



German Economic Team Belarus

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Improving the Funding of Export Transactions

Considerations for a comprehensive Export Promotion System

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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 German Economic Team provides 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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Considerations for a comprehensive Export Promotion System

Executive Summary

Export Promotion is a proven and valuable instrument for strengthening a Nation's export performance. Through export promotion national companies gain experience in tackling international markets, they can improve their international competitiveness, attract export finance and get protection against the risk of non-payment of foreign contract partners. However, the design of an export promotion scheme needs to be done with caution, because many domestic and international aspects must be taken into consideration. For Belarus, not (yet) being a WTO member, the WTO Agreement on Subsidies and Countervailing Measures (ASCM) nevertheless should be an important benchmark concerning the ultimate borderline for state supported export finance and export credit insurance. Not only internationally, but also domestically aspects of protection of competition and avoidance of corruption and unfair business practices need to be considered.

Based on our assessment we recommend to analyse more in depth the following aspects of state supported export promotion:

1. **Analysis of export potential** of major branches of the Belarusian economy can help to identify promising export opportunities for branches of the economy or individual companies where currently a major distance to global markets still exists.
2. **Training of experts, forming an export finance community.** Permanent training of export managers is necessary to achieve standards of international best practice. A close network of export managers, bankers experienced in export finance and underwriters of export credit insurance helps to form a strong export finance community. English language skills are indispensable for this community.
3. **Political Risk and economic market intelligence.** Information on foreign markets, business opportunities and country risks are key for exploiting export potential and avoiding mistakes and unnecessary risks. An office for international trade information, most probably in connection with Belarusian Chamber of Commerce and Industry, is an important element of an export promotion system.
4. **Abolishment of current restrictions of state backed export finance eligibility.** All branches of the Industry should get access to export finance on fair and equal conditions. Especially for the export-oriented companies of the service industry and SMEs, export finance and credit insurance products should be made available. In 2017, only 17% of goods exports were eligible to receive state backed export finance.
5. **Broadening export finance services from commercial banks.** Competition between banks, innovative solutions and a clear focus on export finance at several banks could strengthen the whole sector of export finance and offer customers an improved service.
6. **Clear need for working capital finance.** Working capital finance is the gateway to foreign markets. If companies can easily get working capital financing for export transactions with state backed lending and/or insurance, export business opportunities can be used very efficiently.
7. **Defining the role of Development Bank.** Development Bank will continue to play an important role in state backed export finance. Whether this should happen in the form of direct lending or better as refinancer of commercial banks needs to be analysed. If Development Bank remains a direct lender, its monopoly status should be reconsidered and the product portfolio extended.

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1. Introduction

Amongst economists specialized in international trade there is no dispute about the positive impact of exports for the generation of economic growth.¹ There is a broad variety of instruments intended to develop and strengthen the national exports. Many countries make use of these options – most of them with significant positive impact.

A growth oriented foreign economic policy requires the Government, being the most powerful player in this area, to define its objectives, targets, instruments and its own role versus contributions of private corporations and banks. The minimum deliverable of the State is a stable and reliable legal environment for export transactions. Experience shows, however, that such a passive approach is not sustainable and not sufficient for achieving the growth targets. A great number of further instruments can be applied for supporting national companies to risk going on foreign markets. The most important elements are financing and risk coverage.

Without financing, export business will be extremely difficult, if it happens at all. The global financial crisis has demonstrated how vulnerable export performance is if the funding is sharply reduced,² getting overly expensive or disappears completely. Many countries have reconsidered and intensively redesigned the funding procedures and funding support for export transactions after this crisis.

Export finance is important for all forms of exports and in all phases of an export operation. Only very few kinds of goods can be sold on the basis of advance payments. Even in such cases, financing of the pre-export phase is needed. In the world markets, usually the buyers are in a much stronger position. They can choose between various suppliers and make their decisions based on the quality of the product and the service and, sometimes even more essential, on the basis of the terms of financing. The seller has to provide an attractive and competitive financial offer. This can include short term, medium- or long-term supplier credit, bank financing through medium- or long-term buyers' credits, bank guarantees etc.

