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## **THE STATE SUPPORT OF SMALL BUSINESS IN THE REPUBLIC OF BELARUS**

In modern conditions, which are characterized by the acceleration of scientific and technological progress, a wide range of goods and services, small business takes on special significance, because it is quickly adaptable to the market and flexible in management.

Subjects of small business help to reduce unemployment, take part in the training and improving professional skills of employees, serve as a basis for the development of the middle class, which is able to act as a guarantor of stability in the society.

The Belarusian market is open for business, Strong fragmentation and the almost complete lack of competition are the main market characteristics. There is a certain resource for growth in each sector: in the retail of domestic appliances and computer equipment, in the food import, etc. But there is a cliché in the minds of our business and startups that to start your own business is almost impossible<sup>1</sup>.

Businessmen emphasize the following problems in the functioning of small business in the Republic of Belarus:

- complex tax and high tax rates;
- access to investments;
- the level of property rights protection;
- the attitude of the state authorities to small business;
- high rents;
- the difficulties in licensing and obtaining permits;

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<sup>1</sup> Малый бизнес в Республике Беларусь в контексте международного опыта: материалы 8-й Международной научно-практической конференции «Проблемы прогнозирования и государственного регулирования социально-экономического развития», Минск, 21 апр. 2009 г. / Бел. Гос. Ун-т.: С.С. Полоник (отв. ред.) и др. – Минск, 2009, р. 98.

•heavy fines, a large number of inspections.

These difficulties are a result of immature market relations, significant government interference in business, the command mode of the economy, as well as mixed position of the National Bank regarding the credit system<sup>2</sup>.

Starting your own business in the United States or the European Union is associated with high financial risk. Venture capital funds that invest in startups, profit only from 1 of the 10 projects. There is no similar statistics in Belarus, but the percentage of successful enterprises is about 70-80%<sup>3</sup>.

Every 2-3 years the European Bank for Reconstruction and Development jointly with the World Bank conduct a survey of business in transition economies in Eastern Europe and Central Asia, including Turkey (The Business Environment and Enterprise Performance Survey, BEEPS) to explore the business environment in these countries. This allows to assess the business climate within the country and understand its investment attractiveness. Major international banks prefer to invest in small and medium businesses, as it allows to reduce risks and to diversify cash flows.

In 2014 Belarus took the 63-th place in Doing Business Rating. Despite the difficulties that are associated with the transition economy, the procedure to open a business in the country is much easier than in Italy, Czech Republic, Russia and China.

In the table below the ranks of DB' 14 illustrate us the results of the state support of small business in Belarus, especially in the sphere of dealing with construction permits, registering property and paying taxes<sup>4</sup>.

Factor	Ranks in different aspects of DB (Belarus)					
	2007	2010	2011	2012	2013	2014
<b>DB Rank</b>	<b>129</b>	<b>58</b>	<b>68</b>	<b>69</b>	<b>64</b>	<b>63</b>
Starting a Business	148	8	7	9	20	15

<sup>2</sup> Мировая экономика и бизнес-администрирование малых и средних предприятий: материалы 6-й Международной научно-технической конференции «Наука – образованию, производству, экономике», Минск, 21 янв. 2008 г. / БНТУ; редкол.: А.М Темичев (отв. ред.) и др.. – Минск, 2008, р. 282.

<sup>3</sup> Тэпман, Л.Н. Малый бизнес: опыт зарубежных стран / Л.Н. Тэпман. – М.: ЮНИТИ-ДАНА, 2008, р. 322.

<sup>4</sup> *Doing Business Report*: <http://www.doingbusiness.org/> (02.10.2014.)

<b><i>Dealing with Construction Permits</i></b>	<b>84</b>	<b>54</b>	<b>44</b>	<b>44</b>	<b>37</b>	<b>30</b>
<b><i>Registering Property</i></b>	<b>96</b>	<b>9</b>	<b>6</b>	<b>4</b>	<b>3</b>	<b>3</b>
Getting Credit	117	109	89	98	105	109
Protecting Investors	142	108	109	79	95	98
<b><i>Paying Taxes</i></b>	<b>175</b>	<b>183</b>	<b>183</b>	<b>156</b>	<b>135</b>	<b>133</b>
Trading Across Borders	113	129	128	152	150	149
Enforcing Contracts	36	12	12	14	13	13
Resolving Insolvency	91	75	93	82	56	74
Getting Electricity				175	175	168

Taking into account of its special characteristics entrepreneurship is in need of constant attention and support on the part of bodies of state power and local government.

In the Republic of Belarus the unitary system of support of small business has developed. At present its structure consists of various public authorities and institutions, as well as subjects of the infrastructure of support and development of small entrepreneurship in the regions.

