

NON-OFFICIAL TRANSLATION

**Eurasian Fund for Stabilization and Development**

# **Eurasian Fund for Stabilization and Development Strategy for the Republic of Belarus 2022–2026**

This document is an abstract of the 2022–2026 Country Strategy of the Eurasian Fund for Stabilization and Development for the Republic of Belarus





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# List of Abbreviations

CA	current account
CIS	Commonwealth of Independent States
CPI	consumer price index
EBRD	European Bank for Reconstruction and Development
EFSD	Eurasian Fund for Stabilization and Development
EU	European Union
FDIs	foreign direct investments
GDP	gross domestic product
IMF	International Monetary Fund
NBRB	National Bank of the Republic of Belarus
SPF	state extra-budgetary Social Protection Fund
UN	United Nations
WB	World Bank
WBG	World Bank Group
WTO	World Trade Organisation

# Main Socio-Economic Indicators of the Republic of Belarus

Economic indicators	Latest available	Global ranking
GDP (2020, billion US \$)	60.3	78
GNI per capita (2020, Atlas method, US \$)	6,330.0	85
Logistics Performance Index (2018, 0 to 5)	2.6	103
WB Doing Business (2019, 0 to 100)	74.5	49
Social indicators		
Poverty rate (2020, national definition)	4.8	6*
Human Development Index (2019, 0 to 1)	0.8	53
Inequality (2019, Gini coefficient)	25.3	6
Rural access to water (2019, % of total)	94.7	n/a
Population increase/decline (% , average over the past 5 years)	-0.2	185
Share of population under 30 (2020, % of total population)	33.3	160
Share of rural population (2020, % of total population)	20.5	46
Child mortality rate (2019, per 1,000 births)	2.4	13
Total fertility rate (2019, births per woman)	1.4	176
Life expectancy (2019, years)	74.5	95

\* 2019.

# Introduction

The Country Strategy of the Eurasian Fund for Stabilization and Development (hereinafter referred to as the Fund, the EFSD) for the Republic of Belarus complements the Fund’s Strategy for 2022–2026. It reflects the Fund’s strategic objectives within the framework of its core mandate aimed at supporting the macroeconomic and financial stability in its member countries. The Country Strategy also defines the priority areas of activity for 2022–2026 to assist the Republic of Belarus in implementing structural reforms in its economy and improving its key institutions to support sustainable economic growth and promote integration processes.

To determine the priority areas of the Fund’s cooperation with the Republic of Belarus within the framework of its mandate of macroeconomic stabilisation, the EFSD made diagnostics of the macroeconomic environment for the Strategy period, including debt sustainability analysis and stress tests. The Fund identified the main areas of reforms, taking into account the country’s priorities enshrined in national strategic and policy documents, as well as the results of its own diagnostics of structural and institutional constraints and working in close coordination with the key ministries and agencies of Belarus.

Since the EFSD resources are limited, the Fund determined the priority areas of its activity for 2022–2026 taking into account the priorities and objectives of the key development partners in the Republic of Belarus, with which bilateral consultations were held, as enshrined in their strategic documents. Such coordination will facilitate maximum synergies and, thus, better use of the Fund’s resources in assisting the Republic of Belarus in maintaining the macroeconomic stability and creating conditions for the country’s sustainable development and improvement of the living standards of the population.

# 1. Socio-Economic Environment and Challenges to Sustainable and Inclusive Economic Growth in the Republic of Belarus

Belarus is one of the most developed CIS countries in terms of income and quality of life of the population. As at end-2020, the gross national income per capita was US \$6,330<sup>1</sup>, with only 4.8% of the population below the poverty line (Figure 1)<sup>2</sup>. According to the UN Human Development Index 2020, the country is among those with very high levels of human development, ranking the 53<sup>rd</sup> in the world, following Russia (51<sup>st</sup>) and Kazakhstan (52<sup>nd</sup>). Belarus is a country with an unfavourable demographic situation – its population has decreased by 5.3% over the past 20 years to 9.4 million people as at the start of 2020. Moreover, during that period, the development was accompanied by the ageing of the population – while the share of the working age population remained unchanged at 57.3%, that of the population over the working age increased from 21.4% to 24.8%.