For suppliers and/or banks the financing of export transactions is a risky business. Bankruptcy of a foreign customer can easily endanger the creditor's business or even jeopardize its further existence. Regulatory requirements (Basel III) make it necessary for banks to mitigate risks wherever possible. A system of export credit risk insurance thus is very important to transfer financial risks from the suppliers' or banks' balance sheets to the credit insurer's balance sheet. The challenge of the credit insurer is to apply a highly professional, sound and prudent risk assessment in order to maintain a balanced risk portfolio and to preserve stable financial results.

A promising export promotion system requires a harmonized co-operation of many different players. Companies must be convinced and trained to engage themselves in international business. Financial institutions must

¹ A. Klasen, Generating Economic Growth – How Governments can Help Successfully, Global Policy 2012, Issue 2, p. 238-241, 238; A. Klasen / F. Bannert, The future of foreign trade support, in: The Future of Foreign Trade Support: Setting Global Standards for Export Credit and Political Risk Insurance, edited by A. Klasen and F. Bannert, published by Global Policy Journal 2015, p. 10-16, p. 11.

² H. Janus, Exportkreditgarantien des Bundes: Exportförderung mit Hermesdeckungen auch in Zeiten der globalen Wirtschaftskrise, Zeitschrift für die gesamte Versicherungswissenschaft 2010, p. 335-348.

develop export finance as an attractive and profitable area of their business. The export credit insurance must be available as a strong and reliable risk taker. All this must be more or less, directly or indirectly, supported by the state. Fight against corruption, terrorism financing, money laundering must be important official objectives as well as protection of competition and fulfilling of international environment protection, social and humanitarian requirements.

In Belarus, most of the elements of a modern and efficient state backed export promotion system are already in place. However, additional efforts for further improvement and strengthening of the overall national export performance are needed.³

³ See “Национальная программа поддержки и развития экспорта Республики Беларусь на 2016 – 2020 годы», (National Program for export support and development of Belarus 2016-2020“), approved by Council of Ministers of Republic of Belarus, Resolution No. 604 dated 01.08.2016 containing a SWOT-Analysis of the current situation in 2016 on p. 9.

2. Export finance in Belarus

Export promotion in Belarus is realised through export lending, factoring and insurance of export credit risks with state support.

In accordance with the Presidential Decree No. 534 from August 25, 2006 (with last amendments dated September 4, 2017) "On the promotion of exports of goods (works, services)", hereinafter - Decree No. 534⁴, the official support for export finance includes:

- 1) Provision of export loans by Development Bank of Belarus to non-resident companies and banks in foreign currency (excluding Russian Ruble) oriented to the OECD Rules on CIRR financing
- 2) Provision of loans by Development Bank of Belarus to leasing companies who are a resident of Belarus for export leasing transactions
- 3) Factoring transactions offered by banks and nonbanking financing organizations for the financing of export transactions of residents of Belarus
- 4) Provision of export credit risk insurance through the state-owned Export Credit Agency Eximgarant of Belarus (Beleximgarant)

The objective of Decree No. 534 is to establish a comprehensive system of export promotion in Belarus.

2.1. Export loans by Development Bank of Belarus

In 2016, the Development Bank of the Republic of Belarus became the sole channel through which export loans in foreign currency can be granted to non-residents (Decree of the President of the Republic of Belarus dated February 23, 2016 No. 78 "On actions to increase the efficiency of social and economic complex of the Republic of Belarus").⁵

The Development Bank provides financial support for the financing of up to 85 percent of the order value of export contracts⁶ of goods (included into a specific list), works or services within the framework of the Decree No. 534 by means of:

- Financing resident leasing companies for the acquisition from residents⁷ of Belarus of goods included in the specific list for leasing them or selling to organizations, which are non-residents of Belarus, excluding foreign banks (see Figure 2)

⁴ О содействии развитию экспорта товаров (работ, услуг). Указ Президента Республики Беларусь от 25 августа 2006 г. № 534.

⁵ О мерах по повышению эффективности социально-экономического комплекса Республики Беларусь. Указ Президента Республики Беларусь от 23 февраля 2016 г. № 78.

⁶ Contract between a resident of Belarus and a non-resident of Belarus for export purposes on the delivery of goods produced by a resident of Belarus.

⁷ Duly registered legal persons.

