

### ESTIMATION OF INVESTMENT CLIMATE AND ATTRACTIVENESS RATING OF THE REPUBLIC OF BELARUS

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*In the article the position of the Republic of Belarus in the international rating among the countries of Eastern Europe is analyzed according to the criterion of investment attractiveness. Deficiencies of the existing system of investment climate assessment are underlined. Possible measures of improving the position of the Republic of Belarus in the world rankings are suggested.*

The major direction of the state economic policy of the Republic of Belarus is to create a favorable investment climate for the attraction and effective usage of foreign recourses.

At this time, the Republic of Belarus offers to potential investors such basic advantages as advantageous geographical location in the centre of Europe, favorable climatic conditions, political and social stability, qualified and relatively inexpensive labor resources, a high scientific and technical-industrial potential, a large domestic market, a legislative and organizational support of an investment process, guarantees and privileges for investors and others [1]. In addition, in the Republic of Belarus a number of structures operate, which have to provide assistance for investors in the implementation of their investment activity.

It should be noted, that in the elaboration of the state investment policy it is very important to use the world experience, which has been adapted to the national social-economic conditions. The national statistical Committee of the Republic of Belarus provides quite an extensive knowledge base of statistics in the field of investments, science and innovation. However, in general, estimating of the investment climate, and also positioning of the Republic of Belarus in international ratings of investment attractiveness hasn't been studied enough till this moment.

One of the main international indicators for the evaluation of the investment climate and investment attractiveness is the index "Doing business", which has been suggested by the World Bank. It presents the most significant quantitative indicators of business regulations and investment activity, protecting investors, registration of property rights, taxation and others. These indicators can be used for comparison business conditions aimed to attract foreign investment in various countries of the world.

Let us carry out the analysis of the position of the Republic of Belarus according to the basic indicators of Doing business rating in comparison with the countries of the Customs Union and other countries of Eastern Europe in 2012-2013 years (tables 1, 2).

Table 1 – The basic indicators of Doing business rating for the countries of Eastern Europe in 2013 year

| Indicator / Country                  | Belarus | Bulgaria | Hungary | Kazakhstan | Moldova | Poland | Russia | Romania | Slovakia | Ukraine | Czech Republic |
|--------------------------------------|---------|----------|---------|------------|---------|--------|--------|---------|----------|---------|----------------|
| Starting a business                  |         |          |         |            |         |        |        |         |          |         |                |
| <i>Procedures, number</i>            | 5       | 4        | 4       | 6          | 6       | 4      | 7      | 5       | 7        | 6       | 9              |
| <i>Time, days</i>                    | 9       | 18       | 5       | 12         | 7       | 30     | 15     | 8,5     | 18,5     | 21      | 19,5           |
| <i>Cost, % of incomes per capita</i> | 0,8     | 1,0      | 8,6     | 0,6        | 5,4     | 14,3   | 1,3    | 2,4     | 1,5      | 1,3     | 8,2            |
| Getting electricity                  |         |          |         |            |         |        |        |         |          |         |                |
| <i>Procedures, number</i>            | 7       | 6        | 5       | 6          | 7       | 6      | 5      | 7       | 6        | 10      | 6              |
| <i>Time, days</i>                    | 161     | 130      | 252     | 88         | 140     | 161    | 162    | 233     | 158      | 277     | 279            |
| <i>Cost, % of incomes per capita</i> | 431,7   | 320,0    | 116,4   | 65,3       | 542,1   | 205,2  | 293,8  | 534     | 10,5     | 178,0   | 179,0          |
| Paying taxes                         |         |          |         |            |         |        |        |         |          |         |                |
| <i>Payments, number per year</i>     | 10      | 13       | 12      | 7          | 31      | 18     | 7      | 39      | 20       | 28      | 8              |
| <i>Time, hours per year</i>          | 319     | 454      | 277     | 188        | 181     | 286    | 177    | 200     | 207      | 390     | 413            |
| <i>Total tax rate, % of profit</i>   | 54,0    | 27,7     | 49,7    | 28,6       | 40,4    | 41,6   | 50,7   | 42,9    | 47,2     | 54,9    | 48,1           |
| Registering property                 |         |          |         |            |         |        |        |         |          |         |                |
| <i>Procedures, number</i>            | 2       | 7        | 4       | 4          | 5       | 6      | 4      | 8       | 3        | 8       | 3              |
| <i>Time, days</i>                    | 4       | 14       | 16,5    | 23         | 6       | 35     | 22     | 20      | 16,5     | 45      | 24             |
| <i>Cost, % of property value</i>     | 0,0     | 2,9      | 5,0     | 0,1        | 0,9     | 0,4    | 0,1    | 1,6     | 0,0      | 1,9     | 4,0            |
| Enforcing contracts                  |         |          |         |            |         |        |        |         |          |         |                |
| <i>Procedures, number</i>            | 29      | 38       | 35      | 37         | 31      | 33     | 36     | 32      | 32       | 30      | 27             |
| <i>Time, days</i>                    | 275     | 564      | 395     | 370        | 337     | 685    | 270    | 512     | 545      | 378     | 611            |
| <i>Cost, % of claim</i>              | 23,4    | 23,8     | 15,0    | 22,0       | 28,6    | 19,0   | 13,4   | 28,9    | 30,0     | 43,8    | 33,0           |

