

ENTREPRENEURS: READY FOR REFORMS, BUT DO NOT BELIEVE THEY WILL BE HEARD

Introduction

The business community is the traditional “driver” of reforms. First of all, because they are in need of a stable and effective state that is capable of creating transparent and symmetrical rules of the game. Second of all, in exchange for taxes, business expects the state to provide effective services. To what extent are these observations true for Belarus, and what does Belarusian business think of reforms, is it eager to participate in the development of reforms, and which reforms does the country need, according to representatives of the business community?

As part of its REFORUM project, BISS has conducted an opinion poll of representatives of the business community (hereinafter *entrepreneurs*¹), which studied their attitude to reforms in our country. This study completed the cycle of opinion polls of stakeholders, which comprised the polls of population at large, civil society, and state officials. A common conclusion for the “third sector”, entrepreneurs, and officials is that they all sense a need for deregulation — a reduction in state influence and degree of state control. However, for a successful engagement of target groups and the state, a series of contradictions needs to be overcome in the evaluation of the quality of interaction and willingness of all of the stakeholders to participate in the development of reforms. The main conclusions of the study are as follows:

- Representatives of the business community believe it necessary to put in place reforms, primarily **economic reforms**, followed by reforms in the **system of state administration**. The least relevant area for reforms is the social security system, according to business. This pattern turned out to be quite well predictable for the preferences of the Belarusian business community.
- Unlike Belarusian population at large², which believes that reforms should aim at enhancing the role of the state, Belarusian business views reforms as **deregulation**. Business appears to share the same preferences and priorities with **representatives of civil society**³ and **even state officials**⁴, who also call for a reduction in the role of the state and the degree of state control in the areas subject to reforms.
- Private business is ready to be involved in reforms in the country; however, the intellectual and expert **resources of business are not used to the full extent**: there is still huge potential for the engagement between business and the state.
- **Entrepreneurs and state officials differ** on the effectiveness of the interaction between business and the authorities. Most representatives of the business community do not

¹ Fifty CEOs and top managers of Belarusian SMEs from all of the Belarusian regions were involved in the poll. The main objective of the study was to evaluate the general attitude of entrepreneurs to reforms and relevance of reforms, to identify the priorities and contents of anticipated reforms, and to assess the effectiveness of the engagement between the stakeholders.

² BISS’s nationwide opinion poll “Attitude of Society to Reforms”, 1,350 respondents, March 2014. <http://belinstitute.eu/ru/node/2058>

³ “Attitude of representatives of civil society and political opposition to reforms in Belarus”, <http://www.belinstitute.eu/ru/node/2059>

⁴ “Belarusian officials: regulator against regulations”, <http://www.belinstitute.eu/ru/node/2237>

believe that this engagement yields results, whereas most officials are certain that the engagement between the state authorities and business has been established; however, its mechanisms require improvements.

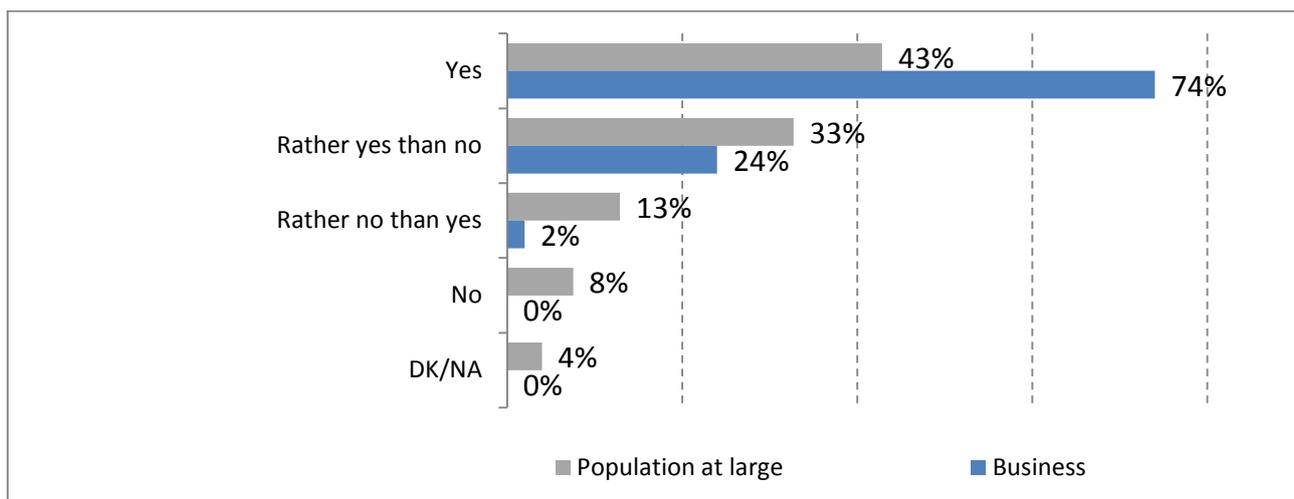
- The **priority areas for reforms are the same for representatives of the state authorities and business** (economics, state administration); however, the vision of reforms differs.