- Financing non-resident companies, except foreign banks, for payments for goods (from the list), works and services sold by residents of Belarus or for advance payments for goods produced and (or) sold by residents of Belarus (from the list), works and services (see Figure 1)
- Financing non-resident companies, except foreign banks, for payments for goods (from the list) purchased from residents of Belarus for export contracts not covered by export loans in the framework of Decree No. 534 (see Figure A1)
- Financing foreign banks for payment to non-resident organizations of Belarus for
 - Goods (from the list), works and services sold by residents of Belarus or for advance payments for goods produced and (or) sold by residents of Belarus (from the list), works and services (see Figure 1)
 - Goods (from the list) sold by non-resident organizations of Belarus purchased by them from residents of Belarus for export contracts not covered by export loans in the framework of Decree 534 (see Figure 1)

The procedure of granting export loans by the Development Bank and the list of goods the delivery of which can be financed by means of export loans were approved by the Resolution of the Council of Ministers of the Republic of Belarus No. 279 dated April 06, 2016⁸. The list includes investment goods with HS⁹ codes 84-87, 89-90 (mainly industrial machines and equipment, vehicles).

In addition, export loans for payment (or advanced payment) for purchased goods not included in the list can be granted on the basis of requests from republican state administrative bodies or other state-organizations under the control of the government, as well as from regional executive committees and the Minsk City Executive Committee upon agreement with the Ministry of Economy and Ministry of Finance.¹⁰

The Ministry of Finance provides compensation to the Development Bank on the basis of the OECD Commercial Interest Reference Rates (CIRR) procedures for the amount of the difference between the interest rate of the Development Bank's soft export loan and the average interest rate fixed by the National Bank for the respective currency on the date of the loan agreement. The Law on the Republican Budget 2018 envisages BYN 27 m (approx. USD 13 m) for these purposes.

The terms of export lending are shown in Table 1.

⁸ Положение о порядке предоставления открытым акционерным обществом "Банк развития Республики Беларусь" экспортных кредитов лизинговым организациям, являющимся резидентами Республики Беларусь, и организациям, не являющимся резидентами Республики Беларусь, approved by Council of Ministers of Republic of Belarus Resolution No. 279 dated 06.04.2016.

⁹ Harmonized Commodity Description and Coding Systems (HS).

¹⁰ Resolution No. 279 dated 06.04.2016, attached "Procedure", Article 1.

Table 1: Terms for granting export loans

Credit Purpose	Payment for goods (included in the list), works, services sold by residents of the Republic of Belarus, or advance payments for goods (included in the list), works, services produced and (or) sold by residents of the Republic of Belarus
Borrowers	Both state and private owned companies
Interest rate	<ul style="list-style-type: none"> • In USD or EUR based on the Commercial Interest Reference Rate (CIRR) (http://www.oecd.org/tad/exportcredits/cirrs.pdf) • In RUB – at 2/3 of the refinancing rate fixed by the Central Bank of Russia (currently resulting in an interest rate of 5% p.a.)
Maturity	<ul style="list-style-type: none"> • Up to 5 years • When large-scale investment projects are financed – up to 10 years.
Minimal credit amount	USD 1 m or an equivalent in other currencies
Maximum credit amount	85% of the export contract value
Requirements to the borrower	Financial stability, the ability to provide a collateral
Collateral	Insurance coverage from insurance company Eximgarant of Belarus is obligatory (on the terms of the Decree No. 534). The cost of insurance (which are to be borne by the borrower) depends on several factors, namely: country of buyer's domicile, buyer's credit rating, tenor of the loan, availability of collateral, etc. and averages to 1-4% per annum (in % of credit amount). The insurance premium is to be paid upfront before credit disbursement.

Source: Own display

2.2. Export loans by other banks with interest compensation based on International Treaties

Export loans with tenors not exceeding 5 years to borrowers not resident in Belarus can also be given by a few other Belarusian commercial banks¹¹ with a partial interest rate compensation from Belarusian budget means. Precondition for this procedure is a contract between the Government of Belarus and a non-resident foreign

¹¹ See the list of “bank-agents”, attached to Resolution of the Council of Ministers of Republic of Belarus No. 72 dated 04.02.2015 „О мерах по реализации товаров, произведенных в Республике Беларусь“.