Source: own working out on the basis of [3, 4]

Table 2 – Comparison rating of the Republic of Belarus according to the basic indicators of Doing business with the countries of Eastern Europe for 2012-2013

| Country/Indicator | Starting a business |      | Getting credit |      | Paying taxes |      | Enforcing contracts |      | Protecting investors |      |
|-------------------|---------------------|------|----------------|------|--------------|------|---------------------|------|----------------------|------|
|                   | 2012                | 2013 | 2012           | 2013 | 2012         | 2013 | 2012                | 2013 | 2012                 | 2013 |
| Belarus           | 9                   | 15   | 105            | 109  | 135          | 133  | 13                  | 13   | 95                   | 98   |
| Bulgaria          | 57                  | 65   | 24             | 28   | 84           | 81   | 79                  | 79   | 51                   | 52   |
| Hungary           | 52                  | 59   | 52             | 55   | 118          | 124  | 15                  | 15   | 127                  | 128  |
| Kazakhstan        | 25                  | 30   | 82             | 86   | 18           | 18   | 26                  | 27   | 21                   | 22   |
| Moldova           | 92                  | 81   | 40             | 13   | 116          | 95   | 23                  | 23   | 80                   | 80   |
| Poland            | 124                 | 116  | 3              | 3    | 104          | 113  | 54                  | 55   | 51                   | 52   |
| Russia            | 101                 | 88   | 104            | 109  | 64           | 56   | 11                  | 10   | 117                  | 115  |
| Romania           | 68                  | 60   | 11             | 13   | 139          | 134  | 54                  | 53   | 51                   | 52   |
| Slovakia          | 83                  | 108  | 40             | 42   | 100          | 102  | 65                  | 65   | 113                  | 115  |
| Ukraine           | 50                  | 47   | 24             | 13   | 168          | 164  | 45                  | 45   | 127                  | 128  |
| Czech Republic    | 140                 | 146  | 52             | 55   | 119          | 122  | 75                  | 75   | 95                   | 98   |
| An average rank   | 79                  | 80   | 49             | 48   | 106          | 104  | 42                  | 42   | 84                   | 85   |

Source: own working out on the basis of [3, 4];

*Note – Ratings for 2012 have been corrected on the basis of occurred changes in the methodology of ratings determination*

Proceeding from the above tables, the Republic of Belarus improved its position, in comparison with the rating in 2013, for such indicators as “registering property” (5 points), “dealing with construction permits” (7 points), “getting electricity” (7 points), “paying taxes” (2 points), “international trade” (1 point). However, according to the rating, in the indicator “resolving insolvency” the Republic of Belarus has lost 18 points and has ranked 74th place in the world, in the indicator “protecting investors” has reduced its position by 3 points, “getting a credit” – 4 points. On registering property and enforcing contracts the country's position has not been changed: the Republic of Belarus takes 3rd and 13th place in the world rating.

Graphically the position of the Republic of Belarus among the countries of Eastern Europe can be shown in the following way (figure 1).

