

Coordinating Council on Developing and Advancing
The Belarus National Business Platform
Working Group

**BELARUS NATIONAL
BUSINESS PLATFORM – 2015**

**STRUCTURAL MODERNIZATION
OF BUSINESS AND GOVERNMENT**

Minsk
2015

FOREWORD

The 2015 Belarus National Business Platform (hereinafter the “Platform” or the “BNBP”) is a proposal to consolidate the constructive forces in business and government in order to transform the deep crisis in the economy into new opportunities.

In 2014, Belarus found itself in unprecedentedly difficult external conditions. The recession in the Russian economy and the steep devaluation of the Russian ruble, along with the sharp decline in oil prices, radically changed the manufacturing, financial, and investment environment for the Belarusian economy. Belarusian manufacturers also faced significantly reduced opportunities to do business on the Ukrainian market. **A recognition that diversification of the nation's economy has not occurred requires new approaches to modernizing the economy and different approaches toward creating the institutions of a modern competitive economy.**

In late 2014, Belarusian business experienced a severe shock, brought about by across-the-board price regulation and currency interventions by government agencies. These decisions, which threatened to bankrupt thousands of businesses, were adopted without consulting the business community, which is a violation of Directive No. 4. They essentially paralyzed business activity and made it impossible for businesses to plan their production, investment, and trade, even in the short term.

The condition of government and corporate finance increases the pressure on business, government, and society. With a high level of budget expenditures to pay and service government debt and significant amounts of working capital “tied up” in inventory, non-liquid assets, and non-payments, special attention must be paid to the management of financial and investment resources.

In 2014, the main problems facing Belarusian business were exacerbated by the growing antagonism between the financial sector and the producers of goods and non-financial services. The decisions made by the National Bank in early 2015 failed to resolve these conflicts. Credit did not become more accessible. The rules of competition did not become more fair. State-owned businesses did not become more disciplined in the performance of their obligations to the private sector. The system in which decisions are made on the standards and rules of doing business did not become more transparent, nor did legislative changes become more predictable. Moreover, the practice of freezing prices and expanding the authority of enforcement agencies creates additional obstacles to successfully implementing the overdue systemic reforms and improving the quality of the investment environment.

The 2015 Belarus National Business Platform is necessary in order to restore trust between business and government, to establish adequate mechanisms of public-private partnership, and to create forums for dialog on creating a favorable business climate.

The Platform is needed in order to get producers of goods and services, workers, and the government on the same page in implementing reforms and to minimize the impact of the crises on Belarus. **Through the Platform, the nation's business community affirms its constructive position in creating competitive economic institutions and sets forth its specific proposals to improve the business climate and create in the country a culture of hard work, achievement, honest entrepreneurship, and civil solidarity.**

These proposals should be considered in the context of the comprehensive analysis in the Analytical Report “The Business Climate in Belarus and the World in 2015,” which substantiates the proposals set forth here.

The National Business Platform is:

- A set of comprehensive proposals from the Belarusian business community to improve the business climate in the country,
- An integral part of the systemic measures needed to overcome the crisis in the economy;
- A set of comprehensive proposals to create institutions of development and growth;
- The current agenda for promoting free enterprise in the country,
- A foundation of public-private dialog and partnership,
- A path toward a barrier-free business environment and balanced development in the country.

INTRODUCTION

In 2014 and early 2015, Belarusian business was held hostage by extremely difficult external circumstances and contradictory actions by government agencies. The modest, inconsistent efforts to accommodate business during the year in the regulation of various aspects of the business climate were unable to neutralize the financial and currency blow of December 2014. The introduction of across-the-board price regulation in the retail and restaurant sectors only made the situation worse. The weak trend toward improvement in the macroeconomic situation in 2012 and the first half of 2014 was reversed by decisions that were made hastily and without considering the full complexity of the situation. To a significant extent, the strict restrictions and prohibitions on the markets for goods and money at year's end were the result of red tape and inertia in economic policy over the past three years.

Ignoring the opinion of the business community on key issues of macroeconomic policy and the business climate deepened the crisis of trust between business and government. Economic policy has been made without considering the clear signs of threats and risks, both from foreign markets and from domestic producers of goods and services. The necessary adjustments to structural and industrial policy were not made. The National Bank and the Council of Ministers did not harmonize their actions with the requirements of counter-cyclical policy.

The business community was forced to devote significant attention not to improving the business climate but to opposing the adoption of new legislation or the repeal of previously enacted laws. This is what happened, for example, with Resolution No. 599 of the National Bank, dated September 29, 2014, “On the fee for certain bank transactions” (repealed a month after it was adopted as a result of a campaign by the business community and experts) and the Council of Minister's proposal to raise the base rate of VAT to 22%.

In early 2015, the Ministry of Taxes and Fees released a proposal to significantly increase the fines for tax violations, despite the fact that for several years, the business community had been recommending decreases in fines and changes in the way they are imposed. The various positions taken by ministries and departments on issues of domestic business development and improving the business climate have created a lack of understanding not only between government agencies and the business community, but also between business associations and their members, on the one hand, and the business community as a whole.