bank¹² as borrower for the purchase of goods produced in Belarus. A similar procedure exists for non-resident leasing companies with the possibility of a partial refund of expenses for the purchase of such goods. This subsidization mechanism, which is not in conformity with OECD-Consensus rules, has been introduced in order to support primarily companies which face a temporarily reduced demand for their products. It could be applied to exports of machines and equipment produced by Belarusian organizations mentioned in a specific list, e.g. Minsk automobile plant (MAZ), Belarus automobile plant (BelAZ) and Minsk tractor plant (MTZ).¹³

The underlying Presidential Decree No. 466 of 24.09.2009 has been in force only until end of 2018.¹⁴ With Presidential Decree No. 31 of 29.01.2019¹⁵ the validity of Decree No. 466 has been, however, extended until the end of 2020 and its scope has been broadened so that it includes now Letter of Credit (L/C) post financing transactions as well.

2.3 Factoring

According to the Decree 534, banks and non-bank financial organizations of Belarus offering export financing with assignment of claims (factoring)¹⁶ to residents of Belarus can get losses incurred under such contracts – compensated from means of the republican budget.¹⁷ Based on a procedure established by the Council of Ministers and the National Bank, the compensation is agreed upon

- up to 0.5 m USD by the Ministry of Finance and
- above 0.5 m USD by the Council of Ministers.

The allocation of financial means in the republican budget for this purpose is a precondition for paying out compensation.

¹² See for example the approval by the Council of Ministers of Republic of Belarus for a contract with Ukrgazbank, Resolution No. 24 dated 14.01.2014. Other banks are Serbian Sberbank, Turkish Denizbank and several other Russian and Ukrainian banks.

¹³ According to Prime Minister Syarhey Rumas: <https://export.by/news/pravitelstvo-belarusi-initsiiruet-ogranichenie-sferi-deystviya-ukaza-466-o-gospodderzhke-eksporta>; Resolution of the Council of Ministers of Republic of Belarus No. 72 dated 04.02.2015.

¹⁴ See also: <https://export.by/news/pravitelstvo-belarusi-initsiiruet-ogranichenie-sferi-deystviya-ukaza-466-o-gospodderzhke-eksporta>.

¹⁵ Об изменении и дополнении Указа Президента Республики Беларусь. Указ Президента Рупублики Беларусь от 29 января 2019 г. № 31.

¹⁶ There is no specific mentioning of forfaiting transactions (without recourse); therefore, it may be assumed that forfaiting is covered as well.

¹⁷ Decree No. 534, Положение о порядке компенсации потерь банкам и небанковским кредитно-финансовым организациям Республики Беларусь, осуществляющим финансирование под уступку денежного требования (факторинг) при реализации экспортных контрактов.

Currently, at least two banks provide factoring under terms of the Decree 534 – “Belinvestbank” and “BelVEB”. Unlike export lending, there is no specific list of goods for factoring.

2.4. *Insurance of export risks*

The Unitarian Corporation for Export and Import Insurance of the Republic of Belarus, Eximgarant of Belarus, offers credit insurance for short-, medium- and long-term supplier export credits, bond insurance, insurance of leasing and factoring transactions as well as investment insurance.¹⁸ The credit insurance covers political and (or) commercial non-payment risks, whereas investment insurance protects the investor against political risks only. There is a mandatory waiting period and an uninsured portion foreseen in the insurance contracts.

Eximgarant of Belarus is the sole provider of export credit insurance with support of the state.

A decision made by Eximgarant on impossibility of export risk insurance with state support is the basis for refusal by Development Bank to provide an export loan.¹⁹

To ensure that Eximgarant is able to fulfil its obligations (payment of insurance indemnity) the necessary funds for indemnifications are allocated annually in the republican budget. The decision on the payment of a compensation has to be taken by the Council of Ministers based on documents to be presented to the Ministry of Finance by Eximgarant and on a draft decision prepared by the Ministry.²⁰

¹⁸ Decree No. 534, Положение о страховании экспортных рисков с поддержкой государства.

¹⁹ Decree No. 534, Article 3.2.

²⁰ Decree No. 534, Положение о порядке выдачи и использования бюджетных ссуд для выплаты страховых возмещений по договорам страхования экспортных рисков с поддержкой государства.