1. General attitude to reforms

One of the objectives of the study was to identify the attitude of representatives of business to reforms. The analysis of the findings of the study suggests that reforms can be positively perceived and supported, provided that they stay within the deregulation track.

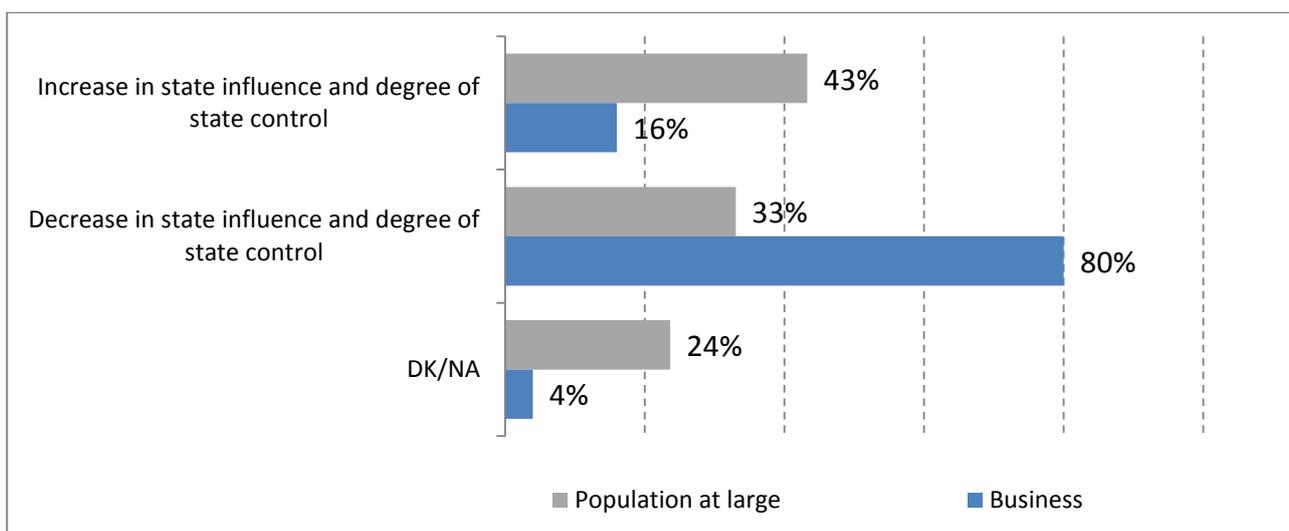
Representatives of business are certain that the country is in need of reforms. Whereas 43% of the population at large thinks that Belarus requires reforms, 74% of entrepreneurs say that reforms are indispensable, and 24% responded "rather yes than no" when asked whether reforms needed to be put in place in the country. This may mean both the overvaluation of the Belarusian socioeconomic model by the population and the tangible benefit that business expects from changes in the status quo.

Chart 1. Answers to the question "In your opinion, does Belarus require reforms?"



Most entrepreneurs (80%) believe that reforms should be designed to reduce the influence of the state and the degree of state control, while only 33% of the population at large calls for liberal reforms, and 43% support the idea that the role of the state should increase. However, an obvious positive trend is that state officials also tend to support a mostly liberal development path for the country (this option is supported by 56% of state officials). This shared vision of the development track may make the interaction between business and state authorities more effective.

Chart 2. Answers to the question "In your opinion, reforms in various sectors of the country should be primarily aimed at ..."