The serious challenges for free enterprise that arose in early 2014 became real threats by year's end. Loan capital and investment resources did not become accessible on the same terms as the world market. Discriminatory practices by state-owned entities and monopolies continue. With Belarus's entry into the Eurasian Economic Union (EEU), the terms of trade with Russia became much worse. This agreement, the newest in a line of international treaties, has not yet brought to Belarus the four basic freedoms of integration: movement of goods, services, money, and labor. For many goods, the number of non-tariff barriers is growing. The Russian government's monetary and macroeconomic

policies, in particular the dramatic devaluation of the Russian ruble, sharply degraded the competitiveness of Belarusian goods on the Russian market. In the absence of borders, the significant price imbalances between Russia and Belarus led to an inflow of consumer goods into the domestic market in Belarus, which had a negative effect on demand in the legal retail sector.

Creating the conditions for proper development of free enterprise in the country would make it possible to diversify the Belarusian economy and neutralize the high risks of dependency on both oil and gas agreements with Russian monopolies and Russian market conditions. Economic trends and events in Russia had a strong negative impact on Belarus in 2014, which proves that diversification in the production of goods in the domestic economy did not occur. This problem can only be solved through the growth of competitive small and medium-sized business.

Unfortunately, in 2014 the Belarusian authorities essentially blocked even small-scale privatization. There has been no noticeable progress in transferring ownership of leased properties from state-owned and communal organizations to the lessees. The procedures for buying land and placing land in full-fledged commercial circulation remain extremely complex, time-consuming, and expensive. The development of private manufacturing, which would diversify the country's economy, is seriously impeded by the existing procedure for obtaining building permits and connecting to the electrical grid and by the procedures for obtaining required approvals from the Ministry of Emergency Situations, the public health office, and other government regulators. **The spirit of free enterprise is running up against an impenetrable bureaucracy and a wall of official indifference. A formal infrastructure to support small and medium-sized business in Belarus has been created. There are dozens of business support centers, incubators, innovation centers, etc. But they are not very effective. They face their own fight for survival without resources.**

The worsening terms of foreign trade, the contraction of domestic demand, the policy of artificially propping up the Belarusian ruble while maintaining a high tax and regulatory burden, inefficient institutions and mechanisms of bankruptcy and debt collection – these are the primary factors that lead to growth in debt and poor payment discipline. **Small and medium-sized business is especially vulnerable to non-payments by state-owned and communal commercial organizations.**

In 2014, thorough modernization of the relationship between business and government did not occur. Many decisions by government agencies that worsened the conditions for doing business were adopted without going through the existing forums for public-private dialog, including the Business Development Council of the Republic of Belarus. The exchange of opinions often takes in a purely formal manner.

The agreements reached within the scope of working groups have often not been written into law. Moreover, the Belarusian authorities have adopted documents with regulatory and financial standards that are directly contrary to the interests of free enterprise. The existence of a decision-making system that ignores the recommendations of the official dialog forums undermines trust in them, reduces the competitiveness of the Belarusian business climate, and weakens public institutions of development and growth.

The business community welcomes the proposals from the authorities to participate in the drafting of laws on public-private partnership, fighting corruption, and the strategy for socio-economic development in the country until 2030. Unfortunately, the content of these documents failed to improve the business climate in the short term or to ease the tax and regulatory burden. The opinion of the business community is still ignored when decisions are made on the basic tenets of current economic policy, as reflected in the basic laws that regulate economic activity (the Law on the Budget and the Tax Code), and on the main directions of monetary and credit policy.

One unresolved problem is the continuation of cross-subsidies for the costs of electricity, heat, utilities, and rent. In an environment of extremely expensive land, devaluation pressure, low payment discipline, and discriminatory practices by state-owned organizations, shifting an addition burden of

costs to the private sector, while simultaneously easing the burden on the public sector, is counter-productive.

In 2015, business and government must work together to counteract a whole series of negative phenomena and problems. They include the crisis of trust, external uncertainty, the mandates of the Eurasian Economic Union, the contraction of domestic demand, the toxic nature of a significant portion of manufacturing assets, and the fact that billions of dollars of working capital are “tied up” in debt and inventory.

The primary challenges for the Belarusian government in 2015 are:

- Balancing the interests of the state with the interests of the producers of goods and non-financial services in creating instruments of accessible lending;
- Pursuing structural reforms more actively while maintaining social stability and justice;
- Servicing the government's foreign debt while maintaining a balanced budget;
- Dedollarizing the economy through significant growth in non-inflationary demand for Belarusian rubles, i.e. putting the land and assets of state-owned enterprises into full commercial circulation;
- Adapting the business climate and macroeconomic policy in Belarus to the growth of competitive pressure from partners in the Eurasian Economic Union;
- Neutralizing the external shock from the decline in demand on the Russian and Ukrainian markets and the threat of further devaluation of the Russian ruble as oil prices fall sharply;
- Creating effective mechanisms to counteract monopolistic and discriminatory practices by commercial entities on the domestic market in Belarus;
- Building trust among businesspeople and the public toward public-private partnership;
- Clearly coordinating the actions of various government agencies in implementing economic policy, including policies to improve the business climate;
- Significantly increasing the market capitalization of state-owned assets by improving corporate governance and adapting the best international practices and mandatory standards;
- Evaluating the effectiveness of government investments and legal and administrative support for businesses within the scope of government programs and investment projects.

