Role of Business Associations in Improving Business Performance

(with reference to the Belarussian Union of Entrepreneurs and Employers named after Prof. M. S. Kunyavsky)

A COUNTRY PAPER
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THE BELARUS STRATEGY TEAM
Business associations play significant role not only in assisting in funding, increasing number of working places and decision-making with regard to private enterprises, but also in social policy concerning private businesses. Created by volunteers and governed by professional managers, such associations became the essential institutions of improving economic, political, and social structures of their countries. Business associations of different countries conduct different activities and have different operating procedures depending on existing economic basis.

In Belarus, like in other countries with transition economies, private entrepreneurs need to represent their common interests in Government, Parliament, and other state and local authorities and society in general.

On a national scale, the major business associations are the Belarussian Union of Entrepreneurs and Employers named after Prof. M. S. Kunyavsky (BUEE) and the Belarussian Confederation of Manufacturers and Entrepreneurs.

The BUEE is a non-for-profit association of legal entities established on the principals of voluntary membership. It is a leading organization of entrepreneurs and employers uniting private enterprises with 60% of small businesses.

The BUEE is aimed at assisting market-oriented reforms, developing the non-state economy sector, assisting the BUEE members in business development. The goals of BUEE are determined by a number of objective factors: level of reforming and restructuring of economy, level of government control, necessity of creating conditions for unrestricted competition etc.

The Republic of Belarus is a country with an open economy. In 2003 the ratio of export to GDP made up 56%, and the ratio of export of services to GDP was 9%. Russia is the main trade partner of Belarus with around 60% of turnover.

Open economy allows achieving stable rise in GDP with a relatively low domestic demand. Over 2001 – 2003, growth rate reached 117,1%, i.e. average annual increase of 5,4%.

It is important to note the growth in export of goods and services with average annual increase of over 10%.

Export structure also looks quite optimistic. Over the 1st half of the current year, 24% of total export was the export of machinery, equipment, and carrier vehicles (tractors, trucks, and metal-cutting equipment); 25,6% - minerals (potash fertilizers and oil-refinery products); 15,3% - chemical products (chemical fibers and polyethylene). Food industry accounted for 8,4% of the total, forestry and wood processing – 6,6%, and textile industry – 6,5%.

Such dynamics and export structure is based on the existing industrial capacity with the prevalence of large state enterprises, which enjoy monopoly in the market and government support, as well as the common customs area with the Russian Federation. It has both an upside and a downside. The upside is an opportunity to accumulate resources and relative accessibility to the Russian market. The downside is a necessity to import considerable quantities of raw materials and energy resources. As a result, the country has a negative trade balance (12,3% to the export volume for the 1st half of the current year), which affects stability of the national monetary system on the macroeconomic level.

Protection of state enterprises, lack of competitive environment, and amortization and depreciation of technological equipment hurts ability of Belarussian merchandise to compete in terms of price and quality. Under such conditions it is impossible to ensure growth and even to maintain export level in the future. With this respect, the challenge is to transform the economy and put emphasis on the small and medium business development along with creating conditions for attracting investments.
At the moment small businesses have insignificant influence on economy development of the country. In 2003 it accounted for 18.2% of total export (around US$1.8 billion). However, it is necessary to mention that the share of small enterprises in GDP was only 8.2% in 2003.

As far as export of services is concerned, because of transit location of the country the main role belongs to transportation (61.5% over January – June of the current year), tourism (14%), and business services (13.8%). Foreign countries, exclusive CIS, accounted for 66.4%. However, it is quite obvious that natural advantages are under exploited first of all with regard to communication, financial and information services.

The Belarus Government places high emphasis on export development. It became one of the priorities of the economic policy of the state. In order to enhance efficiency and increase export, the National Program on Export Development 2000 – 2005 (approved by the President Decree No. 93 dated February 28, 2000) was launched, which targeted at creating macroeconomic conditions, including currency and financial ones, necessary for building export capacity, increasing competitiveness of Belarussian merchandise and attracting foreign investments.

In order to coordinate and improve the export policy, there was established the Interagency Board on Export Development (Resolution of the Council of Ministers of the Republic of Belarus No. 1298 dated September 23, 2002). Ministers, heads of local authorities and non-governmental organizations, including the BUEE are members of the Board. Such membership gives the BUEE possibility to have direct influence on working out measures aimed at export development. Thus, taking into account significance of restructuring economy, the BUEE proposed a question on export development of products of small and medium enterprises to be considered at the meeting of the Interagency Board. It is necessary to note that governmental bodies considered the question on export development of small business for the first time. This fact is remarkable for Belarus as it is small business that is able to compete and to give stability to modern economy. At the same time there were discussed issues concerning tax deduction; improvement of conditions for import of technological equipment, raw materials, and accessories; reduction of customs and other administrative restrictions; cooperation and partnership of large and small enterprises.

