

EaP Civil Society Forum: the outlook of CSO on the entrepreneurship development at the local level in Belarus. *By N. Efremenko, International Foundation for Rural Development (IFRD), Belarus*

Belarus: background

The issue of structural reforms to promote economic growth is a topical matter for Belarus. Nowadays, the government controls over 80% of the country's resources and assets, reassigning about 45% through government bodies. At the same time, according to IMF, at the end of 2017, the return on equity for public-sector enterprises was on average three times less than in the private sector.

Today, Government views entrepreneurship as the main driver of economic growth and new jobs creation. In the recent years, various measures have been taken to improve the business environment. An unprecedented step was the adoption at the end of 2017 of the Presidential Decree no. 7 on the Development of Entrepreneurship, which established a tax moratorium until 2020, made it easier to start some types of business activities, lifted over 600 restrictions of all kinds for doing business that were in force before, and brought some other positive changes. However, the Decree is rather a simple technical liberalization - simplification or systematization of technical requirements (fire safety, construction, environmental, etc.) imposed on businesses. As there is still little practical experience of applying the provisions of this Decree, it is hard to assess what impact it will have. At the same time, it is worth noting that the Decree does not provide for changes regarding state ownership aspects, economic governance or other structural reforms.

Experience and areas of expertise of Foundation for Rural Development (IFRD)

- Enforcement and assistance in reviving of small local economies with support of communities' initiatives;
- Methodological assistance in the design of local strategies and policies;
- Capacity building of communities, support to local NGOs and recourse centers as disseminators of progressive knowledge and best practice;
- Design and pilot implementation of innovative approaches and mechanisms to organize and support public-private dialogue and inter-district networking;
- Assistance in the preparation and implementation of donor projects at the local level and others.

2020 Deliverables: main development challenges for entrepreneurship at local level in Belarus

Despite the Government's stepped-up support policy, the potential for the development of the private sector - and in particular local SMEs - is low due to the following:

- **Critical ageing of the rural and small towns population** against a backdrop of urbanization and migration processes;
- The **inability of SMEs to compete with the developed and industrialized sector of large, state subsidised farms**;
- **Low motivation and entrepreneurship capacity** as local populations lack access up-to-date expertise adapted to the local and global challenges and - what is especially important - to development resources. This is confirmed by a limited traditional set of the types of entrepreneurial activity (agri-ecotourism and agriculture, for example, production of potatoes and milk, rafting and culinary tourism, and other niche business activities);



- SMEs and local authorities lack knowledge and **underestimate the competitive advantages of their territories and ways of their monetization**;
- **Poor development of the infrastructure** for the support of the SME sector at the local level;
- **Insufficient integration of SMEs in the local economies**. They are rather a harmless addition to the local economy with unclear functions;
- **Limited ability of the representatives of the private sector to advocate their interests** in a public-private dialogue due to the lack of necessary knowledge, skills and experience;
- **Lack of network entities or organizations** capable of representing and professionally protecting the interests of local entrepreneurs based on a common coordinated action plan.

2020 Deliverables: measures to requiring support

- Reliance on the local communities. Focus on maintaining and consolidating the capacity for entrepreneurial development of the economically active population **still present at the local level**, including the following groups:
 - women irrespective of age;
 - population of remote underpopulated villages;
 - people of pre-retirement age and those who have just retired;
 - persons with disabilities;
- Promoting **diversification of the types of business activities** of local SMEs in all innovative forms - social entrepreneurship, green economy, creative economy with the maximum utilization of local competitive advantages and resources, in particular, environmental;
- Improvement and ensuring **equal access** to: (1) basic **knowledge** for doing business, (2) existing local infrastructure that is not always used, and (3) **resources**, first of all state budget, and (4) open market of **services and goods**, including for the government orders;
- **Digitalization of small economy**, which will ensure the coming of SMEs out from the "shadow of the grassroots level". The digitalization will strengthen SME mobility and flexibility, promotes openness and transparency of the conditions and opportunities for the development of SMEs, and, most importantly, the principle of every one's accountability for the coordinated development priorities and the effectiveness of various actors. This tool also reinforces the responsibility of SMEs towards the local communities for the results of their activity;
- **A broader involvement of SMEs in the development and implementation of any local strategies**, programmes and territorial development projects (sustainable development, LEDP, community-led and area-based approach, oth.), thus facilitating SMEs access to state subsidies and tax incentives;
- **Facilitating the development of the cooperation of SMEs** to improve the capacity, role and contribution of SMEs in the development of their territories. Promoting the role of SMEs cooperatives or associations as mediators of the public-private dialogue, and support to start-ups and incubators of future SMEs;
- Encouraging and supporting all forms of the **international, national, regional and local networking** of SMEs and their organizations to build their capacity as strong local economic players contributing to the local development.