Over the past 20 years, the economy of the Republic of Belarus has shown volatile growth rates with a clear downward trend (Figure 2). In the first decade of the 2000s, the average GDP growth rate was 7.3% due to the growth of investments, increased capacity utilisation, and favourable external conditions, including stronger demand from key trading partners and preferential terms of energy imports from Russia. International financial institutions (IFIs) estimate that the annual energy subsidy for Belarus averaged at about 16% of GDP in 2006–2010<sup>3</sup>. In 2011–2020, the average annual GDP growth rate dropped to 0.9%. That was driven by a number of factors, the main – and interrelated – ones being lower total factor productivity growth and mounting institutional and structural constraints, including those related to the lack of effective measures to reform the extensive and poorly performing state-owned enterprise sector.<sup>4</sup>

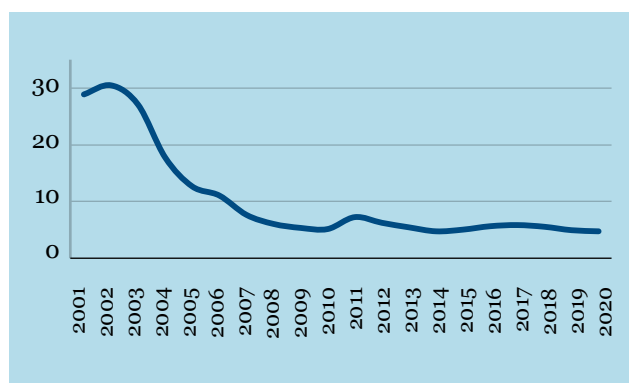
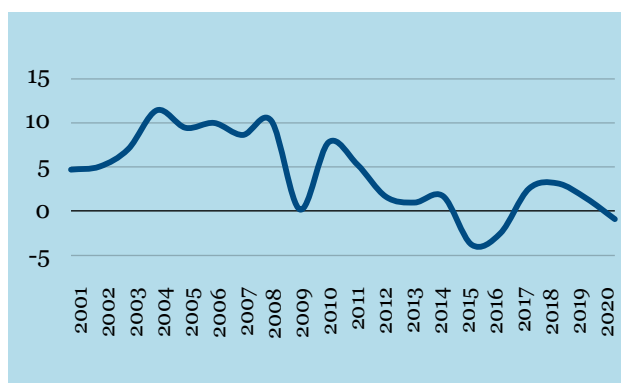
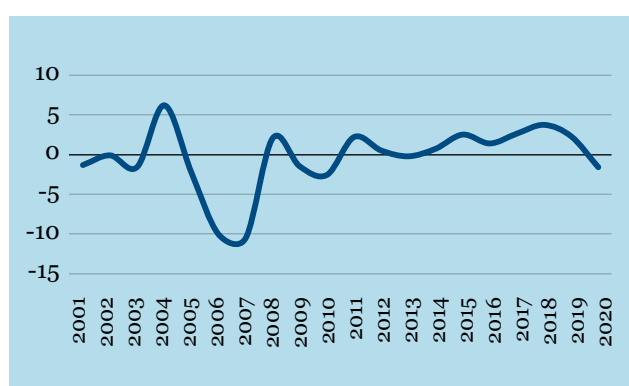
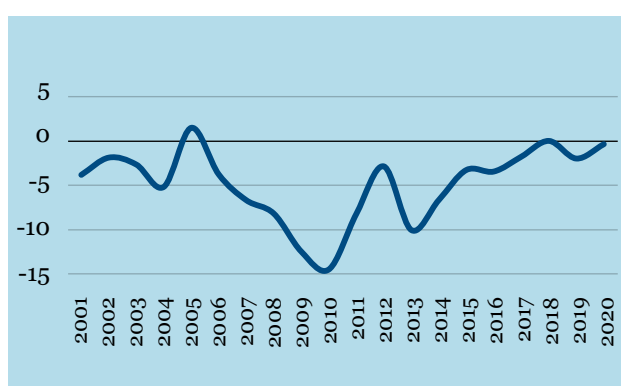
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<sup>1</sup> Based on the WB, Atlas method (current US \$).