The operation of these entities by the small business support was declared and recorded in the adopted Directive № 4 “On the development of entrepreneurial initiative and stimulation of business activity in the Republic of Belarus” dated 31.12.2010, Decree № 6 “On stimulation of entrepreneurial activity on the territory of middle, small urban settlements and agricultural areas”, dated 07.05.2012<sup>5</sup>.

The basic document of the public policy in the sphere of support of entrepreneurship in Belarus is the Law of the Republic of Belarus “About small and medium business support”. In accordance with this Law state programs of support of small enterprises on a 3-year period are developed and sequentially implemented. In particular, the program for 2013-2015 provides for:

- reduction of the level of state regulation of entrepreneurial activity;
- increase in the share of subjects of small entrepreneurship in total volume of proceeds from sales of goods, works and services;

<sup>5</sup> О развитии предпринимательской инициативы и стимулировании деловой активности: Директивы Президента Респ. Беларусь, 31 дек. 2010 г., № 4 // ЭТАЛОН – Беларусь [Электронный ресурс] / Нац. центр правовой информ. Республики Беларусь. – Минск, 2011.

- increase in the total number of employed in small business;
- fostering their participation in the implementation of orders for the state needs;
- creation of favorable conditions for access of subjects of small business to credit and financial resources.

The main objectives of this program are:

- Further liberalization of the conditions for inclusion of the population in entrepreneurial activities;
- Decentralization of economic and political power in the interests of small business;
- The removal of administrative barriers impeding doing business;
- Improving the availability of credit and financial, material and technical, land resources and real estate;
- Supportive tax policy.

These objectives will be implemented by solving the number of urgent tasks. In particular, improving the position of Belarus in international ratings, which are responsible for the quality of the business environment, the development of dialogue between the state and the business sector. Also the share of small business in GDP will be increased to 30%, and the share of employed up to 1.8 million by the end of 2015.

The program includes various workshops, round tables, as well as financial and informational assistance to the private sector. In addition, it is planned that the major role will be given to the development of new businesses (startups) and special schools for their support.

The main sources of program financing are funds of the Republican budget (5,040.1 million rubles), current assets of the Belarusian Fund for financial support of entrepreneurs (11,176 million rubles) and the funds of local budgets (153,290.8 million rubles). In comparison to the previous program budget, budget of this program has increased by 8% in nominal prices. But if we take into account the level of inflation, for example in 2013 it was 16.5%, in that case the real financing of new program would be less.

Measures of support for subjects of small business can be divided into several main areas. They are financial support, property support, information support and other forms of support, which include promotion of participation of small entrepreneurship subjects in the procedures of public procurement of goods; promotion of foreign trade activity of subjects of small entrepreneurship and

support of the subjects of small business in the sphere of training, retraining and upgrading professional skills of personnel<sup>6</sup>.

1. Financial support for subjects of small business is carried out at the expense of funds of republican and local budgets by the following institutions.

First of all by The Belarusian fund for financial support of entrepreneurs by providing:

- funds on a returnable onerous or gratuitous basis;
- the property on conditions of leasing;
- guarantees for preferential credits, which are issued by banks of the Republic of Belarus.

Secondly, by Regional and Minsk municipal executive committees also by providing:

- subsidies for compensation of a part of interests for the use of bank credits;
- subsidies for compensation of expenses for leasing payments.

In the third by Banks of the Republic of Belarus by providing preferential loans at the expense of local budgets, which are stipulated by the program of public support of small entrepreneurship and placed in deposits of these banks.

Today the tax legislation of the Republic of Belarus provides the following systems of taxation for small business:

- simplified system of taxation "without VAT" (5% of the revenue),
- simplified system of taxation "with VAT" (3% of the revenue and VAT in the amount of 20%),
- generalized system of taxation - VAT is 20% and the income tax is 18 % (if the subject does not meet the criteria of application of the simplified system of taxation).

Also we should say that in the Republic of Belarus a ramification of infrastructure of support and development of small business functions and includes 90 centers for support of entrepreneurship and 14 incubators of small business. Its activity is aimed at the formation of favorable conditions for creation and activity of subjects of small entrepreneurship and activization of business activities.

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<sup>6</sup> О поддержке малого и среднего предпринимательства: Закон Респ. Беларусь, 1 июля 2010 г., № 148-3 // ЭТАЛОН – Беларусь [Электронный ресурс] / Нац. центр правовой информ. Республики Беларусь. – Минск, 2011.

In 2013 116 760 people turned to the centers for various issues of organization and business activity (in 2012 – 102 645 people). 3 059 courses, seminars were hold on entrepreneurs' vital topics (in 2012 – 4 985 courses, seminars), in which took part 54 156 people (52 501 people in 2012).