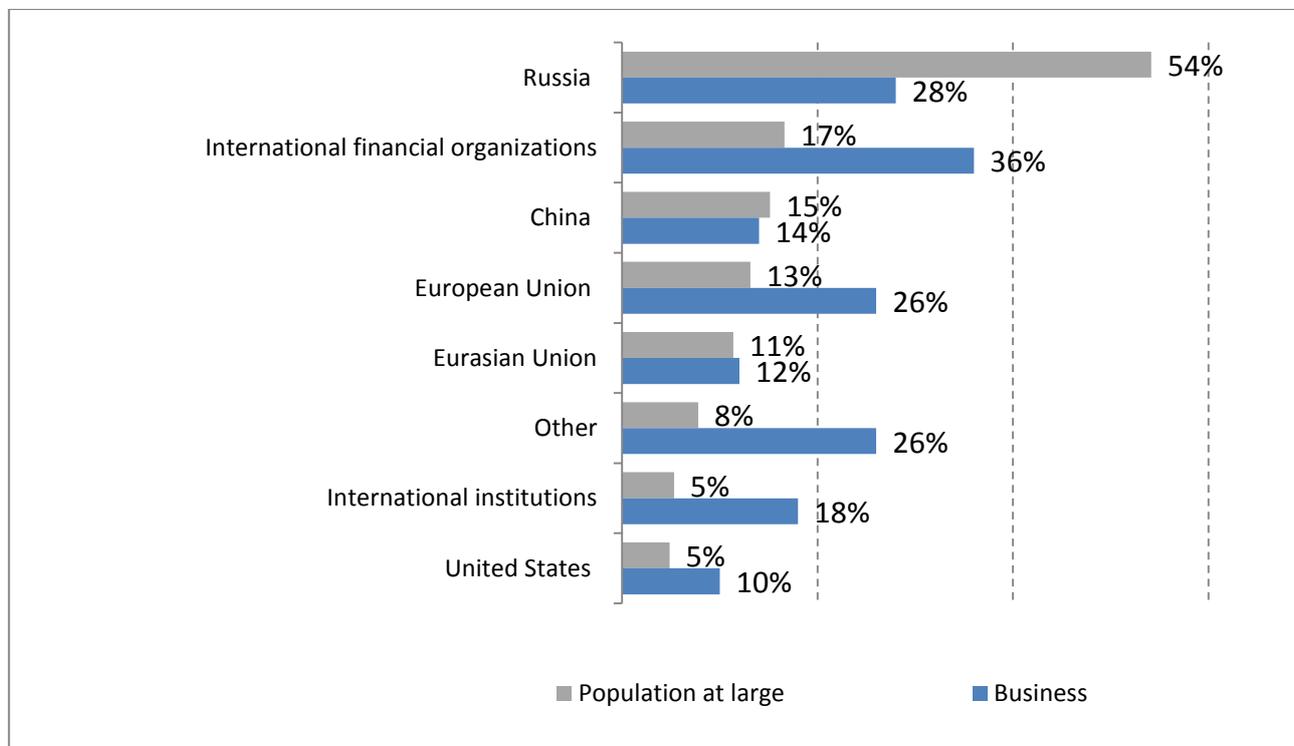


2. Practical aspects: who should develop and put in place reforms

The assessment of the practical aspect of the development and introduction of reforms primarily covers the idea of which external actors can help reform the country and which institutions should accept responsibility for developing reforms. Furthermore, it is important to understand, to what extent entrepreneurs are ready to be involved in the introduction of reforms and how they assess the effectiveness of the interaction between the state authorities and the business community.