Placing great emphasis on developing scientifically reasonable approaches to development of export capacities of the country, the BUEE formed the working group and initiated development of concept approaches to national export strategy to 2010. The strategy shall include complete range of problems and solutions, proposals on supporting and strengthening existing as well as creating new competitive advantages. The stated issues are planned to be considered at the meeting of the Interagency Board on Export Development and to be included into the Program on Export Development 2006 – 2010.

Raising competitiveness of Belarus economy is a multifaceted problem. First of all it can be solved through increasing business activity, developing entrepreneurship, and improving investment climate.

From 2000, a core direction of the BUEE activities is promoting favorable legal and business climate, as it is believed to be the main system-based conditions of development of entrepreneurship and economy as a whole.

With this regard, the BUEE works with both executive and legislative authorities. With a view to solve the most acute issues, the BUEE systematically prepares and submits to the Council of Ministers of the Republic of Belarus analytical notes concerning the entrepreneurship development. Thus, last year seven notes were submitted for consideration, including the draft resolutions of the Council of Ministers “On Interagency Committee on Small Enterprises”. The corresponding Resolution No. 466 was adopted by the Council of Ministers of the Republic of Belarus on April 04, 2003. The Council of Ministers charged the above stated Committee to
consider two notes on support and development of entrepreneurship. With this regard, the Council of Ministers made necessary orders.

The current year two proposals (notes) concerning access of small enterprises to financial and credit resources and licensing were submitted for consideration of the Council of Ministers.

Not all of the BUEE proposals find support of the governmental officials. Nevertheless, the work is highly appreciated by all BUEE members.

It is important to note the participation of the BUEE experts in legislation committees. Last year 13 acts of legislation went through expert examination following relevant conclusions. The draft law “On Associations of Employers” was designed and submitted to the Government. The need of the law was determined by the lack of specific legislation regulating establishment of employer’s associations.

Working groups worked at two draft laws, including an alternative draft law “On Approval of Basic Trends in Domestic and Foreign Policy”.

The current year is remarkable for the work done at the draft laws “On Business Entities” and “On Government Control of Foreign Trade Activities”. The above projects are to support market economy and modern management practices. The latter is highly important in terms of bringing Belarus legislation in compliance with the WTO requirements.

One of the forms of promotion of the BUEE initiatives is holding round-table discussions, conferences, and meetings of the Republican Club of Directors with heads and experts of ministries and other governmental officials. Thus, in November 2003 the BUEE in the partnership with the Ministry of Economy and the Belarussian Chamber of Commerce and Industry organized the conference “Business Climate in Belarus” with the participation of scientists, experts, and business representatives of Russia, Ukraine, and international organizations. On the basis of the survey held beforehand with entrepreneurs along with the conference materials, basic barriers and problems of entrepreneurship development were specified and recommendations were elaborated in the following fields:

- Macroeconomic policy and investments
- Foreign trade activities and customs regulation
- Cost control
- Entrepreneurship regulation

The recommendations were submitted to the Ministry of Economy and partially included in the Council of Ministers’ Resolutions; in particular, in the Resolution of the Council of Ministers No. 1685 “On Measures for Entrepreneurship Development” dated December 24, 2003.

Recently the Government has taken a number of steps targeted at improving investment climate and entrepreneurship development. This is proved by the materials of the second plenary meeting of the Advisory Committee held with the participation of the Prime Minister on March 31 of the current year.

One of the main activities of the BUEE is assistance of enterprises in running efficient competitive businesses. For this purpose the BUEE offers consulting services, holds lectures and training courses. Last year, for example, 2000 enterprises, including individual entrepreneurs, were taught on the following issues:

- Government regulation of entrepreneurship (registration, licensing, certification etc.)
- Dealing with tax authorities (taxation, accounting, and auditing)
• Investments and other financial and property deals (loans, leasing, governmental support, rent etc.)
• Marketing and foreign economic relations (assistance in business cooperation and customs legislation)
• Social and labor relations (issues of labor remuneration, employment, labor disputes, labor safety etc.)

18 training courses “Opportunities for Business Development in Belarus” were held in 17 Belarussian towns with the participation of 600 people.

In the short term the BUEE plans to develop support of private enterprises through rendering consulting services under the partnership of business support centers and other relevant organizations; holding a series of training courses “How to Develop Your Business”; and delivering distance training “How to Start Your Business” via the BUEE web site.

The distinguished feature of the BUEE is being in a kind of positive opposition to the government authorities if the latter try to infringe the entrepreneurship interests by means of administrative and fiscal measures. At the same time, the BUEE always enters into alliance with the Government in terms of strengthening economy and giving new impetus to its dynamic development.