<sup>2</sup> Based on the national poverty line, equivalent to the established subsistence budget.

<sup>3</sup> Republic of Belarus, IMF Country report #16/298, September 2016.

<sup>4</sup> As at end-2020, 38.1% of the workforce were employed at entities with a share of the State of 50% or more, producing 52.4% of industrial output and accounting for 51.6% of fixed investments. *Main Performance Indicators of State-Owned Sector Entities in January–December 2020* [in Russian], Belstat.

**Figure 1. Poverty rate, %****Figure 2. Real GDP growth y-o-y, %****Figure 3. Fiscal balance, % of GDP****Figure 4. Current account balance, % of GDP**

**Source:** official statistics of the Republic of Belarus, EFSD calculations.

Due to the low productivity at state-owned enterprises – equivalent to one third of that at private ones – the country lags well behind the European countries<sup>5</sup> in terms of this indicator. It is one of the fundamental factors behind Belarus' low long-term economic growth potential. One of the causes of that is soft budget constraints, including large-scale state support. It weakens incentives to productivity enhancement and generates significant fiscal – in the form of lower tax revenues to the budget against the background of deteriorating profitability – and quasi-fiscal risks. In 2019, the debt of state-owned enterprises under government support arrangements and loans guaranteed by the central and local governments amounted to 19.5% of GDP, with almost a third of those enterprises (30%) being insolvent<sup>6</sup>. In 2020, direct support to state-owned enterprises alone amounted to 3.8% of GDP, including directed lending (1.7% of GDP) and capital injections (2.1% of GDP). Higher budget spending on replenishment of authorised funds of state-owned enterprises, accompanied by falling revenues, was the primary cause for the formation of a fiscal deficit in 2020 (Figure 3) and an increase in public debt from 33% to 37.3% of GDP<sup>7</sup>.

Preferential financing conditions for state-owned enterprises, in particular fixed at the legislative level, hinder the development of competition, the private sector and, thus, impede the enhancement of the

<sup>5</sup> The labour productivity in the Republic of Belarus is 6.3 times lower than in the EU in general, and 2.3 times lower than in Eastern and Central European countries.

<sup>6</sup> Report of the Ministry of Finance of the Republic of Belarus on the Assessment of Fiscal Risks Generated by State-Owned Enterprises, 2019.

<sup>7</sup> National definition.

economy's performance. Other major barriers to the development of competition include excessive state regulation of private businesses, imperfections of the anti-trust and price regulation, as well as continued regional protectionism.

Improving the efficiency of the narrowing labour market, characterised by low mobility, is a major challenge to stable long-term growth of Belarus. A steady downward trend in both the total population and the working-age population, among other things owing to an outflow of labour from the country against the backdrop of more attractive earnings in neighbouring countries, has a number of negative effects on the economy. The direct impact of the decline in the working age population on the economy manifests itself through a slowdown of the GDP growth – analysts estimate that, in 2050, other things being equal, the real GDP may be 16% lower due to this factor alone<sup>8</sup>. In addition, the deteriorating demographic situation, including the ageing of the population, may result in a higher burden on the budget as a result of growing health costs and subventions to the budget of the state extra-budgetary Social Protection Fund of the Republic of Belarus to cover its pension benefit costs<sup>9</sup>. The solution to the problem lies in enhancing the efficiency of the labour market, among other things by developing the skills of workers and improving the conditions for labour mobility between sectors in the economy, focusing on the most productive sectors. However, the current government policy of preserving labour collectives at state-owned enterprises, which does not take into account market conditions, and the lack of adequate social support of economically active unemployed persons practically deprive workers of incentives to change jobs.