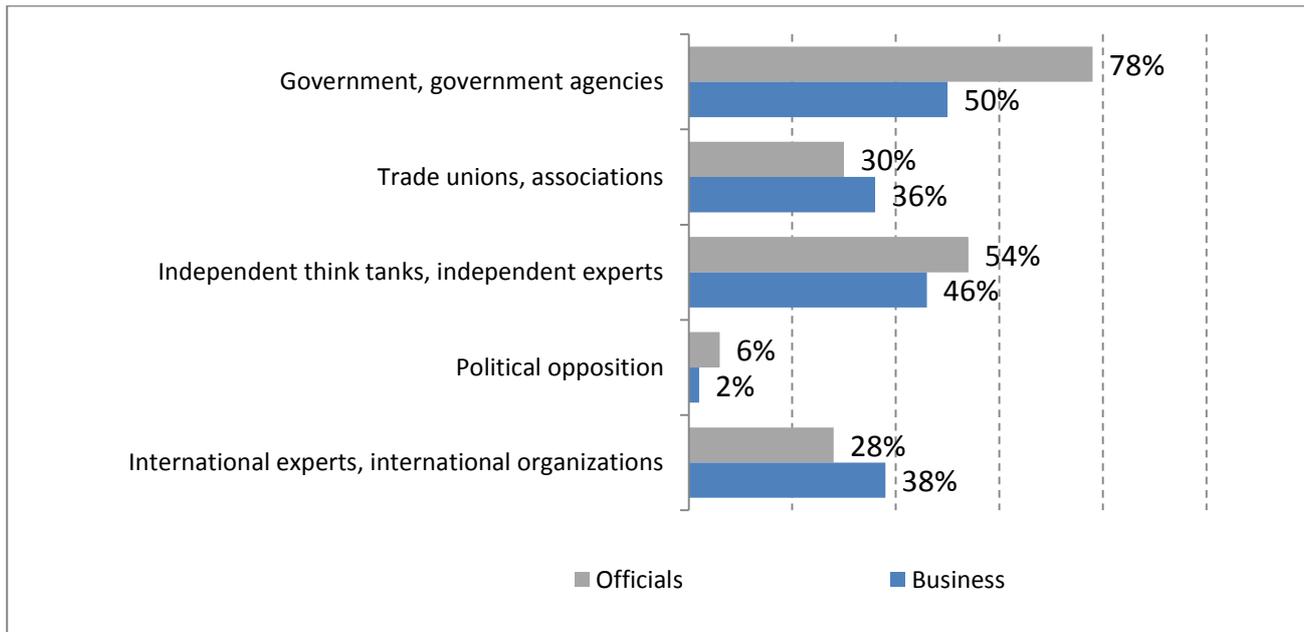
Representatives of the business community count on the assistance of international financial institutions and the European Union a lot more than the population at large. This may mean that businessmen are much better aware of the current practice of international support for reforms in our country. Entrepreneurs tend to rely on Russia for support a lot less than the population at large (some 54% of the population hopes Russia will provide the necessary support). However, the share of those who believe Belarus's neighbors — Russia and the EU — will provide assistance is quite high, at 28% and 26%, respectively. Entrepreneurs, just as the population at large, are rather skeptical about the potential of the Eurasian Economic Union in the support for reforms.

Chart 3. Answers to the question "In your opinion, who can help Belarus put in place structural reforms?"



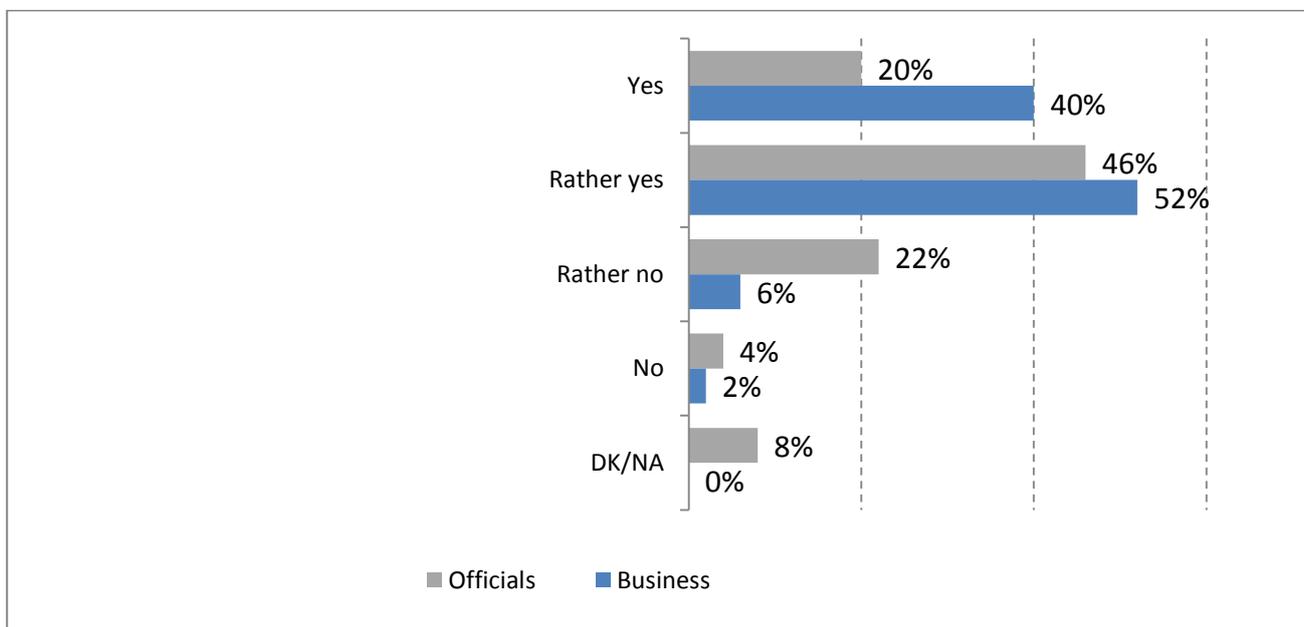
Business believes that the government and governmental organizations are the ones to develop reforms (with 50% of all of the respondents choosing this answer), while independent experts rank second with 46% of the respondents. Entrepreneurs and officials differ on who should be responsible for the development of reforms — 78% of state officials insist that governmental organizations should develop reforms, but they tend to mention independent experts and international organizations a lot less frequently.