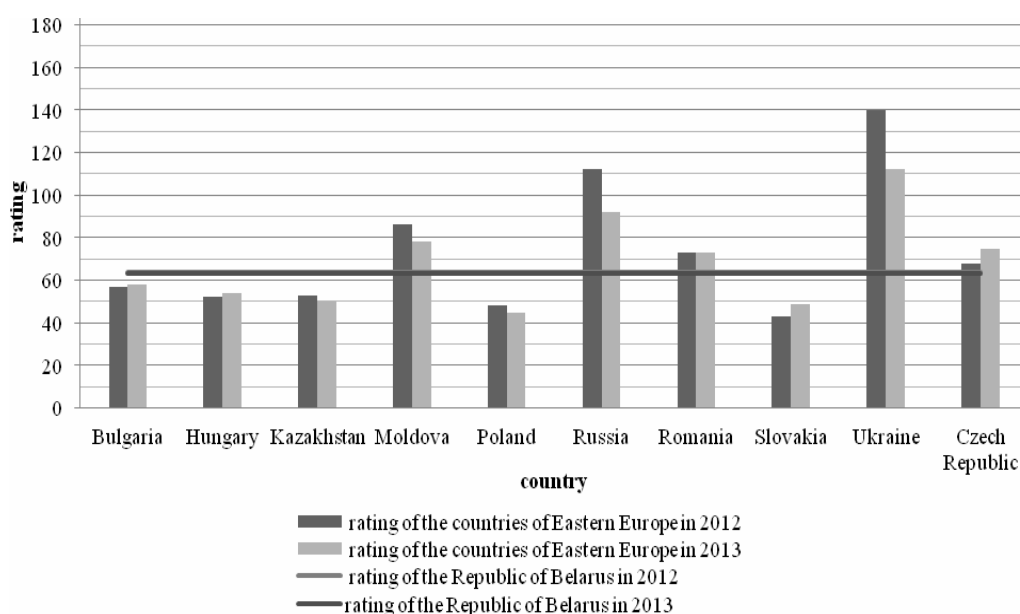


Fig.1. Rating of the Republic of Belarus in comparison with countries of Eastern Europe according to the main indicator of Doing business for 2012-2013

Source: own research based on [3, 4];

Thus, according to the main indicator "ease of doing business" in the report "Doing business – 2014", the Republic of Belarus has improved its previous position and has been replaced to the 63-rd place (the 64-th in Doing business 2013) among the 189 countries. In the rating among the countries of Eastern Europe the Republic of Belarus is above: the Czech Republic (75th place), Romania (73rd), Moldova (78th), Ukraine (112th) and Russia (92 place).

Therefore, we can conclude that in the Republic of Belarus the business environment and attractiveness rating have been highly assessed by international organizations.

The experts of international organizations pay attention to positive changes in business conditions, which have been taken by the government recently. Hence, in the Republic of Belarus the procedures for company establishing have been simplified. This measure includes: reducing payments for registration and undergoing requirement for a temporary bank account for legal entity registration. Procedures for being connected to the electricity system through accelerated issuance of technical resolutions and permits for the earthwork operations and reducing the time required for the connection to the power network have been simplified.

In addition, it is useful to note the following changes in the sphere of legal regulation of investment activity in the Republic of Belarus: registering property has been simplified through the introduction of the accelerated procedure of registration of property. Also the procedures for resolving insolvency of the enterprise have been improved on the basis of the new law "On bankruptcy", which has made some changes in the process of trust managers appointment and have stimulated to sell assets in the case of enterprise insolvency.

In 2014 the Investment code has been undergone by the law "On investments" and "On concessions". Though, there are no special laws on investment in a number of countries, and it doesn't prevent the inflow of capital, we believe that in order to create a favorable investment climate in the Republic of Belarus the specific regulation has a great importance.

However, despite the positive dynamics, there are many factors, that prevent foreign investments flow in the country. There are: a complex system of doing business, administrative barriers, a system of foreign exchange regulation, instability of legal environment for business, a system of sanctions for breaking business conditions and business orders, the level of tax burden, an access to financial resources, the level of consulting services and other business services [2].

Therefore, in order to activate and improve the investment climate, and, as a result, investment policy on the whole, the following measures should be implemented:

- to decentralize an investment process;
- to improve the currency regulation system;
- to reduce the level of tax burden;
- to enhance the role of depreciation and create a depreciation fund;
- to upgrade normative-legal acts for investment activity regulation;
- to develop large-scale programs of the national housing construction and create a wide network of investment agents;
- to extend the practice of investment insurance;
- to allocate budgetary funds on a competitive basis to effective investment projects;
- to implement procedures for privatization of state enterprises, which can help to realize a more effective usage of monetary resources for national and foreign investors;
- to conduct an appropriate ideological campaign for the attraction of monetary resources in the country.

Thus, all these measures should be implemented in complex. It will help to solve the tasks of the investment policy successfully.

It should be noted that there are no universal instruments in the formation of the appropriate type of economic behavior and the improvement of the forms and methods of investment activity and its expert assessment, because of differences in economic development patterns in different countries, features of situation development in this or that period of time.

However, the implementation of these proposals can significantly improve the efficiency of the investment policy in the Republic of Belarus, as well as, to increase the country's position in international rankings.

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