Despite efforts of the monetary authorities and the Government of the Republic of Belarus, the country's economy still faces high foreign currency predominance, formed, among other things, as a result of overly expansionary monetary and fiscal policies in past years, that is another factor with a negative impact on the macroeconomic and financial stability. In the context of foreign exchange shocks materialising, the pressure on the State budget increases significantly through higher costs of servicing debt denominated in foreign currency, which amounted to about 98% of the total public debt as at end-2020. In addition, the burden on business entities is increasing – the share of the foreign currency component in the loan portfolio is 50%<sup>10</sup> – and the outflow of deposits is accelerating – the foreign currency predominance in deposits is 65%. The high foreign currency predominance, amid exchange rate volatility, results in higher devaluation expectations, accelerated inflation, and increased pressure on the country's foreign currency reserves, creating risks to the financial stability and weakening the efficiency of the interest rate transmission channel. As a result, a wide range of changes in interest rates may be needed for the monetary policy to trigger an effective response in the economy. This, along with strengthening price controls, is a factor constraining the transition to the inflation targeting regime. A fundamental constraint on the economy, associated with significant depreciation risks due to high levels of foreign currency predominance, is the lack of ability to use the local currency for efficient long-term investments.

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<sup>8</sup> Bank Bulletin, 2020, K. Bornukova, L. Lvovskiy, Demography as a Challenge for Economic Growth [in Russian].

<sup>9</sup> In 2017–2022, the republican budget faced no increase in the fiscal pressure in terms of support to the state extra-budgetary Social Protection Fund, which is due to step-by-step increases in the retirement age during that period that curbs the growth of the number of retirees. At the end of the period, the mounting pressure of pension payments on both the workforce and the budget will resume.

<sup>10</sup> In the context of the BYN depreciation in 2020, the debt of economic entities under loans and credits increased to 37.8% of proceeds as at end-year, compared to 32.6% a year earlier.

The relatively high concentration of Belarusian exports in terms of goods and markets<sup>11</sup> enhances the vulnerability of the country's external position in the event of slower growth or recession in the main trading partners, instability in the energy market, and falling commodity prices (Figure 4). A fall in world oil prices, a decrease in the volumes of exported petroleum products against the background of lower oil imports from the Russian Federation, and absence of new contracts for exports of potash fertilizers at the beginning of the year were the main factors contributing to lower foreign exchange revenues, including export duties, received by the country in 2020. This was the most significant factor behind lower revenues of the budget and its transition from a surplus to a deficit. In its study, the IMF shows that the comparative advantages of Belarus are evident in those sectors where it is difficult to switch to new products (potash fertilizers and mineral fuels)<sup>12</sup>. In these circumstances, export diversification primarily calls for enhanced competitiveness of other sectors of the economy.

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<sup>11</sup> In 2020, the share of the Russian Federation in total foreign trade of the Republic of Belarus was 47.9%, including that in exports of 45.2% and that in imports of 50.2%. The share of mineral and chemical products in total exports is about 40%.

<sup>12</sup> Republic of Belarus: Selected Issues. IMF, European Department, December 2017.

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## 2. Current Cooperation between the EFSD and the Republic of Belarus

The Republic of Belarus is the largest beneficiary of the Fund, with the total amount of approved financial support of US \$5,500 million, or 82% of the total financial credits approved by the EFSD Council. In fact, the country has received three financial credits worth US \$4,860 million, as under the first two financial credits, the last tranches totalling US \$640 million were not disbursed. As at 1 January 2021, the stock of outstanding credits was US \$2,452.7 million.

The first financial credit in the amount of US \$3 billion in six tranches was disbursed during 2011–2013, based on the implementation of the Reform Programme of the Government and the National Bank of the Republic Belarus. The key goal of the Programme was to restore the macroeconomic stability in the environment of the currency crisis faced by the country in early 2011, the unprecedented high current account (CA) deficit, and high inflation, which were the results of overly expansionary economic policies of the authorities. In the first year of the Programme implementation, the imbalances were reduced through better quality macroeconomic policies, among other things, owing to enhanced independence of the NBRB and relieving it of functions uncharacteristic of monetary authorities (e.g. direct lending to the economy, management of non-core assets), as well as monetary policy adjustments, including the transition to a single exchange rate. Driven by deterioration of the foreign economic environment in the second half of 2012, the authorities resumed the policy of boosting the domestic demand to sustain economic growth. This led to mounting macroeconomic imbalances and failure to meet a significant number of conditions for the disbursement of the final sixth tranche (US \$440 million). In view of the failure to reach an agreement between the national authorities and the EFSD on economic policy measures required to reduce the imbalances, in November 2014, the EFSD Council decided to terminate its support of the stabilisation programme of the authorities of the Republic of Belarus.