Chart 4. Answers to the question “In your opinion, who should develop reforms in Belarus?”



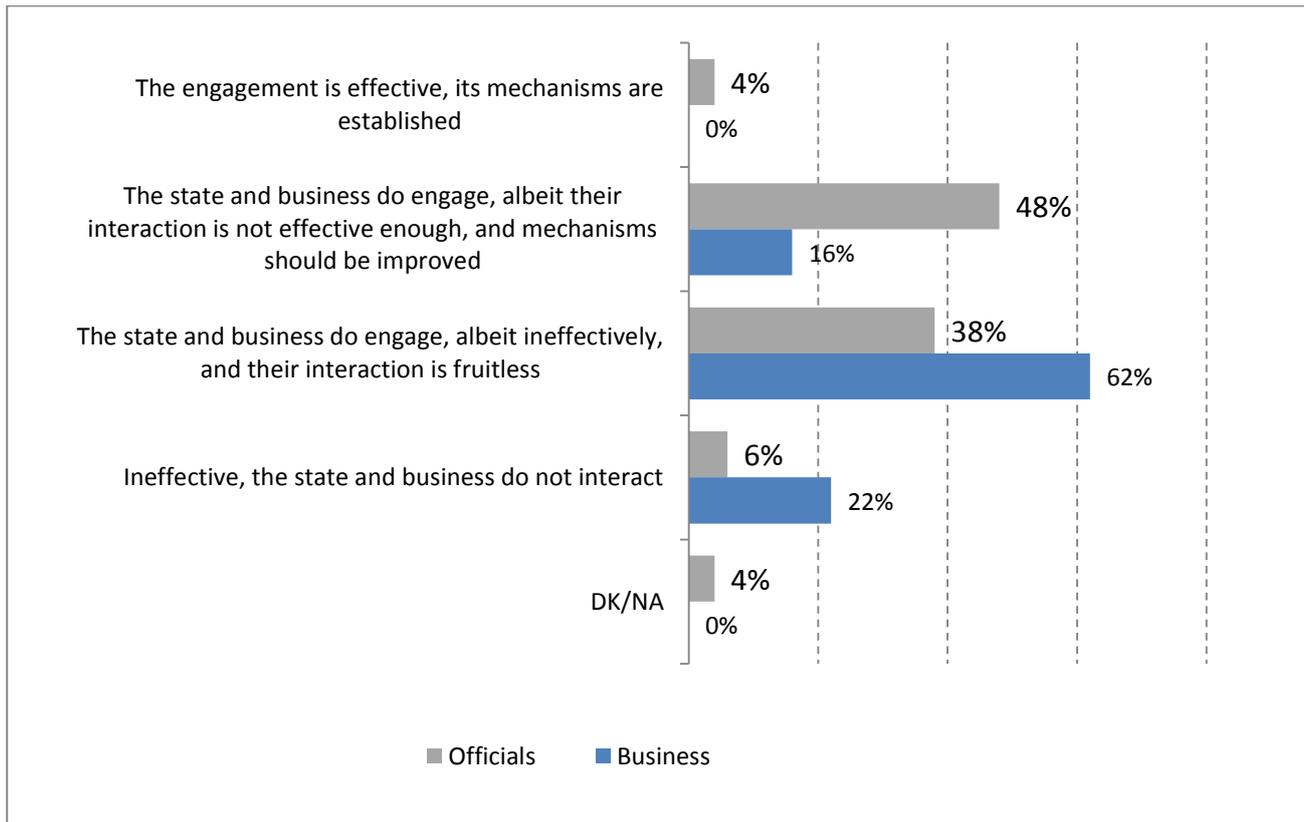
Representatives of the business community eagerly express their readiness to participate in the development of reforms along with the state authorities (92% say “yes” or “rather yes than no”). On the other hand, officials also agree with this statement, albeit to a lesser degree — 66% of Belarusian officials say either “yes” or “rather yes”.

Chart 5. Answers to the question “Do you think representatives of private business and business associations are willing to be involved in reforming the country on a par with state institutions?”