The primary challenges for the Belarusian business community in 2015 are:

- Finding sources of accessible loan capital and investments in order to adapt to changing conditions on the domestic and foreign markets;
- Eliminating administrative barriers to the formation of free prices as an integral element of the mechanism by which business adapts to rapid changes in conditions on the domestic and foreign markets for raw materials, investment goods, and financial resources, including foreign currency;
- Easing the tax and regulatory burdens;
- Leveling the playing field for all businesses, including access to credit resources;

- Introducing modern mechanisms to manage costs, promote goods, and attract promising human resources;
- Allowing domestic businesses to participate in honest and open privatization and structural reforms;
- Reducing the distance between the word of the law and the practice of applying it;
- Eliminating the conflict of interest in ministries and departments that own and manage assets while simultaneously regulating the market and performing enforcement functions;
- Identifying effectual ways to make government agencies and state-owned businesses responsible for increasing payment discipline and performing their financial obligations to the private sector for goods supplied and services rendered;
- Improving the quality of the business advocacy campaign by recruiting new entrepreneurs and businesses and by using the forums for dialog with government agencies more effectively;
- Introducing a procedure to evaluate the regulatory effect of legislation that affects business during the process of drafting, debating, and implementing it.

The Belarusian business community values partnership with independent academic, analytical and research organizations. We are still firmly convinced of the need for such constructive, open dialog and real partnership with government agencies.

The challenges and problems of 2015 leave us no time for hesitation. Slowing the process of creating competitive institutions of growth and development could not only cause losses to the country of 3-5% of GDP per year, but also destroy the complex production chains and clusters that have traditionally been our country's strength.

Business and government – together we are responsible to the country's workers, pensioners, teachers and medical professionals for creating new jobs, improving our infrastructure, preserving our natural heritage, and promoting free enterprise among young people. The people of our country are relying on us for structural and organizational modernization. We have no right to let them down.

The Main Problem: An Uneven Playing Field for Business

Inequality in the conditions for doing business in Belarus is one the most acute problems facing the business community. The business and expert communities have placed it on the agenda for dialog with the authorities ever since the first National Business Platform in 2006. Unfortunately, there has been no progress in solving this problem. Macroeconomic instability, an imbalanced credit and money market, hundreds of tax benefits, and preferences in access to raw materials, land, and real estate have only made things worse for private business. Therefore, in the 2015 Belarus National Business Platform we have decided to highlight this problem and describe it in more detail.

Under article 13 of the Constitution of the Republic of Belarus, “the state shall grant equal rights to all in engaging in business and other activity not prohibited by law, and shall guaranty equal protection and equal conditions for the development of all forms of property... The state shall guaranty to all equal opportunities to use their abilities and property freely for entrepreneurial and other economic activity not prohibited by law.” **According to surveys of businesses and in-depth interviews conducted with members of business associations, inequality in the conditions for doing business is the main defect in the country's business climate.** This institutional shortcoming

in the business climate was not rectified in 2014. The attitude of government agencies toward the problem of inequality in the conditions for doing business remains highly controversial. For instance, President Aleksandr Lukashenko said this about taxes: “We should start from the principle that all business entities operate on an even playing field. Exceptions should be made only for high-priority types of activity that are of interest to the state from the perspective of creating conditions for efficient development and, of course, earning a return.”¹

About 250 tax preferences are in effect in Belarus. Together, they reduce budget revenues by about one billion dollars. Such tax regimes cause major distortions of the competitive field and lead to redistribution of resources to businesses that are far from the most effective ones. The head of state acknowledges that “...We have granted so many benefits that now it's hard to keep track of them all.”²

The widespread practice of violating the equal conditions of doing business is reflected in the opinion of Prime Minister A. V. Kobyakov on the way the government itself operates: “Many ministers believe that their job is to get more money from the budget and win more unofficial benefits for their subordinate organizations... And since these are exceptions, the other ministries – the Ministry of Finance, the Ministry of Economy – oppose this and submit complaints. Then this whole squabble comes to the government, where we have to manually adjust the balance of interests...”³

The first section of the draft new version of the Directive of the President of the Republic of Belarus “On additional measures to develop entrepreneurial initiative and stimulate business in the Republic of Belarus,” which was presented to the business community for discussion in February 2015, begins with a call to create equal conditions for doing business and to support the further development of fair competition among businesses, regardless of form of property. This fact indicates that the authorities understand how important it is to solve this problem.

Inequality in the conditions of doing business is manifested in the following forms:

- different terms of access to credit resources;
- different requirements on borrowers to provide pledges and guaranties in order to obtain credit;
- selective prohibitions on performing commercial transactions or actions, with sector-based or individual exclusions;
- different requirements on state-owned and private businesses regarding tax payments (deferrals, installments, writing off debt) and payments for goods and services purchased, and requirements for repayment of loans (restructuring of debts, writing off a portion of debt, payment of debt by the government);
- selective granting of tax benefits (on VAT, profit tax, import customs duties, and local taxes) based on economic sector and in implementing certain commercial projects that receive favored status;
- different terms of access to raw materials and fuel and energy resources;
- different rules for changing prices;
- different requirements for access to the currency market;
- different penalties and different procedures for imposing them;
- different attitudes by enforcement agencies;
- different terms of access to real property (industrial, warehouse, and office space);
- different terms of access to financing of innovative projects;
- different terms of access to the government procurement process.