A second financial credit in the amount of US \$2 billion (seven tranches) was provided in 2016–2019. The main goal of the credit was to support the Reform Programme of the Government and the National Bank of the Republic of Belarus aimed at restoring the macroeconomic stability in the wake of the regional crisis of 2015, as well as implementing a package of reforms to liberalise the commodity, financial, and foreign exchange markets, improve the quality of governance of the extensive state-owned sector, and create conditions for private sector development. As a result of the Programme implementation, the Republic of Belarus made significant progress in restoring the macroeconomic stability, including lowering the inflation, raising the level of gross international reserves, generating a budget surplus, and curbing the growth of the public debt. However, the progress in structural and institutional reforms was mixed. Significant progress was made in market liberalisation, including an expansion of the list of socially important goods with unregulated pricing, improved cost recovery through tariffs for households on housing, utilities, and transportation, cuts in directed lending and removal of restrictions for economic agents in the foreign exchange market. Quite a lot of work was done to reduce regulatory barriers to the private sector. In terms of reforming the governance of state-owned enterprises, positive developments included the removal of quantitative policy targets and the development of a framework for assessment

of fiscal risks generated by state-owned enterprises. At the same time, there were no significant reforms to make state-owned enterprises more commercially oriented and improve their efficiency. The seventh tranche of US \$200 million was not disbursed due to the expiration of the credit availability period.

A third financial credit in the amount of US \$500 million was disbursed in October 2020 in one tranche to finance the fiscal deficit in the context of the COVID-19 pandemic. The basis for its provision was a Government Programme to overcome the consequences of the pandemic. It was aimed at supporting the healthcare system, the sectors of the economy most affected by the pandemic, small and medium-sized businesses, and vulnerable groups of the population, as well as at creating conditions for maintaining the macroeconomic stability in the medium term. As part of the Programme implementation, the tax burden for certain categories of payers was reduced, supplements to salaries of health and social sector workers were financed, and mechanisms for applying for social benefits were simplified for the most vulnerable groups of the population. To maintain the ability of the banking sector to finance the economy, the National Bank relaxed several prudential regulations on a temporary basis. Borrowers experiencing economic hardships were granted an opportunity to restructure their debts and get payment deferrals.

Regular missions of the EFSD Project Unit were the key tool for maintaining the dialogue with the authorities of the Republic of Belarus for effective achievement of the objectives of macroeconomic stabilisation and ongoing structural and institutional reforms. The EFSD Project Unit also regularly holds consultations with development partners on the macroeconomic situation and risks, as well as required structural and institutional reforms. Key partners include the International Monetary Fund (IMF), the World Bank (WB), and the European Bank for Reconstruction and Development (EBRD).

## 3. EFSD Strategic Objectives for 2022–2026

### 3.1. Defining EFSD strategic objectives for 2022–2026

Taking into account the main challenges for sustainable and inclusive growth of the economy of the Republic of Belarus in the long term, as well as the country's strategic priorities for economic development and improvement of the living standards of the population (see Box 1), the EFSD, in its capacity of a regional financing and development arrangement, identifies the following long-term priorities for cooperation with the Republic of Belarus:

- to enhance the macroeconomic and financial stability;
- to improve the quality of economic policy;
- to improve the performance of state-owned enterprises;
- to develop competition and create a more favourable environment for the private sector development; and
- to improve the labour market efficiency.

#### **Box 1. Overview of Strategic Priorities of the Republic of Belarus**

The main document defining the strategic priorities of the Government is the National Sustainable Development Strategy of the Republic of Belarus for the period up to 2035 (hereinafter referred to as the NSDS-2035). The overarching goal of the strategy is to achieve high living standards of the population on the basis of qualitative economic growth relying on a new digital technology base.

Under the NSDS-2035, the key priorities and areas of reforms related to improving the efficiency of the economy will be:

- creation of a well-developed business environment and efficient public administration;
- general enhancement of the economy's competitiveness through digital transformation and widespread innovation; and
- productive employment and decent incomes of the population.