However, businessmen appreciate the interaction between business institutions and the state authorities a lot less often than state officials. Most entrepreneurs agree that interaction has been established; however, it is ineffective and yields no results — 62% of the respondents chose this option. In most cases — 48% — officials agree that the state and business do interact, but their collaboration is not effective enough and that cooperation mechanisms need improvements.

Chart 6. Answers to the question “How effective do you think the current engagement between the state and private business/business associations is?”



The asymmetrical estimates of the willingness of business institutions to be involved in the development of reforms might become an obstacle to exploiting the potential of the business community, especially as far as its expert resources are concerned. Both officials and business should pay additional attention to this in order to pursue a more effective engagement in the future. The inequivalent assessments of the effectiveness of cooperation may attest to differences in cooperation requirements. Standard engagement procedures that have been adopted by the state authorities, including the speed of response and intensity of involvement, may fail to come up to expectations of the business community. The authorities need to make their efforts dependent on the satisfaction of target groups (in this case, the business community) with the level of engagement, whereas representatives of business institutions should be more specific in voicing their expectations.

3. Main priorities in the adoption of reforms and their essence

Most businessmen make economic reforms their main priority. They tend to put economic modifications first when it comes to the interests of their organization/company (45%) and the country as a whole (46%). Reforms in the system of state administration come second for the country as a whole, according to entrepreneurs, which means they share the same priority with state officials.

Chart 7.1. Priorities of reforms as seen by various population groups. Answers to the question "Please, rank the following areas of public life (from rank 1 to rank 9), so that the area that requires reforms the most has rank 1, and the area that requires reforms the least has rank 9" (for your organization/for yourself)