1 http://www.belta.by/ru/all_news/president/Lukashenko-schitaet-neobhodimym-ostavit-nalogovye-igoty-tolko-dlja-prioritetnyh-vidov-dejatelnosti_i_695492.html

2 http://www.belta.by/ru/all_news/president/Lukashenko-schitaet-neobhodimym-ostavit-nalogovye-igoty-tolko-dlja-prioritetnyh-vidov-dejatelnosti_i_695492.html

3 <http://news.tut.by/economics/431872.html>

Government agencies adopt decisions that separate certain business entities from the general conditions of the market. A major problem is the application of laws that provide for large “forks” in determining tax rates, interest rates, rents, penalties, duties, and other required payments to the state. Granting benefits to certain businesses changes the terms of access to resources and the rules of operating on the market for all others.

Examples of granting benefits that distort general market conditions include the following documents adopted in 2014:

- Resolution of the Council of Ministers No. 1126, dated 12/02/2014, “On the granting of guaranties by the Government of the Republic of Belarus in repayment of loans issued to wood-processing organizations”;
- Resolution of the Council of Ministers No. 647, dated 07/02/2014, “Amending Resolution of the Council of Ministers of the Republic of Belarus No. 1155, dated December 28, 2013,” which creates special terms for establishing operations to manufacture paper for decorative facing materials;
- Resolution of the Council of Ministers No. 663, dated 07/11/2014, “On the granting of guaranties by the Government of the Republic of Belarus in repayment of loans” grants government guaranties to Belagroprombank OJSC in repayment of loans issued by that bank to the republican association Belagroservis in the amount of 62.5 billion rubles and to the state-owned land reclamation, water, and fishery association Belvodkhoz in the amount of 86.7 billion rubles for the purchase of modern agricultural technology and equipment for subsequent transfer to organizations in the agro-industrial complex under financial leases with a maturity date of July 1, 2022;
- Resolution of the Council of Ministers No. 715, dated 07/23/2014, “On certain measures to implement the investment project by the open joint stock company Svetlogorsk Pulp and Board Plant,” grants government guaranties to Belagroprombank OJSC in repayment of loans and partial payment of interest (excluding interest to be reimbursed from the republican budget), that are or have been issued by this bank to the open joint stock company Svetlogorsk Pulp and Board Plant to finance the investment project “Modernization of the BP-54 Paper-Making Machine and the Technological Flow of Mass Production with the Open Joint Stock Company Krasnaya Zvezda [Red Star] Paper Plant, with a Maturity Date of February 28, 2018”;
- Resolution of the Council of Ministers No. 780, dated 08/12/2014, “On the granting of guaranties by the Government of the Republic of Belarus in repayment of loans and amending Resolution of the Council of Ministers of the Republic of Belarus No. 59, dated January 24, 2013, and No. 157, dated February 26, 2014” grants government guaranties to the open joint stock company Belinvestbank Belarus Bank for Development and Reconstruction in repayment of the principal debt under loans that were issued by this bank to the open joint stock company Mogilevdrev in Belarusian rubles in accordance with section 5 of Executive Order of the President of the Republic of Belarus No. 529, dated October 18, 2007, “On certain measures to develop the wood-processing industry” (National Registry of Legal Acts of the Republic of Belarus, 2007, No. 252, 1/9040) and that were restated in euros in accordance with section 51 of that Executive Order, and in payment of interest on these loans in accordance with Loan Agreements No. 11053, dated May 10, 2011, in the amount of 11,702.30 euros, and No. 11080, dated September 12, 2011, in the amount of 18,105.01 euros;

- Resolution of the Council of Ministers No. 807, dated 08/20/2014, “On the reimbursement in 2014 of a portion of the interest on a bank loan” grants benefits in the construction of a construction materials plant in the municipal town of Loyevo;
- Resolution of the Council of Ministers No. 346, dated 04/04/2014, “On the reimbursement in 2014 of a portion of the interest on a bank loan” granted benefits and reduced-price resources for Kozhevnik OJSC and the Bobruisk Leather Factory;
- Resolution of the Council of Ministers No. 310, dated 04/04/2014, “On the reimbursement in 2014 of a portion of the interest on a bank loan” granted benefits to Kamvol OJSC from the republican budget to reimburse a portion of the interest paid on a loan of USD 3.5 million granted by Belarusbank Savings Bank open joint stock company under Loan Agreement No. 5240030213, dated February 14, 2013, in the amount of 25 percent of the interest on the loan, reimbursed in Belarusian rubles at the official exchange rate of the National Bank on the date of the reimbursement;
- Resolution of the Council of Ministers No. 547, dated 06/06/2014, “On the restructuring of past-due indebtedness on payments to the republican budget” authorized the restructuring of the past-due indebtedness of the open joint stock companies Krasnoselskstroyaterialy, Belarusian Cement Factory, and Krichevtsementoshifer on payments to the republican budget on loans from the Chinese Export-Import Bank, as of May 1, 2014, through the issuance of additional shares to be conveyed to the Republic of Belarus;
- Resolution of the Council of Ministers No. 579, dated 06/16/2014, “On the reimbursement to legal entities implementing investment projects of interest on bank loans in 2014,” under which producers of alcoholic beverages received government benefits.