3. Structure and organization of state support

3.1. Fundamental considerations

Belarus has the main institutions for a modern and efficient export finance system established and working. The question is, whether these institutions have consistent mandates and efficient internal structures, whether they cooperate in a harmonic and frictionless manner and whether they have balanced responsibilities and powers. In short: do they serve the export performance of Belarus best or is there room for further improvement?

3.1.1. *The Role of Development Bank of Belarus*

Development Bank is the sole and monopoly provider of important types of export finance, in particular of state backed short- and medium-/long-term buyers' credits and funding of export leasing companies, thus excluding other (commercial) banks from this kind of business. The commercial banks have to send their corporate customers to the Development Bank for state backed export finance transactions. This weakens the customer relationship between commercial banks and their clients on the one hand and it hinders them to build up own practical experience in export finance on the other hand. The question is whether there is a real need for such a state monopoly. This question is particularly relevant since until 2016 commercial banks were eligible for offering export finance with state backing under Decree 534.²¹

Currently, state backed export finance is a regular integrated service of Development Bank. As a state owned, politically mandated Bank, Development Bank has the sovereign rating of Belarus and a competitive advantage vis-à-vis other Belarusian Banks with less good ratings. If and when Development Bank should be in real competition with other banks in the field of export finance, organizational changes might become necessary, e.g. the abolishment of preferential funding opportunities. An out-sourcing of export finance into a market-based specific export finance bank could be an option.²²

Perhaps even more worth to be analysed in depth would be the change of the role of Development Bank: from direct lending to refinancing. Such a structure would allow commercial banks to further develop their export financing business. Development Bank could work under a state mandate as controlling instance for the handling

²¹ One of several reasons for the system change in 2016 was the misuse of credit funds for other purposes than financing exports. Such wrongdoings definitely must be prevented.

²² Compare the out-sourcing of export and project financing at Kreditanstalt für Wiederaufbau (KfW) in Germany, establishing the specialized KfW IPEX Bank GmbH operating on regular market conditions.

of budget means and refinance commercial banks' export loans according to clearly set eligibility criteria with budget means on concessional terms²³ and based on OECD CIRR financing rules.

If goods not mentioned on the specific list shall be financed with state backing, there is no right for application with the exporter. Only municipal or regional executive committees are entitled to make such requests. Even if this procedure is established and works satisfactorily well, it seems unnecessarily bureaucratic and time consuming. Exporters should receive the right to approach Development Bank directly.

Moreover, as show in Table 2, the share of goods exports eligible to receive state backed export finance is rather small. In 2017, it amounted to only 17% of total exports of goods. Even after adjusting for mineral fuels and oils – products that are usually not in need of export finance – it only accounts for 22% of goods exports. As such, it is questionable whether limiting the list of eligible industries to such a small share of exports is in line with the long-term goal of export promotion and diversification.

Table 2: Share of goods exports eligible to receive state backed export finance

	2015	2016	2017
Exports of eligible goods, % of total goods exports	12.4	16.6	16.9
Exports of eligible goods, % of total goods exports (excl. mineral fuels and oils)	17.5	20.9	22.1

Source: UN COMTRADE, own calculations

Note: The second share excludes products classified under HS 2-digit group 27

A further question is, whether Development Bank offers the right products. No doubt, medium- and long-term export loans need a bank with strong capitalization and risk appetite. In some cases, definitively if “large and long” transactions with large credit amounts and long tenors are concerned, Development Bank can be the financier of last resort. However, at least currently, the product portfolio should be extended to bank guarantees and bonds connected to export financing, e.g. down payment, performance and maintenance bonds.

What should be seriously considered is the setting up of a state backed working capital finance scheme. Shortage of working capital is a great problem for many export-oriented companies. In particular in times of economic downturns when banks reduce their lending activities it is very difficult for many companies to get the needed amount of credit. A state backed credit line for export business can help solving this dilemma. In Austria, for example, the Republic of Austria guarantees up to 80% of the commercial risk of such a credit line thus broadening the exporter's financing base with sustainably favourable conditions.²⁴

²³ KfW IPEX Bank works in the area of CIRR financing with means from a specific fund (European Recovery Program) and under a Government mandate. <https://www.kfw-ipex-bank.de/International-financing/KfW-IPEX-Bank/About-KfW-IPEX-Bank/Unsere-Rolle-in-der-Au%C3%9Fenwirtschaftsf%C3%B6rderung/ERP-Exportfinanzierungsprogramm/>.