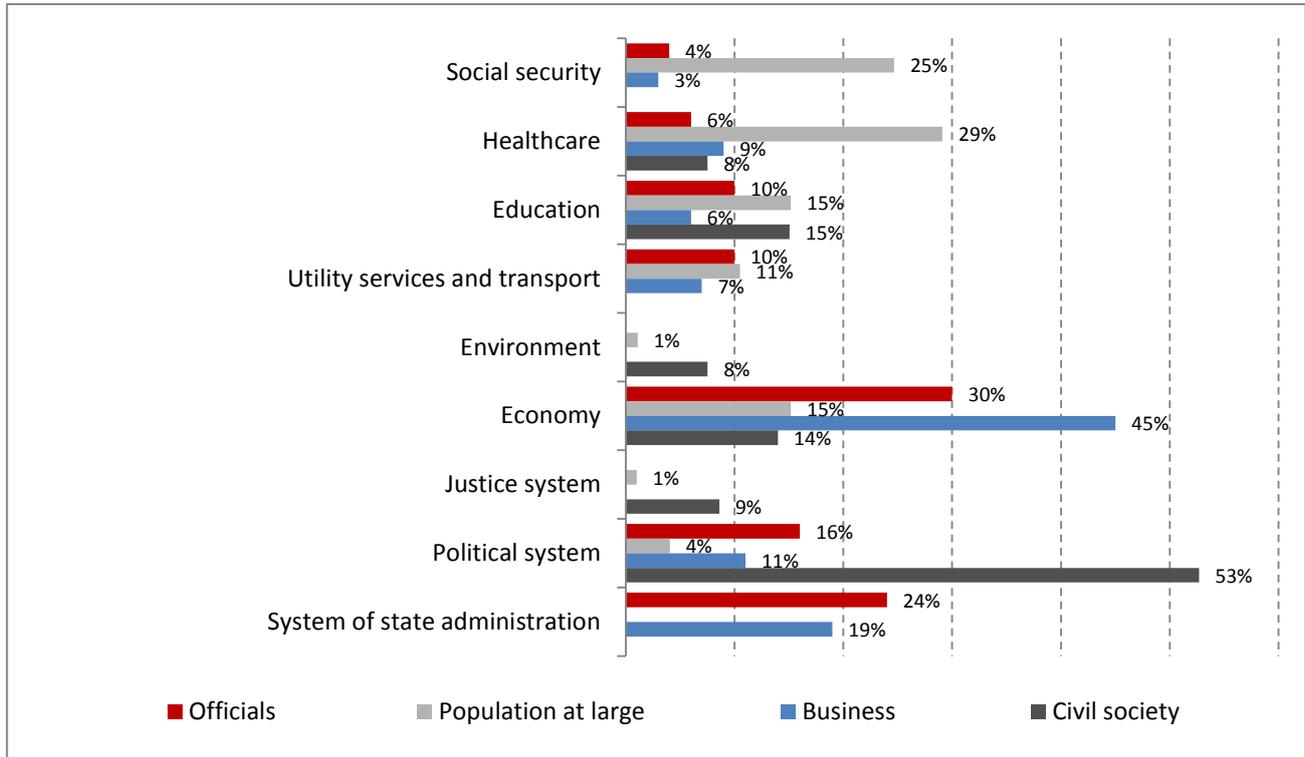
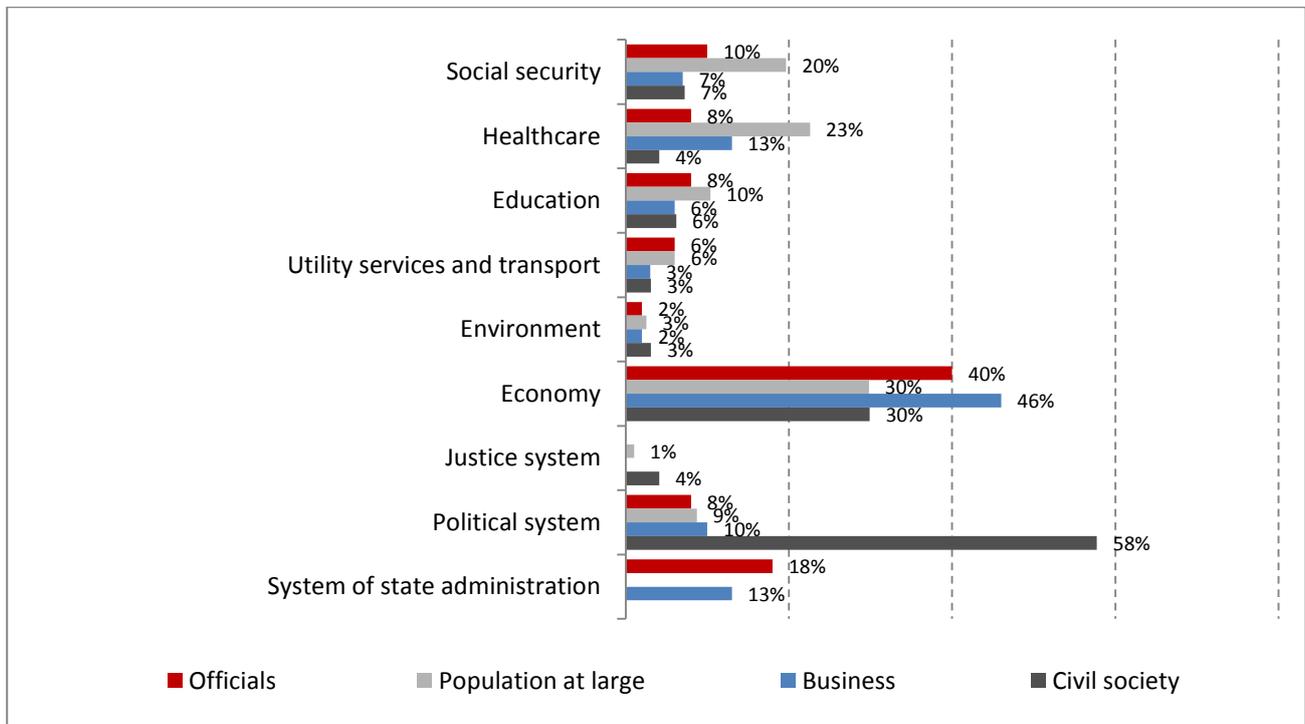


Chart 7.2. Priorities of reforms as seen by various population groups. Answers to the question "Please, rank the following areas of public life (from rank 1 to rank 9), so that the area that requires reforms the most has rank 1, and the area that requires reforms the least has rank 9" (for the country as a whole)