PRIORITIES AND PROPOSALS TO REFORM THE COUNTRY'S BUSINESS CLIMATE IN 2015

I. Fair competition

1. Introduce a system to counteract the development of monopolies and support fair competition by establishing a government agency for anti-monopoly policy and promoting competition.
2. Impose stronger administrative liability on government officials for violating the anti-monopoly laws and the laws on competition.
3. Prohibit government monitoring and enforcement agencies from forming or owning equity in any business entity.
4. Enact legislation separating the functions of the state as a regulator, owner, enforcement agency, and licensing agency, impose administrative liability on officials for actions that constitute a “conflict of interest.”
5. Eliminate the procedure for distribution of raw materials, goods and services by Belarusian monopoly enterprises through quotas and at prices that are significantly below market.
6. Shorten the list of goods for which the government sets minimum export prices.
7. Require monopoly enterprises to follow a single pricing policy for all commercial organizations operating in a given sector of the market.
8. Authorize state-owned legal entities and legal entities whose decisions the state has the ability to influence by owning a controlling equity interest to insure their property interests with insurance companies of all forms of property, including those with foreign investment.
9. Demonopolize the national reinsurance system, establish market relations between insurers and the national reinsurance company, and grant insurers the unconditional right to operate on foreign reinsurance markets.
10. Draft legislation to build a system of non-bank nonprofit financing of business entities.
11. Move paid medical and educational services from the system of budget-funded health care and education into independent self-financing institutions.
12. Establish a uniform standard of allocations that customers and developers must pay from the cost of construction and installation work (CIW) on construction projects to fund inspections by the Department of Construction Control and Oversight and the State Standardization Committee, in the amount of 0.15% of the cost of the CIW, regardless of the source of financing.
13. Provide government financial support to business entities exclusively on a competitive basis, regardless of their form of property.

II. Effectively reducing bureaucracy

14. Eliminate the restrictions on free price formation, repeal the provisions of Executive Order of the President of the Republic of Belarus No. 567, dated 12/05/2014, “On additional measures to protect consumer rights,” and Resolution of the Council of Ministers No. 1207, dated 12/19/2014, “On certain issues of the consumer market,” that regulate prices and allow the authorities to close down

retail establishments and restaurants (this was partially accomplished as the BNPB was going to press).

15. Create equal rights and duties of citizens of the Republic of Belarus and foreign citizens temporarily residing in the Republic of Belarus in the retail sale of goods at shopping centers, markets, and/or other places designated by local executive and regulatory bodies (this was accomplished as the BNPB was going to press).
16. Eliminate the mandatory lists of goods that small and medium-sized are required to offer in retail spaces smaller than 300 square meters and in restaurants with fewer than 100 seats.
17. Establish a legal rule allowing for a voluntary audit instead of tax inspections when a business entity is liquidated or goes through bankruptcy.
18. Eliminate double regulation of fees for dental and diagnostic services, limiting them only to a maximum level of profitability, and ultimately removing these services from the list of paid medical services, the fees for which are regulated by the government.
19. Allow private appraisers to appraise state-owned property (assets) and land.
20. Set transparent rules for issuing technical specifications for construction and renovation involving industrial, civil, and residential construction projects and projects involving utilities and the transportation and social infrastructure.
21. Expedite and simplify the procedure for registration of international technical assistance projects involving business development.
22. Amend Resolution of the Council of Ministers No. 1497, dated 11/12/2007, ch. 6, sec. 59-60, to eliminate the fees for the registration and use of outdoor advertising devices (except rent payments to the owner of the site) for all business entities.

III. Optimizing regulation

23. Establish a moratorium on increasing rents for state-owned and communal property until 2018.
24. Establish a moratorium on increasing the amounts of fines for violations in the area of business until 2018.
25. Establish a moratorium on imposing new taxes, fees, duties, and mandatory non-tax payments, and on the amount and manner of payment, until 2018.
26. Remove quotas for revenue from the collection of fines and the sale of confiscated property from the “Republican Budget Revenues” section of the Budget Law.
27. Add the criterion of earnings from the sale of goods and services to the criteria for classification of a business as a small or medium-sized business.
28. Limit the fees for cash collection by banks and for acquiring services to no more than 0.25% of the amount.
29. Eliminate the determination of indicative prices on imported goods by customs and other agencies.
30. Adopt effective, functioning mechanisms to transfer land under long-term leases or into private ownership for business purposes.
31. Eliminate the prohibition on advance payment for imported goods and services by commercial organizations and sole proprietors.

32. Allow small and medium-sized businesses to set their own rates for business travel expenses to be counted as costs for tax purposes.
33. Discontinue the practice of withdrawing funds from companies' accounts pursuant to collection orders by enforcement, oversight, and financial agencies without a court order.
34. Optimize, simplify, and reduce the cost of the procedures for issuing permitting documentation for design and construction work, the procedures for obtaining approvals from government oversight agencies, and the procedures for review and commissioning of buildings and structures in civil and industrial construction projects.
35. Prohibit the application of multipliers on the base rates of the real property tax and the land tax.
36. Reduce tolls (in the Beltoll system) on toll roads for passenger vehicles and trucks with cargo capacity of up to 5 metric tons.
37. Eliminate the fees for electronic filing of tax returns (or schedules) with the tax authorities.
38. Eliminate the restrictions on the use of the simplified taxation system by entities in which 25% of the equity is owned by other legal entities.
39. Prohibit the imposition of a rule requiring a 90-day delay in deducting import VAT on imported goods.
40. Exclude from the tax base the amounts of utility expenses reimbursable to the lessor (or financial lessor) that are not included in the rent for entities and sole proprietors using the simplified taxation system.
41. Amend the Tax Code of the Republic of Belarus to adjust the income and expenses of insurance companies.
42. Eliminate the standard rate of expenses on policy administration for insurance companies.
43. Eliminate the preferences on the payment of VAT on the sale of forestry products by logging businesses for their forestry business, create equal tax regimes on the lumber market for entities of all forms of property.
44. Exempt individuals from the payment of income tax on the amount they spend on medical care for themselves and their close relatives (social deduction).
45. Repeal the provision of law under which pensions are reduced for retired persons who continue to work.
46. Change the manner in which money is collected for the Public Social Protection Fund.
47. Reduce the pension insurance burden on employers by redistributing the obligation to make contributions between the employer and the employee.
48. Add to the Regulations on Licensing a provision imposing liability for violations only to the extent of the violations, while leaving the license itself in effect.
49. Simplify and reduce the cost of the mechanism for certification of a business's own production facilities.
50. Reduce the amount of allocations from the payroll fund for mandatory occupational health and safety insurance to 0.1%.