²⁴ <https://www.oekb.at/en/export-services/financing-of-working-capital-loan/framework-credit-for-smes-exportfonds-credit.html>.

As an alternative option could serve a state backed insurance product for commercial banks' working capital financing for export purposes with Beleximgarant's coverage of a significant portion of the credit line.

Our recommendations for further in-depth assessment therefore are:

- Establishing a direct channel for exporters to apply for state backed export loans for not listed export goods
- Abolishing the list of eligible goods for state backed export loans and opening the system for all kinds of exports, particularly exports of services and exports from SME
- Broadening the product portfolio of Development Bank by Guarantees/Bonds connected to export loans
- Broadening the product portfolio of Development Bank by working capital credit lines for export business
- Creating "small ticket solutions" for export loans with credit amounts lower than the current minimum amount of 1 m. USD (see below point 3.2.)

The changes listed above can be realized in the current Belarusian system of state backed export finance. An even more sophisticated, market and future oriented approach could be developed with the following measures:

- Out-sourcing of Development Bank's export financing activities into a fully-fledged export finance bank working on market conditions and with market funding in fair competition with commercial banks and/or;
- Changing the role of Development Bank into a controlling function for state budget export promotion funds and a refinancing role vis-à-vis commercial banks for their export financing business.

3.1.2. The role of Beleximgarant

Beleximgarant is the official ECA of Belarus. The products of Beleximgarant are in line with the usual product portfolio of other ECAs. Beleximgarant is offering insurance only and no direct lending. Since export loans of Development Bank have to be insured by Beleximgarant, the company plays a very important role in the Belarusian export promotion system. Beleximgarant lost some of its business and customer base because commercial banks are no longer eligible as providers of state backed export loans. A broader range of banks participating in export finance could also strengthen the role of Beleximgarant.

Our recommendation is to further analyse

- whether Beleximgarant could insure working capital credit lines for export purposes with state backing for e.g. 80 percent.

3.1.3. *Export and foreign direct investment consultancy and information services*

Export and foreign direct investment information and consultancy services have not been in the centre of this study. However, such services play a very significant role for export promotion²⁵. In particular SME or other companies with limited own export experience need market information, country risk reports, support in legal, tax, duties, financial and regulatory questions etc.²⁶ A one-window system or a well-coordinated availability of such information can boost the export business. Also, the individual or joint participation of Belarusian companies in international trade fairs is important and can be supported by state bodies or the Chamber of Commerce and Industry. With the Ministry of Foreign Affairs and its responsibility for export promotion, the Exporters' Council, the National Centre for Marketing and Price Conjunction, the Belarusian Chamber of Commerce and Industry, the Internet Portal "export.by" and the Republican Unitary Enterprise "Beleximgarant", there are various entities in place which in one way or the other render services to exporters and investors.

Our recommendation is

- to better coordinate and harmonize and, if necessary, to further intensify such consultancy services. First priority should be the export support for SME.

3.1.4. *Bank and ECA under one roof?*

Every export promotion system in the world is unique. There is no such thing as two identical systems. Belarus must find the design which fits best to the country's needs. What counts at the end is a frictionless co-operation between users of such a system and the various players responsible for information, consultation, financing and insurance. In a more and more integrated international economy, be it globally or within the respective regional economic systems like EU or EAEU, the multinational legal requirements, e.g. WTO agreements, and domestic or supra-national legal systems must be followed. In the long run, a larger and more specialised entity could be considered, an entity including financing and Insurance, and perhaps even information and consultation.

Eximbanks with included insurance facilities or the Russian Export Centre²⁷ with an even larger scope of activities can be examples for that. However, the protection of competition remains an important issue. Should the commercial banks receive more room for export finance activities, protection of competition deserves extended attention.

In most countries of the world the functions of export financing and export credit insurance are offered from legally separate and independent entities. Prudent risk management, protection of competition and avoidance

²⁵ This has been identified as one of the weaknesses of Belarusian export promotion system, see "Национальная программа поддержки и развития экспорта Республики Беларусь на 2016 – 2020 годы», approved by Council of Ministers of Republic of Belarus, Resolution No. 604 dated 01.08.2016, p. 9.