The achievement of sustainable development goals will call for upgrading and improvement of the institutional environment aimed at developing the business climate, building and maintaining a highly

competitive environment, better management of state-owned assets, and enhanced productivity at state-owned enterprises to catch up with that of private ones.

Creating conditions for sustainable and balanced growth of the country's economy will be facilitated by efforts to ensure price and financial stability, development of the financial market, and improved efficiency of budget resource management.

Efficient development of financial markets will require a reduction in the share of the State in equity and an increase in the number of shares freely traded on the exchange. It is planned to create new types of bonds and further develop the domestic market of government bonds denominated in the local currency. At the same time, the optimisation of the public debt structure will be achieved through reducing the share of foreign currency denominated debt in the portfolio of liabilities.

It is envisaged to transition to a centralised model of management of state-owned assets, with transfer of part of State functions (including control) to public associations (non-profit organisations). An important objective is to make an effective regulatory impact assessment framework part of the process of government decision-making.

One of the areas of the business environment development will be intensified dialogue between the State and private businesses that should improve the system of promotion of entrepreneurship, develop the institute of self-regulation, as well as expand the resource base and sources of financing for small and medium-sized enterprises.

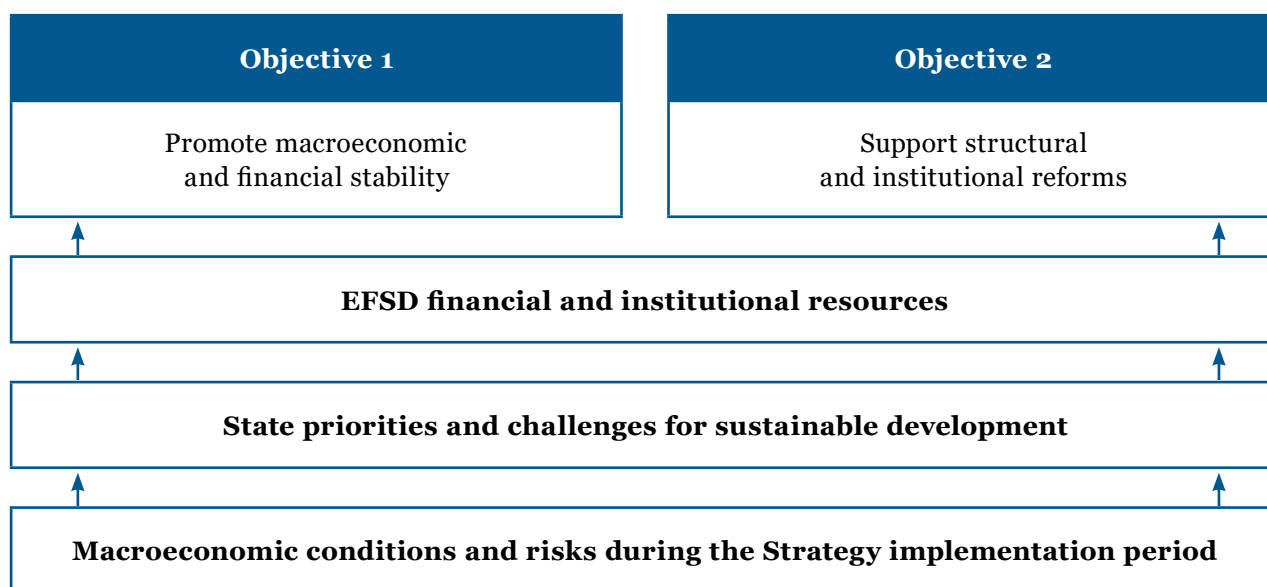
The main areas of enhancing the competitiveness of the Belarusian economy will include creating innovative clusters in all sectors of the economy, reforming markets and management processes, as well as developing the digital infrastructure and strengthening its security. Considerable attention is to be paid to the development of the private sector as a key factor in enhancing the country's competitiveness. In particular, it is planned to develop innovative entrepreneurship; improve the legislation on the creation of equal competitive conditions for the state-owned sector and private businesses; promote participation of private businesses in the implementation of government programmes; and transfer the results of budget-funded research and development to private businesses.