IV. Monetary policy and finances

51. The National Bank should create the conditions for a transition to free-floating exchange rate system and a predictable monetary policy.
52. Implement an effective anti-inflationary policy, reduce the consumer price index for 2015 to a level no higher than 18%.
53. Limit the proportion of loans on favorable terms to no more than 20% of the total amount of lending.
54. Eliminate the conflict of interest in the banking system by disallowing the National Bank from owning equity in any commercial organization.
55. Apply the general requirements of the banking laws to the Development Bank OJSC and eliminate its special status as a non-bank commercial organization.
56. Reduce the cost of credit resources for business by implementing a predictable monetary-credit and exchange rate policy based on market principles and by creating conditions conducive to competition on the financial market.
57. Remove all restrictions on lending in foreign currency.
58. Eliminate the practice of subsidizing government investment projects and programs, which makes credit more expensive for private business.
59. Create the infrastructure of a market for the debt obligations of business entities in the Republic of Belarus.
60. Introduce a mechanism for prompt offset of debt obligations to be repaid with funds from the budget against payments to the budget.

IV. Honest privatization

61. Adopt a law requiring small and medium-sized state-owned business entities that operate at a loss in the areas of retail trade, consumer services, light industry, wood processing, rubber and plastics manufacturing, and construction materials to be privatized by January 1, 2017.
62. Enact legislation establishing the list of grounds on which the lessor may refuse to convey to a business (upon its application) real property that the business has leased for over three years, which is owned by the state or by a joint stock company in which the state owns 50 percent or more of the shares, establishing the manner in which such refusal must be justified, and imposing liability on officials for unjustified refusal to convey or for failure to make a decision on whether to convey such property.
63. Enhance the administrative liability of officials for allowing state-owned business entities to have unused or inefficiently used facilities.
64. Transfer, on a competitive basis, marginally profitable or unprofitable enterprises as property complexes to private businesses in trust.
65. Require placement of properties in the unified databases of unused and under-utilized state property and land parcels upon application by businesses or industrial and business associations.

66. Eliminate the preferential right of local governments to purchase shares in joint stock companies (or equity interests or shares in other companies).
67. Prohibit reconsideration of the results of purchases of state property (or assets) or the formation of share capital of joint stock companies; grant amnesty for all transactions to privatize state property and assets made over three years ago.
68. Enact legislation defining the term “hostile takeover” and the tools and mechanisms for counteracting it.
69. Transfer, without payment, intellectual property created with government funding to small innovative businesses for subsequent commercialization, while respecting copyright.

IV. Responsible partnership

70. Create an institution in the office of the President of the Republic of Belarus with the authority to protect the rights of businesspeople (ombudsman). Candidates for this position should be nominated by the business community for approval by the head of state.
71. Allow business and industry associations to participate in deliberations on government economic policy and in defining the parameters of budget policy at all levels.
72. Ensure that at least half of the members of public advisory councils in government agencies are representatives of business entities or business associations.
73. Ensure full transparency in the annual revenues and expenditures of all government agencies, and publish the results on these agencies' websites by March 1 of the following year.
74. Post complete and detailed information on the website of the Ministry of Finance of the Republic of Belarus on past, current, and future budgetary expenditures by government agencies within the budgeting process.
75. Establish guaranteed quotas in government procurement at a level of at least 10% for small businesses that are residents of the Republic of Belarus, for all types of goods, work, and services that they are able to provide.
76. Enact legislation on debt collection.
77. Establish and develop the institution of private court bailiffs.
78. Enact a Law of the Republic of Belarus “On Self-Regulating Organizations.”
79. Create a deposit collection system for used consumer packaging; the managing organization of this system should operate under the principles of self-regulation.
80. Allow business entities to count the initiation fees and membership dues they pay to nonprofit associations and nongovernmental business and industry organizations as expenses on the production and sale of goods (or work or services) in an amount up to 500 base units per year.
81. Enact a law “On Charity” with profit tax benefits for organizations that sponsor nonprofit and community organizations, orphanages, cultural and artistic facilities, education, sports, and religious communities that are officially registered in the Republic of Belarus.
82. Restore the right of non-governmental associations of entrepreneurs to apply a reduction factor of 0.1 to lease rates.