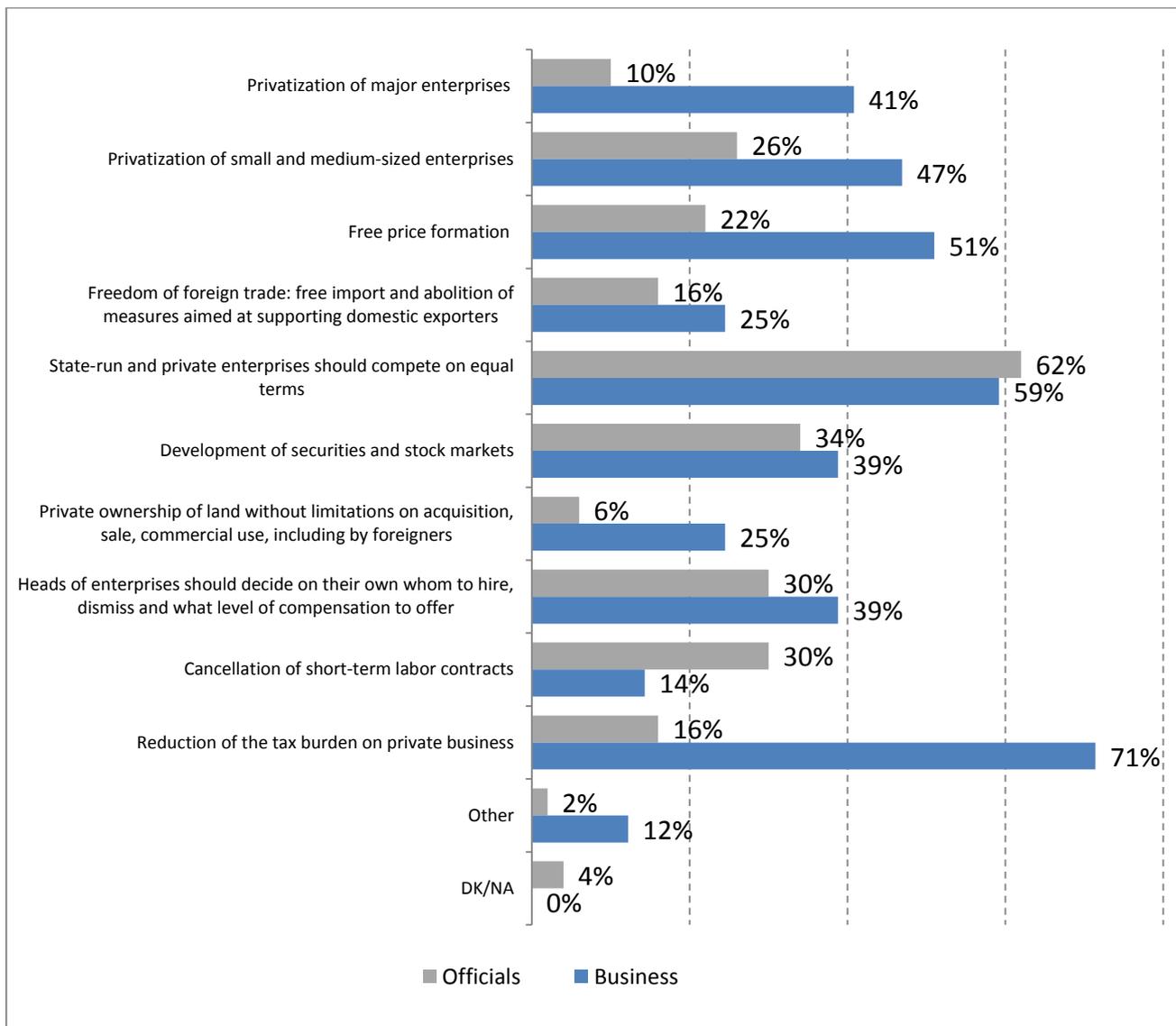
The economic reforms that appear to be most popular with business predictably include a reduction in the tax burden (71%) and free competition between the state and private business, mentioned by more than half of all entrepreneurs (59%). Overall, the business community quite

actively supports liberalization — 41% support the privatization of large state-owned enterprises, which compares to only 18% in the group that we refer to as “the population at large.”

Importantly, although state officials tend to agree with entrepreneurs when it comes to priority areas for reforms, their vision of reforms does differ. Despite the fact that officials support free competition (62%), they are not ready to pursue any more resolute liberalization moves (privatization of major state companies, introduction of land ownership).

Business would benefit from all of the proposed economic reforms. Entrepreneurs support the abolition of short-term labor contracts less than officials; however, they are much more interested in a lower tax burden and free price formation. Businessmen and officials differ quite significantly when it comes to the privatization of large, medium and small state-run enterprises, and private land ownership.

Chart 8. Attitude of entrepreneurs and officials to various economic policies



When it comes to the second most significant area for reforms — the system of state administration — entrepreneurs believe that the most relevant reforms include the employment of state officials based exclusively on their expertise and the transparency of state procurement. Officials, for their part, are mostly interested in employment based upon professional skills and opportunities for further training.

While both officials and entrepreneurs support meritocracy, these two groups tend to differ when it comes to informing citizens of the distribution of state funds, possibility for citizens to assess the effectiveness of the state authorities, and the transparency of state procurement practices.

Chart 9. Attitude of entrepreneurs and officials to reforms in the system of state administration