²⁶ A. Klasen / S. Krummacker, Risk aversion, financing and real services, Berne Union Newsletter, September 2017 p. 28-31, p. 30.

²⁷ <https://www.exportcenter.ru/company/>.

of conflicts of interest are the reasons for this. Bringing these functions together in one legal entity is not excluded, but it requires a clear and reliable internal separation with well-functioning “Chinese Walls”. Having all three functions, i.e. information, finance and insurance, under one roof in the same company, reinforces these problems.

Our recommendation is to

- strengthen the three pillars of a modern export promotion system one by one;
- explore ways and means for a better cooperation and harmonization of services of these three instruments;
- analyse a further integration of two or even all three of these functions only if there is a clear economic evidence for efficiency gains by such a measure.

3.2. International experience in export financing and further challenges

After the global financial crisis, which showed a dramatic reduction in export finance, export financiers experienced another fundamental challenge by the introduction of Basel III with increasing capital requirements for banks and the loss of zero weighting even for official ECA covered export loans. However, in the meantime export finance has strongly recovered and there is heavy competition between domestic and international banks in this field.

New international standards for Export Finance are strongly sharpened rules on environmental, social and human rights issues. These rules are for the biggest part included in the OECD “Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence”.²⁸ Although Belarus is not an OECD member, the OECD Consensus and related documents today are international best practice for export finance and export credit insurance. Also, compliance rules for banks have changed very much in recent years. Minimum standards on corruption prevention, prevention of money laundering, terrorism financing etc. must be fulfilled by all banks and have become integral parts of general risk management and management of reputation risk.

The additional regulatory requirements and permanent need for cost reduction create another serious problem for export finance: the absence of smaller export credits. “Small tickets” in particular for SME are difficult to get and even with standardized so-called small ticket solutions there is a great shortage of export loans for smaller order values. Particularly for Belarus it seems very important to maintain / develop structures which do not exclude small companies or small transactions from export finance.

²⁸ <http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=TAD/ECG%282016%293&doclanguage=en>.

4. Conclusions

Although Belarus has already all instruments for a modern state backed export promotion system in place, there is room for further improvements. The role of Development Bank as monopoly provider of export loans can be questioned, but also the interaction between Development Bank, Beleximgarant, Chamber of Commerce and Industry and perhaps further players in the area of export finance. The biggest positive and leveraged impact can be achieved with a coherent official export promotion strategy, with harmonized and coordinated offers of all entities involved and a well-trained, experienced and motivated export community.

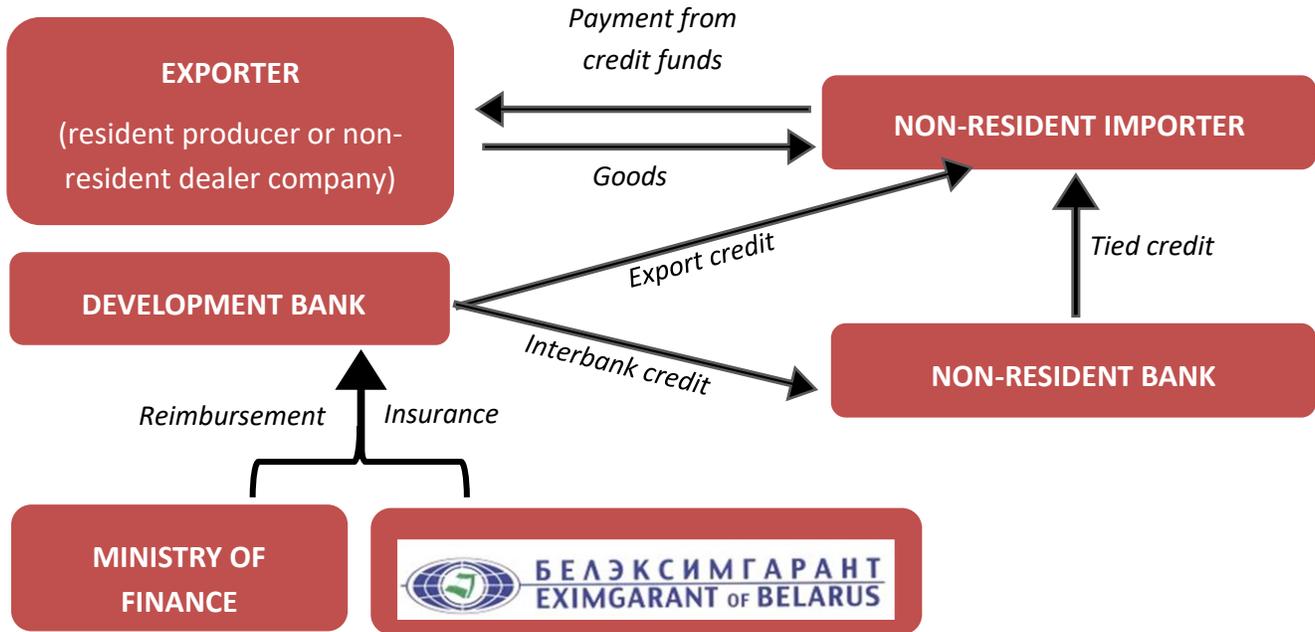
This report can only highlight a few elements of export promotion. But the intention to analyse the current situation and to look for improvements is to be very much appreciated. At the end, Belarusian exporters will benefit from such a modernization and the Republic of Belarus will surely improve its export performance.