83. Allocate a parcel of land in Minsk for the construction of the Republican Multi-Function Center to Support Free Enterprise, financed with private investments.
84. Hold annual public hearings in parliament and hearings in regional (or municipal) councils of deputies on business conditions, trends, and development issues, with participation by business associations.
85. Allocate at least 3% of the total amount of taxes received by national and local budgets from small and medium-size enterprises to programs that support SME.
86. Reimburse from government funds the expenses incurred by employers on training and retraining of new employees hired under workforce optimization programs in the state-owned commercial sector.
87. Develop a system of continuing professional and technical education in the country. Allow the main customers in educational systems to determine the structure of employers.

MECHANISMS AND TOOLS TO IMPLEMENT THE 2015 BELARUS NATIONAL BUSINESS PLATFORM

The business community is using the following mechanisms and tools to implement the 2015 Belarus National Business Platform:

1. Organize the work of the Coordinating Council to develop and promote the Belarus National Business Platform.
2. Coordinate the efforts of all business-related NGOs, business advisory councils in government agencies, and industry-specific and regional business associations to implement the provisions of the Platform.
3. Organize public advisory and expert councils to operate effectively within national and local government bodies and agencies. Provide training for the members of the councils.
4. Involvement by representatives of business associations in the work of advisory and expert councils in the governing bodies of the Eurasian Economic Union, Armenia, Belarus, Kazakhstan, Russia, and Kyrgyzstan.
5. Provide information resources to support advocacy for the Platform's provisions and proposals at all stages.
6. Facilitate agreement on positions supported by the entire business community through consultations, roundtables, surveys, and public and corporate dialog.
7. Involve representatives of business associations in Regulatory Impact Assessments (RIA) of legislation of the Republic of Belarus and the Eurasian Economic Union, Armenia, Belarus, Kazakhstan, Russia, and Kyrgyzstan.
8. Present the positions of the business community to legislatures and local governments by holding hearings on the systemic and specific problems in business development, issues of social partnership and socio-economic policy, and public-private partnership (PPP).
9. Draft amendments and proposals on current and draft laws and regulations for submission to government agencies and local governments.

10. Consult with government agencies, including at meetings of working groups, inter-departmental commissions, and advisory and expert councils.
11. Arrange focus groups and panels of analysts and other experts to gather feedback from industrialists and businesspeople on the business community's legislative proposals and government programs and development strategies to increase the competitiveness of business and the national economy.
12. Set up permanent regional discussion forums for small and medium-size businesses and entrepreneurs, monitor the SME situation, and promote the growth of large private business and capital.
13. Take action to resist corruption and position the business community as an opponent of bribery, gray market, fraud, nepotism, hostile takeovers, unfair competition, and monopolies.
14. Review draft legislation for consistency with anti-monopoly and anti-corruption principles, lack of ambiguity, feasibility of implementation, and consistency with Directive No. 4 of the President of the Republic of Belarus and the Belarus National Business Platform.
15. Support businesspeople in litigation and administrative disputes with government agencies in cases when fines, penalties and other sanctions are imposed unlawfully, expand the use of arbitration panels in business associations and mediation.
16. Widely distribute information resources, post materials on websites on business advocacy, opportunities for business development, protection, and self-defense in Belarus, the countries of the Eurasian Economic Union, and other countries of the world.
17. Hold an annual competition for “Best City, District, and Region in Belarus for Business.”
18. Hold a nationwide competition for “Best Advocacy Leader of the Year.”
19. Hold a nationwide competition for “Best Belarusian Business Association of the Year.”
20. Have business associations and consulting firms create a universal algorithm for efficient management of manufacturing companies and complexes during crisis and post-crisis periods. Send a step-by-step model for implementing the proposals (or programs) to the Administration of the President and the Council of Ministers of the Republic of Belarus.
21. Support professional skill competitions and professional awards for “Brand of the Year,” “Best Entrepreneur,” “Businessperson Award,” etc.
22. Conduct a survey of 500 business owners and sole proprietors twice per year to determine the Index of Business Optimism of Private Business in Belarus (IBO).
23. Arrange coordinated actions with business associations in Armenia, Russia, Kazakhstan, and Kyrgyzstan to advance the proposals of the Platform and understand the positions of business associations in our partner countries in the Eurasian Economic Union.
24. Send copies of the 2015 Platform to the governments of Russia and Kazakhstan, so they can consider the positions of the Belarusian business community in developing a single economic policy to enhance business potential in the Eurasian Economic Union.
25. Send copies of the 2015 Platform to international organizations with which the Republic of Belarus has relationships, so they can consider the views and proposals of the business community and private business in Belarus.

26. Have representatives of Belarusian industry and business associations participate in the “Eastern Partnership” programs, projects to develop inter-regional and cross-border cooperation, people's diplomacy, and humanitarian and cultural projects.
27. Communicate the analytical assessments and proposals of the BNPB among the youth (school, college, and university students and young professionals) in order to give them an objective understanding of the problems and prospects for business development in the Republic of Belarus; support youth economic initiatives and projects as the future of our country.

