

**DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

STRATEGY FOR BELARUS

**REPORT ON THE INVITATION TO THE
PUBLIC TO COMMENT**

1. INTRODUCTION

In accordance with the EBRD Public Information Policy (PIP), an invitation to comment on the review of the Strategy for Belarus, along with a Management Note on the issues to be addressed in the strategy were posted on the Web page on 1 June 2006. The current Strategy for Belarus which has been available on the EBRD Web site since August 2004, was a basis on which to comment. The public was asked to submit comments no later than 30 June 2006 so that they could be taken into account in the review process.

No comments were received.

2. EBRD MANAGEMENT NOTE

INVITATION TO COMMENT ON THE BANK'S COUNTRY STRATEGY REVIEW FOR BELARUS

In order to ensure the appropriateness of its Country Strategy for Belarus, the EBRD is reviewing the current Country Strategy, which was approved by the EBRD's Board of Directors on 20 July 2004. Comments were invited to help the Bank in revising its Strategy. Comments had to be submitted to the Bank no later than 30 June 2006 in order to be taken into consideration.

The first Article of the Agreement Establishing the Bank states that "the purpose of the Bank shall be to foster the transition towards open market-oriented economies and to promote private and entrepreneurial initiative in the Central and Eastern European countries committed to and applying the principles of multiparty democracy, pluralism and market economics."

In order to achieve these objectives, the Bank primarily provides finance for investment projects, with a special focus on the private sector, carefully selecting projects that promote transition by:

- creating, expanding and improving markets;
- establishing and strengthening institutions, laws and policies that support markets; and
- facilitating the adoption of market-oriented skills and sound business practices.

In addition, every Bank project is examined for its environmental impact and the EBRD places special emphasis on projects that are oriented directly towards environmental improvements and energy efficiency.

The Bank has followed the Baseline Scenario outlined in the previous country Strategy, approved in July 2004. During this period the Bank signed seven operations, for a total amount of EUR 41.5 million. Apart from portfolio management of the existing investments, the main strategic objectives have been:

- i) continued support to MSMEs through the reflows of the sovereign SME Line of Credit approved in 1994 and providing SME/MSE credit lines directly to individual private banks;
- ii) selective direct investments in local and foreign private companies;
- iii) advisory services to MSMEs via the Bank's TurnAround Management (TAM) and the Business Advisory (BAS) programmes;
- iv) expansion of the trade facilitation programme(TFP) to private banks;
- v) equity investments in private banks, together with related technical assistance.

As of end-March 2006 256 loans have been issued to SME borrowers and 3,582 loans to MSEs and individual entrepreneurs. The government and the National Bank of Belarus have been responsive and cooperative in improving microlending legislation. At the same time, the Bank did not manage to increase the number of partner banks, due

partly to a lack of eligible candidates but also to a shortage of TC funds for supporting the development of MSE lending techniques within additional banks.

The Bank signed two projects in the enterprise sector during the period, one in brewing (debt and equity) and another one in retail (debt and equity, syndicated). The brewing project is disbursing and the retail project still awaits implementation, due to continuous delays with securing land. These delays are largely the result of bureaucratic processes within the Minsk Municipality.

Additional equity investments in banks were not achieved due to the shortage of viable strategic investors although this situation is improving and at least one further bank equity investment is now under consideration. There were no TAM/BAS activities during the period due to an absence of donor funding for such activity in Belarus.

To help in the preparation of the forthcoming Strategy for Belarus, it would be useful for the Bank to receive comments based on its mandate: this could include comments on the assessment of the political situation made in the previous Strategy, as well as comments on the business and economic situation. With respect to business development in the country, comments would be appreciated on the following areas:

1. Issues related to the investment climate

This would include issues concerning:

- (i) investment climate for domestic and foreign investors;
- (ii) the implementation and enforcement of laws;
- (iii) corporate governance and integrity;
- (iv) the functioning of public administration.

We seek your views on how serious these issues are for businesses and how you think the EBRD could help to overcome them.

2. Issues related to access to capital

Comments are invited on the ease of access to funding by private sector enterprises, in particular, by MSEs/MSEs, the level of financial intermediation, the limitation resulting from administrative constraints by the authorities, on the main obstacles to the development of private sector and measures to be taken to strengthen the banking sector. This would include issues concerning

- (i) small and medium sized enterprises that enhance opportunities for entrepreneurship, job creation and social flexibility and larger private enterprises;
- (ii) banking and non-banking financial institutions that improve access to credit.

3. Issues related to the environmental impact of EBRD activities

This would include issues concerning environmental assessment of projects and energy efficiency.

The Strategy provides guidance for EBRD activities in a country, identifying the main challenges which the Bank is best placed to confront. As such, the Strategy cannot

address all of the development issues a country faces and necessarily must be selective in identifying issues where the Bank has the experience and ability to play a constructive role.

The Bank will take into account all comments received. A summary of these, with staff responses, will be posted on the Web site following the Board approval of the revised Strategy. The Country Strategy is, however, a Bank document and the responsibility for its contents remains with the Bank.