In the framework of expanding productive employment, it is envisaged to ensure more efficient use of labour resources by creating new jobs in high-tech sectors and the sector of knowledge-intensive services, develop new forms of entrepreneurship and self-employment of the population, create systems of specialist retraining to meet market needs, as well as develop the system of social protection of vulnerable categories of citizens. The strategic objective is to expand the use of corporate pension plans supported by employers and private pension savings, to encourage employers and employees to independently generate additional income in old age.

To clarify the focus of cooperation between the EFSD and the Republic of Belarus during the Strategy implementation period, two strategic objectives have been identified for the EFSD to concentrate its resources in 2022–2026. Several key factors, including the macroeconomic environment and risks; long-term priorities of the Republic of Belarus and challenges to its sustainable growth; as well as the availability

of the necessary competencies, expertise, and adequate resources of the Fund (Figure 5), were taken into account in determining the priorities of cooperation within the framework of the strategic objectives and the mandate of the Fund.

**Figure 5. Defining EFSD strategic objectives in the Republic of Belarus for 2022–2026**



**Source:** EFSD Project Unit.

### 3.1.1. Objective 1. Promote macroeconomic and financial stability

Taking into account the still high vulnerability of the economy of the Republic of Belarus to external shocks during the Strategy implementation period, one of the key objectives of the EFSD, in its capacity of a regional financing arrangement, will be to provide assistance to the national authorities in maintaining the macroeconomic and financial stability, including prompt budget and/or balance of payments support in the event of crises. To achieve this objective, the EFSD will focus its efforts in 2022–2026 on the following priority activities:

- regular macroeconomic monitoring, including updated forecasts of key macroeconomic indicators, fiscal and balance of payments gaps, debt sustainability analysis and stress tests;
- continued close dialogue with the national authorities to maintain the macroeconomic stability, including the sustainability of the budget and the balance of payments;
- continued close dialogue with key development partners on assessments of the macroeconomic and social environment; and
- provision of timely updates to the shareholders on the macroeconomic situation in the Republic of Belarus, as well as on emerging financing gaps and other risks.

### 3.1.2. Objective 2. Support structural and institutional reforms

During the Strategy implementation period, the EFSD will contribute to the creation of conditions to enhance the sustainable economic growth potential in the Republic of Belarus through support of efforts of the Government and National Bank in implementing structural and institutional reforms. Taking into account the long-term challenges to sustainable economic development of the Republic of Belarus, as well as the identified strategic priorities of the country, the EFSD sees the following priority areas of reforms for 2022–2026, in which the Government and the National Bank of Belarus could be assisted under potential budget support programmes:

- improvement of the performance of state-owned enterprises;
- enhancement of competition and improvement of the business climate;
- improvement of the efficiency of the labour market and the social protection system;
- reduction of the high foreign currency predominance in the economy; and
- geographic and structural diversification of exports.

Along with privatisation, **improvement of the performance of the state-owned sector, which dominates in the economy**, should be based on a systemic reform of state-owned enterprise management methods. Transition to new forms of management in the state-owned sector should, first of all, address the conflict of interests of the State as the owner and as the regulator through the separation of these functions and include corporatisation of state-owned enterprises. An important stage of the reform is to review all state-owned enterprises to group them by type (strategic; commercial, open for privatisation; non-profit) and financial status (sustainable, unsustainable). The change in the form of management and the classification of state-owned enterprises should lead to streamlining, reduction, and better targeting of state support; improved quality of sector policies, among other things, by relieving ministries of the function of day-to-day management of state-owned enterprises; and formulation of uniform rules of operation for economic actors regardless of their form of ownership. Such policies will contribute to better investment attractiveness of the Belarusian economy and growth of foreign direct investments (FDIs). At the same time, private capital could be mobilised through privatisation of commercial state-owned enterprises, as well as through re-profiling financially weak ones and placing them under trust management, in addition to standard bankruptcy procedures.

**Enhancement of the competition and development of the business climate** will be facilitated by improvement of the anti-trust legislation and adoption of measures aimed at reducing barriers in certain sectors of the economy and creating a level playing field for business entities. There will be further efforts made to improve the legislation on economic insolvency (bankruptcy); expand access to financing for small and medium-sized enterprises; improve the pricing policy in various sectors; and develop the financial market.