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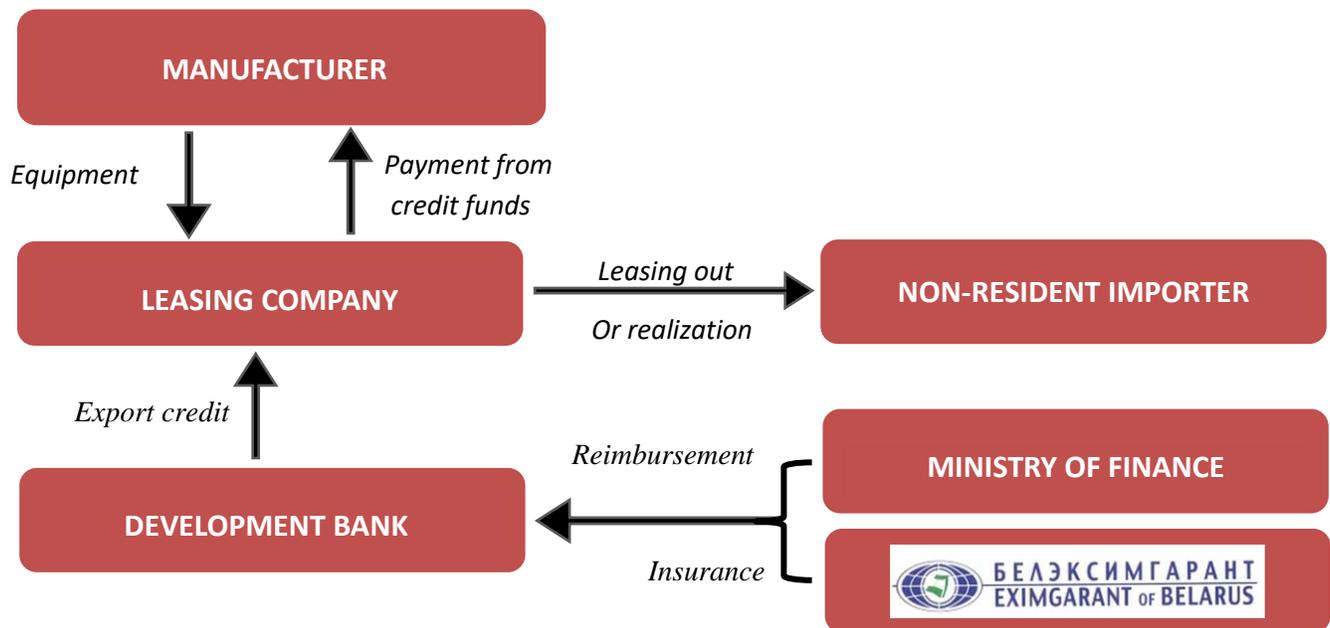
Annex

Figure A1: Scheme of granting export credits based on Decree 534 to non-residents



Source: Own display

Figure A2: Scheme of granting export credits based on Decree 534 to a leasing company



Source: Own display

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