptcy procedures, the average time needed to settle insolvency has halved and a new law has been drafted. Moving forward, the government should:

- Establish an SME agency.
- Improve registration and tax administration procedures.

Moreover, **entrepreneurship** education is a clear policy priority for the country. Entrepreneurs notably benefit from training sessions financially supported by the government, and women entrepreneurship is fostered through public-private consultations and the provision of dedicated services (training, information, networking opportunities) provided by NGOs. Further steps could include:

- Providing support materials and training courses for teachers.
- Strengthening data collection on enterprise skills for evidence-based policy design, monitoring, and evaluation.

[2] World Bank (2019). Doing Business 2020, World Bank, Washington, DC, http://www.doingbusiness.org/en/doingbusiness.

SMEs now have better **access to finance**. A new registration system for movable assets and the newly operationalised Credit Guarantee Scheme should facilitate the financial inclusion of SMEs previously considered higher risk by banks. Banking regulations have been strengthened and are now among the most stringent in the region. But financial intermediation remains low, as banks do not offer many SME-specific products. Going forward, Belarus should:

- Strengthen the legal protection for secured creditors.
- Ease access to the cadastre and register for movable assets (e.g. through a review of the pricing model).

Regarding SME **access to markets**, Belarus' active integration into the international and national accreditation systems is reducing technical barriers to trade. SMEs' share in total exports is increasing (47.2% in 2017, +6.6 percentage points since 2014). A dedicated national programme for 2016-2020 foresees export support measures, but it lacks implementation. To strengthen the currently insufficient institutional framework and to foster SME internationalisation, the authorities could:

- Establish an export promotion agency.
- Design a web portal/single contact point for exporters to the EU.

SMEs benefit from increasingly developed business support infrastructure, e.g. incubators and business support centres. These provide free consulting services, training courses (4,290 were provided in 2017), and low-cost office spaces. Moreover, technological innovation is supported through tech parks (e.g. Hi-Tech Park), financial support schemes, and tax incentives. Belarus is also committed to developing the green economy and has notably approved an action plan. Moving forward, the government could:

- Assess impact of these policy tools.
- Incorporate provisions for SMEs into green public procurement standards.

Finally, Belarus has taken measures to improve **level playing field conditions** for all firms, e.g. through establishment of the Ministry of Antimonopoly Regulation and Trade (MART) in 2016 and the development of an automated information mechanism to improve the efficiency and transparency of court-case management systems. Yet additional steps are needed to create a competition-friendlier environment and promote business integrity. Notably, Belarus could:

- Ensure institutional and budgetary independence for MART.
- Enable enforcement against cartels.
- Promote alternative dispute resolution among SMEs.

ANNEX

LIST OF PROJECTS IN BELARUS AS OF 2019

Title	Total Budget*	Start date	End date	Type of the Project	Areas of Intervention		
					A2F	BDS	BEE
Local Economic Development in Belarus (LED)	€ 7 700 000	2019	2022	Bilateral		●	●
EU-Belarus Private Sector Development Trust Fund	€ 4 800 000	2018	2021	Bilateral		●	●
Networking for Improvement Job Opportunities in the Rural Areas of the Mogilev Oblast	€ 604 612	2017	2021	Bilateral			●
Belarus Investment Climate and Competition Advisory Program Single-Donor Trust Fund (No. TF073054)	€ 4 000 000	2018	2021	Bilateral			●
Advice for Small Businesses in Belarus	€ 6 000 000	2017	2021	Bilateral		●	
BY RURAL BOOST: Boosting rural entrepreneurship in Belarus via establishment & running of Komarovo Rural Business Incubator	€ 526 503	2014	2020	Bilateral	●	●	
Social Entrepreneurship Incubator	€ 758 878	2016	2019	Bilateral	●	●	
EU4Business — The EU Local Currency Partnership Initiative: the European Fund for Southeast Europe (EFSE)	€ 50 320 000	2018	2039	Regional	●		

* Budgets indicated for regional projects apply for 6 EaP countries

Title	Total Budget*	Start date	End date	Type of the Project	Areas of Intervention		
					A2F	BDS	BEE
Structural Reform Facility: World Bank component	€ 1 500 000	2018	2023	Regional			●
Women in Business	€ 5 035 000	2015	2022	Regional	●	●	
EU-EBRD Country-specific Investment Climate Reviews and Action Plans for Eastern partnership (EaP) countries.	€ 2 000 000	2018	2021	Regional			●
Mayors for Economic Growth	€ 4 979 800	2017	2020	Regional		●	●
Mayors for Economic Growth 2 TA	€ 10 000 000	2017	2020	Regional		●	●
WBG technical support to the implementation of the Mayors for Economic Growth initiative	€ 500 000	2016	2020	Regional		●	●
Eastern Partnership: Ready to Trade — an EU4Business initiative	€ 6 000 000	2017	2020	Regional			●
EU4Business: From Policies to Action	€ 4 000 000	2017	2020	Regional			●
SBS Program — EGP BAS Phase II	€ 8 000 000	2015	2019	Regional		●	
EFSE (Neighbourhood Window of the European Fund for South East Europe)	€ 5 100 000	2009	2019	Regional	●		
STAREP (Strengthening Auditing and Reporting in the Countries of the EaP)	€ 1 000 000	2014	2019	Regional			●

* Budgets indicated for regional projects apply for 6 EaP countries