



German Economic Team Belarus

Technical Note [TN/01/2017]

Improving analytical data as a basis for targeted economic policy in Belarus

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Berlin/Minsk, May 2017

About the German Economic Team Belarus (GET Belarus)

The main purpose of GET Belarus is to conduct a dialogue on economic policy issues with the government, civil society, and international organizations. Experts of German Economic Team have experience in policy advice in several transition economies, including Ukraine, Russia, and Moldova. In Belarus the IPM Research Center and the German Economic Team provide information and analytical support to the Council of Ministers, the National Bank, the Ministry of Foreign Affairs, the Ministry of Economy and other institutions involved in the process of formation and implementation of economic policy.

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Contents

1 Introduction.....	4
2 Analytical data about the business sector: What is the problem?	4
3 Why is that a problem?	5
4 Recommendations.....	5

1 Introduction

The Belarus President Administration and government are currently in the process of reviewing and restructuring their policy towards business sector in general and towards the sector of small and medium-sized enterprises (SME) in particular. According to the Belarus President's initiative of the working group on the improvement of audit activities and eradication of excessive requirements to business, there were created a draft of a decree-law and several law orders aiming to develop business (entrepreneur) initiative and stimulate business activity in the country.

This short paper aims at contributing to the discussion and reforming process by highlighting some problems of the analytical data base and providing some recommendations for improvement. The recommendations make it possible to improve the quality of the results of the adopted SME policy, including the monitoring of the implementation of the target values of the State Program "Small and Medium Business in the Republic of Belarus" for 2016-2020.

2 Analytical data about the business sector: What is the problem?

Currently, the economic policy towards improving the business climate relies solely on statistical publications of National Statistical Committee of the Republic of Belarus (Belstat) and some survey data from local and international research institutes.

The current statistical publications of Belstat have some serious limitations:

- They are mainly aggregated and do not show detailed pictures of industries.
- They contain only basic indicators that are insufficient for a comprehensive analysis.
- They have a time-lag between the gathering information and the publication.
- They do not allow for benchmarking the business sector development of Belarus with that of other countries, due to inadequate methodology.

Example: The export share of SME in Belarus is biased in terms of overstated, because potash and oil traders are regarded as a small company in the statistical publications.

The current survey data publications of local research institutes have serious limitations, too:

- Limited reliability and validity due to simplified methodology. Especially the construct validity must be questioned very often.
- Only cross-sectional studies. Longitudinal studies and panel research is missing.

The current international publications such as the Doing Business Report of the World Bank have also limitations:

- Focus on a limited number of factors of the business climate.

- Have a geographical limitation: according to the methodology, experts from the World Bank measure parameters only for the economy's largest business city (for 11 economies the data are also collected for the second largest business city).
- Focus on changes in the independent variables and not on the effects/impact.
Example: The Ranking increases, when changes in the legislation promise an ease of administrative burden. However, the ranking does not measure the effects of that changes in the target group.

3 Why is that a problem?

The poor data basis hampers

- ... economic policy formulations such as policy strategies and state programs.
- ... impact assessment of policies.
- ... evaluation of policies' efficiencies.
- ... reporting progress and success to international stake-holders.

4 Recommendations

a) The definition of small and medium-sized enterprises (SME) should be reformed.

SME are defined in the LAW OF THE REPUBLIC OF BELARUS, July 1, 2010 № 148-W, "On State Support for small and medium-sized enterprises." The SME definition is the basis for several publications of Belstat. According to Belstat, they cannot produce any more sophisticated analysis on the SME sector without a change in the legislation. The new SME definition should adopt international best practice, for example, SME must be defined by the next three main factors:

- Staff headcount (used in Belarus).
- Turnover or balance sheet total (not used in Belarus).
- Structure of founding members (not used in Belarus).

b) Creating more reports out of the huge Belstat data base, using sophisticated methods and producing detailed pictures of focus industries, focus issues, company characteristics.

Examples:

- *Report on the development of creative industries and professional services in Belarus.*
- *Report on the international competitiveness of the Belarussian ICT-industry.*
- *Report on the costs of administrative burden.*
- *Report on competitive structures and competition efficiencies in the regions / industries.*

c) Creating and establishing state-of-the-art analytical tools, including for longitudinal studies with the wider time-series.

Examples:

- *German Founder Panel & Innovation Panel. Centre for European Economic Research Mannheim (ZEW) in Germany.*
- *German SME Barometer. ifo Institut für Wirtschaftsforschung/German Development Bank.*

List of recent Policy Studies

- Policy International linkages and external shocks: A Global VAR perspective for Belarus. Evidence from different model specifications, by Igor Pelipas, Gleb Shymanovich and Robert Kirchner, Policy Study PS/02/2016
- Policy Options to Reform Free Economic Zones in Belarus, by Björn Vogler, Robert Kirchner, Irina Tochitskaya, Policy Study PS/01/2016

List of recent Policy Papers

- Towards a more Effective Implementation of State Programs in Belarus: Selected Recommendations by Matthias Morgner and Gleb Shymanovich, Policy Paper PP/06/2016
- A Credit Guarantee Scheme for SMEs in Belarus: Overview and Recommendations, by Robert Kirchner and Ivan Koriakin, Policy Paper PP/05/2016
- State Programs in Belarus - Improving Design and Implementation, by Matthias Morgner, Gleb Shymanovich and Vladimir Kavalkin, Policy Paper PP/04/2016
- Hedging foreign exchange risk in Belarus: Selected issues, by Robert Kirchner, Jörg Franke and Irina Tochitskaya, Policy Paper PP/03/2016
- Improving the integration of financial and non-financial SME support in Belarus, by Alexander Knuth and Irina Tochitskaya, Policy Paper PP/02/2016
- Kazakhstan's Accession to the WTO: Overview and Implications for the Eurasian Economic Union, by Irina Tochitskaya, Policy Paper PP/01/2016

List of recent Policy Briefings

- SME statistics in the EU by Alexander Knuth, Anne Mdinradze, Policy Briefing PB/03/2017
- Banking Sector Monitoring Belarus by Robert Kirchner, Maria Bobrovskaya, Policy Briefing PB/02/2017
- Foreign Experience in the Application of Currency Derivatives for Hedging Purposes by Jörg Franke, Policy Briefing PB/01/2017
- Proposals for reforming the SME definition in Belarus by Alexander Knuth, Irina Tochitskaya, Policy Briefing PB/09/2016
- International linkages and external shocks: A Global VAR perspective for Belarus. Evidence from a small EAEU model, by Igor Pelipas, Gleb Shymanovich and Robert Kirchner, Policy Briefing PB/08/2016
- Private Sector Involvement in the Upgrading of Free Economic Zones, by Robert Kirchner, Bjoern Vogler and Alexander Liessem, Policy Briefing PB/07/2016

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