A whole package of measures with different timeframes will be needed to achieve **improvement the efficiency of the labour market**. Short-term measures include strengthening the social protection, including an increase in unemployment benefits for the most vulnerable categories of citizens, as the minimum unemployment benefit is currently at about 5% of the minimum consumer budget. Long-term measures may include: 1) further pension reforms, including greater differentiation of pension benefits and creation of a voluntary defined contribution pension plan; 2) education system reforms to align it with the needs of the labour market, including the introduction of new retraining and advanced training programmes and changes in the career guidance system for graduates; and 3) promotion of the private sector development.

**Greater confidence in the local currency and addressing the issue of foreign currency predominance** in the economy would significantly reduce the volatility of many processes associated with exchange rate changes, improve the efficiency of monetary policies, and create better conditions for long-term investments. These goals can only be achieved if macroeconomic and financial stability is maintained (including improved debt sustainability) and prudential regulation is changed to stimulate transactions in the local currency, as provided for by the Strategy for Enhancing Confidence in the National Currency until 2035, prepared and approved by the Government and the National Bank of the Republic Belarus. Transformation of the financial market, improvement of its stability and efficiency by streamlining the activities of banks and developing the non-banking segment are also important factors contributing to enhancing the confidence in the local currency. In its turn, that would contribute to creating conditions for the emergence of debt instruments in the local currency suitable to finance projects with long payback periods.

**Export diversification** will be facilitated by the overall growth of the Belarusian economy, as well as measures aimed at deeper integration of the country's economy into global value chains. Expansion of the range of exported goods and services and diversification of export markets can be achieved by enhancing the competitiveness of products and services and ensuring greater integration of the country's economy in global value chains (through its accession to the WTO, deepened regional economic cooperation, and improved investment attractiveness of the country). Another important factor in facilitating the access of producers of goods and services, especially new ones, to international markets is improvement of export-import procedures and reduction of their costs. According to the OECD Trade Facilitation Indicators, the position of Belarus is significantly lower (0.694) than that of Russia (1.699)<sup>13</sup>, which is the main trading partner of Belarus, and other countries in Europe and Central Asia. If implemented, these measures, combined with an improvement of the composition of the economic growth, would facilitate a reduction of the vulnerability of the balance of payments and the State budget to external shocks.

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<sup>13</sup> Trade Facilitation Indicators, OECD, 2019.

## 4. Coordination of Support with Development Partners

The EFSD pays special attention to the coordination of its planned support with key development partners in Belarus, including the IMF, the WB, and the EBRD. As the resources of development partners and the EFSD are limited, while the structural and institutional reforms to be implemented are complex, such coordination will enhance the effectiveness of support in certain areas of cooperation and generate maximum synergies in helping the Republic of Belarus create conditions for its sustainable, inclusive, and catch-up development.

Under the World Bank Group (WBG) Country Partnership Framework for the Republic of Belarus for the Period of 2018–2022, one of the main priorities of the WBG is to create conditions for growth of the private sector and enhanced efficiency of public investments. Since 2020, the WBG’s advisory services in this area have been increasingly focused on operations to expand the access of small and medium-sized enterprises to bank finance and on advising the private sector on improving the business climate. The WB is also actively engaged with the country’s authorities in improving the quality of education, including higher education. The key goal of the Belarus Higher Education Modernisation Project (May 2020 – December 2025) is to better align the education system with the needs of the economy, which corresponds to the priorities of the EFSD in terms of improving the labour market efficiency.

Under the current EBRD Strategy for Belarus, one of the key priorities of the EBRD in Belarus was to promote the competitiveness of the Belarusian economy through advisory services to small and medium-sized enterprises, measures to improve the sustainability of the banking system, and credit lines to banks to finance small and medium-sized enterprises.

# References

1. [National Strategy for Sustainable Development of the Republic of Belarus for the period up to 2035.](#)
2. [World Bank Group Country Partnership Framework for the Republic of Belarus for the Period of 2018–2022.](#)
3. [EBRD Strategy for the Republic of Belarus, 2016–2019.](#)
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