



**Embassy of the Republic of
Belarus in the Kingdom of
Sweden**

No. 253

The Embassy of the Republic of Belarus in the Kingdom of Sweden presents its compliments to the Danish Parliament and has the honour to forward to your kind attention information about institutionalized development and improvement of business climate in the Republic of Belarus.

The Embassy avails itself of this opportunity to renew to the Danish Parliament the assurances of its highest consideration.

A.G.

Encl.: 4



Stockholm, March 18, 2011

THE DANISH PARLIAMENT
Copenhagen

Institutionalized Development and Improvement of Business Climate in the Republic of Belarus

A) Political and Institutionalized Development

The Government of the Republic of Belarus is carrying out step-by-step activities to improve conditions for business, to create favourable investment climate, to eliminate excessive interference of the authorities into the activities of companies and to eliminate ungrounded administrative barriers.

Since 2010, the so-called “turnover” taxes have been practically abolished. Almost all the taxation methods and models have been adjusted to international standards.

With coming into force of the Taxation Code of the Republic of Belarus on the 1st of January 2011 the system of taxation has been modified according to international set of taxes and levies, thus avoiding the limitations of economic interests of companies. The new taxation system includes the VAT, income tax, property and ecology taxes, social security tax. Other taxes and levies such as excise duties, customs duties, state duties, license taxes, etc. will be collected only if the object of taxation arises.

275 administrative procedures or 35 percent imposed by 19 governmental and state agencies have been abolished in 2009 alone. 349 administrative procedures by 26 governmental authorities have been harmonized and simplified.

637 administrative procedures are totaling the list of the Council of Ministers as of the 30th of January 2010.

40 percent of goods have been removed from the customs lists of goods for mandatory certification in the Republic of Belarus in 2009. These lists now include only the most essential goods for public and industrial use.

220 standards have been approved in 2010, 91 of them (or 41 percent) have been harmonized according to international and European standards.

Decree of the President of the Republic of Belarus No 450 of 1 September 2010 *On Licensing of Business Activities* has abolished 16 types of activities. That accounts for 32 percent reduction or 160 thousand licenses.

Transparent and facilitated control system has been introduced. This system includes a two-year moratorium on inspection of the newly founded legal entities.

The new procedure of crediting for the small and medium enterprises (SMEs) has been established. The new procedure is a part of the governmental program to support SMEs. The new procedure covers various areas of financial crediting (both repayable and non-repayable), leasing, new instruments of support, such as low-interest crediting and financial guarantees on credits provided by banks to SMEs.

A new period of privatization and reforms has started in Belarus. More than 300 new companies have been established in 2008-2010 as part of the privatization program. More than 20 deals with state-owned shares have been concluded. The biggest packets of shares of such enterprises as Beltransgas, Motovelo, Velcom, Best as well as Belvneshekonombank and BPS-Bank have been put for sale.

The new privatization plan for 2011-2013 is being formed. The plan provides for the completion of reforms of state enterprises and expanding the privatization network for foreign investors.

Of strategic importance for the development of economic sphere in Belarus is the new Presidential Directive No 4 *On the Development of Entrepreneurship Initiative and Stimulation of Business Activities*, which was introduced by the President of the Republic of Belarus of the 31 of December 2010. Its major provisions are aimed at further improvement of entrepreneurs' activities as one of the key factors of dynamically developing society and economics of the Republic of Belarus. The Directive will also provide for the ban on interference of the authorities in the pricing process of business entities; will provide extended protection of private property; further elimination of administrative procedures; reduction of tax duties, revision of existing system of penalties in the sphere of business activities with the view of apportionment of liability depending on the nature of the offense and the extent of the harm; favour the exclusion of excessive control of labor-market.

The main principle of the Directive can be formulated as "competition - where possible, government regulation - where necessary".

The realization of the Directive would create a more competitive and stable environment for economic activities, reduce time and financial costs for

business administration, and as a result - increase investment opportunities and improve business climate.

The Council of Ministers together with the National Bank of Belarus, regional executive committees and Minsk City Executive Committee are to fulfill the Implementation Plan of the Directive. Thus, the Prime Minister of the Republic of Belarus, the Governor of the National Bank, the Chairpersons of the regional executive committees and Minsk City Executive Committee are directly responsible for the implementation of the Directive.

The draft law of the Republic of Belarus *On Public-Private Partnership* is being developed. This draft law will consolidate the position of the state to prioritize the development of mutually beneficial relations with the private sector and to integrate all the key provisions regarding the realization of this partnership (goals, objectives, principles, directions, forms of cooperation, the empowerments of state bodies and methods of realization, potential benefits and preferences, guarantees, risks, responsibilities of the parties, the settlement of disputes).

B) Arrangements for improvement of the business climate

The efforts of Belarus in the sphere of economic liberalization and improvement of the business conditions are making Belarusian economy much more attractive for investments. According to the *Doing Business 2011, Report by International Financial Corporation and World Bank*, starting with 2008 Belarus has improved its position from the 115 place to the 58 (up 57 positions) among 183 countries mentioned in the research for its sustained reforms of business activities simplification.

Moreover, Belarus has joined the world's first top five countries-reformers leading both in the number of implemented reforms in the sphere of business liberalization and their efficiency.

The World Bank/IMF Report pertaining to the regulation of foreign direct investments acknowledges that Belarus has become a regional leader in terms of reduction of procedures for foreign enterprise establishment and that Belarus has surpassed such countries as Austria, Britain, Spain, Ireland, Poland, Romania, Slovakia, the Czech Republic, France, the United States and Japan.

Belarus has improved its stand in terms of the effective access of enterprises to the land resources. On the basis of the various indicators in this area, Belarus is at the same level as countries of European Union, the USA and Canada.

The World Bank states that in terms of investment opportunities in various sectors of the economy Belarus meets the requirements of many European Union countries.

UN Economic Commission for Europe in its survey *UNECE Countries in Figures 2009* presents data which demonstrate the leadership of Belarus in several important indicators of social and economic development.

In particular, the gender gap in wages in Belarus is lower than that in most UNECE member states and is the same as in Germany, the USA and Switzerland.

Belarus has a very low unemployment rate – 1 percent, while in some of the EU countries, this rate rises to 7-8 percent, including Poland – 9.6 percent, Turkey – 8.5 percent, Germany – 8.4 percent, Spain, - 8.3 percent, France- 8.3 percent Belgium – 7.5 percent.

According to the GDP per capita, Belarus is ahead of several Eastern European countries (Albania, Serbia, and Montenegro) and most of the CIS countries, as well as may be compared to two EU countries - Bulgaria and Romania.