The main clients of the centers are entrepreneurs, working more than 1 year, whose share in the total number of clients of the centres is to 49.9% (34 127 people).

Total area of incubators in 2013 amounted to 53.1 thousand sq.m (2012 - 38.5 thousand sq.m). The spaces, which were leased by incubators for small businesses came to 32.2 thousand sq.m in 2013 (2012 – 22.9 thousand sq.m).

Small businesses, which are engaged in the production of energy-saving, import-substituting products, introducing new technologies have the priority in the incubator.

The share of small businesses located in incubators and operating in the service sector amounted to 47.8% of the total number of incubator leasers, in the field of production - 17.7%, in construction - 10.5%, the innovative activities carried out by 8.5% of incubator leasers, other activities – 15.5%.

2. To the measures of property support are refered:

- assignation of the state-owned capital structures to free use, including the right to acquire them in the property after the expiration of the period of free use;
- application of the reduction factors to the basic rate of the rent during the lease of the state-owned capital structures;
- alienation of the state-owned capital structures to the subjects of small business, which implement activities in the sphere of production of goods and rent the property not less than five years<sup>7</sup>.

3. The main types of information support of small business are:

- coverage of the various issues of business activity, including acts of legislation in mass media, the global network the Internet;
- rendering information and consulting services by the subjects of small business support infrastructure;
- remote consulting;
- organization and implementation of events, which are aimed at raising awareness of subjects of small entrepreneurship;

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<sup>7</sup> Деловая среда в Беларуси: исследование малого и среднего бизнеса в Беларуси: стат. сб. / Минстат Респ. Беларусь. – Минск, 2006, р. 41.

➤ creation of specialized radio and television broadcasting , printed periodicals, which cover urgent issues of the development of small entrepreneurship<sup>8</sup>.

4.1. Promoting the participation of small entrepreneurship subjects in the procedures of public procurement of goods is carried out through the reservation for them not less than 10 per cent of the total volume of public procurement of goods.

4.2. The Promotion of foreign trade activity of subjects of small business is carried out by:

- organization of the work on the conclusion of international treaties;
- organization of business meetings and negotiations of representatives of belarusian and foreign subjects of business.

4.3. Support of the subjects of small business in the sphere of training, retraining and upgrading professional skills of personnel is carried out:

- through the ramification of educational institutions and realization of international programs and projects on the exchange of experience in this sphere;
- with the help of remote educational technologies;
- by carrying out thematic training seminars, courses and conferences on the issues of entrepreneurship<sup>9</sup>.

It is possible to evaluate the effectiveness of all previously mentioned measures on support of small business according to the degree of changes in the number of small businesses, as well as on the dynamics of their growth. The table below presents the relevant data<sup>10</sup>.

<b>Belarus</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
The Number of Small Businesses, thousand units	74.2	77.6	84.2	92.6
Dynamic of The Growth, %	100	104.6	108.5	109.9
The Number of People Employed In Small Businesses, thousand of people	695.0	703.0	711.0	719.0

<sup>8</sup> *Дадалко, С.В.* Развитие предпринимательства и формирование системы его государственной поддержки / С.В. Дадалко. – Минск: Армита, 2005, р. 56.

<sup>9</sup> *Ткачев, А.* Малое предпринимательство: формы государственной поддержки / А. Ткачев. *Бухгалтерская газета* (2010, 8), 19–24.

<sup>10</sup> Статистический сборник «Малое предпринимательство Республики Беларусь»: стат. сб. / Минстат Респ. Беларусь. – Минск, 2013. – 73 с.

The Number of Small Businesses per 1000 People	7.8	8.2	8.9	9.7
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It should be noted the positive dynamics of growth of small business, which in 2013 has increased by 9.9% compared to 2012.

Thereby, activization of the policy for the development of small business, on the one hand, has to create conditions to increase innovative and investment activity in the economy, which is necessary for the achievement of sustainable economic growth, on the other hand, to minimize the possible negative consequences in social sphere in the acceleration of market reforms<sup>11</sup>.

In conclusion I want to say that the implementation of public programs and solution of predesigned tasks will allow to increase the level of development and the efficiency of small entrepreneurship in the Republic of Belarus considerably, also it will lead to the strengthening of the position of small business in the internal market, and in combination with measures for stimulation the output of small enterprises on the foreign markets, it will make it competitive abroad too.

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<sup>11</sup> Пыко, В.Т. Малое предпринимательство и его роль в экономике Республики Беларусь / В.Т. Пыко // *Вестник БГЭУ* (2008, 4), 44–51.