The Belarus National Business Platform in action: Positive changes in the laws regulating business development in 2007-2014

Key Results:

Adopted:

- Directive No. 4 of the President of the Republic of Belarus, dated December 31, 2010, “On developing entrepreneurial initiative and stimulating business in the Republic of Belarus.”
- Several regulatory documents on the accessibility of technical regulations.
- The new Law of the Republic of Belarus “On Economic Insolvency (Bankruptcy).” The law largely codified previous statutory provisions on economic insolvency (bankruptcy).
- The Law of the Republic of Belarus “On Arbitration Tribunals,” which established a system to resolve disputes between businesses without government involvement. (The Minsk City Union of Entrepreneurs and Employers operates an arbitration tribunal.)
- Law of the Republic of Belarus No. 124-Z, dated 01/08/2014, “On Constitutional Court Procedure.”

Discontinued:

- Confiscation of property and goods without a court order. Now property and goods may be confiscated only pursuant to a court decision.

Simplified:

- Business registration procedures. Businesses are now registered upon submission of a complete application.
- Business liquidation procedures. A rule was adopted under which indebtedness may be declared bad debt.

Authorized:

- Conversion of the ground floors of multi-story residential buildings, single-family homes and row houses, and adjacent maintenance buildings into commercial properties.
- Priority sale of leased premises (buildings, structures, and other properties) to the lessees if they have leased them for more than three years.

Eliminated:

- The institution of the “Golden Share.”
- The duty to follow the “uniform wage rate schedule.”
- Linking rents to the Euro.

- Government regulation of rents for sites in private shopping centers and markets.
- Mandatory approval of the selection of goods a business can sell.
- Mandatory limit on the amount of a company's cash on hand.
- The requirement that contracts and waybills specify the reason for purchasing the goods.
- Government regulation of prices for all businesses.

Achieved:

- Positive changes in the operation of enforcement and oversight agencies, specifically streamlining and reducing the number of inspections and limiting the number of scheduled inspections.

Introduced:

- Prohibition on conducting inspections during the first two years after registration of a company.
- Prohibition on retroactive amendments to laws and regulations, including provisions on the amount of rents, rates, taxes, fees, and other payments.

Rights granted:

- To businesses: The right to deposit in their foreign-currency accounts cash earnings from the wholesale sale of goods in the Russian Federation and Kazakhstan.
- To sole proprietors, private notaries, attorneys, and tradespeople: The right to suspend their professional activity while caring for a child up to the age of three years, by applying for social leave in accordance with the law, with payment of benefits in full, or to continue engaging in their profession while receiving 50% of the benefit.
- To sole proprietors: The right to hire up to three employees who are not family members.

The Code of Administrative Offenses is being improved annually:

- The amounts of fines are being reduced, warnings may now be given, and minimum amounts of fines have been eliminated for many offenses.

The term “reasonable risks” is being defined

- In the Criminal Code and the Code of Administrative Offenses.

Amnesty declared:

- For persons serving sentences for economic crimes, the penalties for which are not commensurate with the social harm of the offense – in the Law of the Republic of Belarus of July 9, 2012, “On Amnesty for Certain Categories of Persons who have Committed Crimes.”

Continual reductions in:

- The number of types of business requiring a license.

Resumed:

- The practice of holding public parliamentary hearings on business issues and public discussions of draft legislation (the draft Law of the Republic of Belarus “On Counteracting Corruption,” the draft Law of the Republic of Belarus “On Public-Private Partnership,” the draft Directive of

the President of the Republic of Belarus “On additional measures to develop entrepreneurial initiative and stimulate business in the Republic of Belarus,” etc.).

The Belarus National Business Platform in 2006-2014

Improvements in taxation

– Key Results –

1. The requirement to follow a “uniform wage rate schedule” was eliminated.
2. Turnover taxes on earnings were repealed.
3. Retroactive amendments to laws and regulations were prohibited, including provisions on the amounts of rents, rates, taxes, fees, and other payments.
4. Government price regulation for all businesses was eliminated.
5. The requirement to set a limit on the amount of a company's cash on hand was eliminated.
6. The requirement that contracts and waybills specify the reason for purchasing the goods was eliminated.
7. Businesses were given the right to deposit cash earnings from wholesale sales of goods in the Russian Federation and Kazakhstan into their foreign-currency accounts.
8. The tax burden on the economy has been eased. In 2013, the reduced burden was felt by small businesses using the simplified taxation system (STS), for which tax rates have fallen for two straight years, and the criteria for earnings and numbers at which they are not required to pay VAT or maintain accounting records have been revised.
9. The structure of the tax system has improved. Over the past five years in the Republic of Belarus, 26 taxes and fees have been repealed, and 34 separate fees and payments have been consolidated into a single duty.
10. Tax administration has improved. The frequency of tax payments was revised, the number of tax declarations that must be filed was reduced, advance payments of VAT and excises have been eliminated, and electronic filing has been introduced. For the value added tax, restrictions that prevented exporters from deducting the full amount have been removed (due to the transition to payment of taxes on the accrual method). The procedure for exporters to provide proof of export to countries in the Customs Union was simplified in 2013. Belarusian exporters will be able to file applications to verify the zero rate of VAT electronically rather than on paper.
11. The income tax is now assessed and paid on a 12% scale. The rate of the tax on dividends has been reduced to 12 percent (from 13%).

SINCE 2006, MORE THAN THREE HUNDRED FIFTY PROPOSALS OF THE BELARUS NATIONAL BUSINESS PLATFORM TO IMPROVE THE BUSINESS CLIMATE IN THE REPUBLIC OF BELARUS HAVE BEEN IMPLEMENTED.