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MODELING
ECONOMIC
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BELARUS

Modeling Economic Growth in Contemporary Belarus

Entrepreneurship and Global Economic Growth

Series Editor: Professor Bruno S. Sergi

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Entrepreneurship and Global Economic Growth

Series Editor: Bruno S. Sergi

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Edited by Bruno S. Sergi



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Introduction to Entrepreneurship and Global Economic Growth Series

As we all know, economic growth is a fundamental condition for fostering development. However, growth alone does not guarantee the social well-being and the overall sustainability of an economy. Today, global growth is facing a confluence of perils, opportunities, and uncertainty. We have observed the effects brought upon by climate change, the manifestation of the fourth industrial revolution, and the geopolitical conflicts rooted in the past and brewed by new dynamics.

Many variables could severely disrupt economic activity, existing order, and inflict significant change on long-term development prospects on a global level. In light of such enormous economic and social challenges, it is almost worth it for us to revisit the fundamental question regarding economics: what, how, and for whom to produce? In an approach by authoritative command, market, or mixed?

With this economic complexity in mind, it is always exciting starting a new editorial journey, especially today that shows global economic growth and fast-changing truths. *Entrepreneurship and Global Economic Growth*, Emerald's Innovative Global Economic Growth Book Series, reflects the need to present new examinations of old and emerging economic questions.

One of the most debated topics in the field of development economics is: why some countries are able to get ahead and others are poorer and lagging? The institution readiness has long been argued as a fundamental impetus factor. How should a government enact its power for economic growth? What is the right mix of policy that can create an enabling environment breeding growth? In addition to institutions, what about hard infrastructure, the quality of human capital, and cultural condition? What are the main factors that play a conducive role in shaping the ability of an economy to absorb technology and knowledge, to foster entrepreneurship spirit, to build comparative advantage through trade and financial connectivity?

Today, the advanced nations coming from the dawn of the first industrial revolution are experiencing a slowdown. The emerging world's growth skyrocketed during the past decades despite ongoing hindrances popping up here and there. The growth stories of emerging markets, especially China, are attracting considerable research attention. What has been done right in these nations? What were the enabling factors? Many emerging markets exhibit the potential on many fronts of becoming more competitive in the long term; however, their prosperity

depends on enabling factors that drive up productivity and ensure fair income redistribution.

A unique way of looking at countries, which have successfully escaped the middle-income traps, is to examine the disruptive business and financial cycles in which they have navigated through. This inspires us to step up efforts for a growth model that evaluates the breaking through factors including innovation, trade, or other elements revolutionizing their productivity. The global transition to Industry 4.0 is an essential novelty not fully understood, and this roots to a lot of inconsistencies today.

As all of the above has been stated, I cannot stress enough that a global economic system today is fraught under the impact of shifting global geopolitical dynamics. My current teaching at Harvard University on the emerging economies that enables a constant interaction with students from all around the world, the rationale of setting up a new book series was to cover the current and future engines of economic growth in several countries and regions. I can thoroughly state that this new series is reflecting what I teach at Harvard, where I instruct on the Economics of Emerging Markets and the Political Economy of Russia and China.

This book series shall include the most appealing economic growth stories coming out from the emerging and transitional markets. The goal of this series is to first identify a nation's social, economic, and financial systems and their economic prospects. This book series aims to create a suitable platform for authors to share knowledge and expertise to our prospective readers, for understanding about the current dynamic, the future potential and the past development stories of economic growth.

Entrepreneurship and Global Economic Growth's books discuss different dimensions of the changing economic and industrial contexts and examine in detail how to accelerate action to foster growth, development, and resilience. This series puts forward significant new research in the global economic growth field, opening discussions regarding new topics, and updating existing literature. All books in the series will be valuable sources of knowledge and information on the specifics in stimulating the processes of growth and development. Continuously changing economic systems and the perception of the context of values also changes, the finances are to build sustainable value for stakeholders. New grounds for growth must be designed in terms of considering supportive decisions and ultimate actions. Breaking economic, social, and productive realities call for an original editorial approach about understanding economic growth forces that countries and industries could adopt. Not least, the high demand for innovative technologies that are stimulating the adoption of hi-tech in productive systems.

As we are currently in the process of rounding out the series publication lineup for the next volumes, the sequence of titles must all tie perfectly together. They will consist of experts' knowledge and exhaustive portrayal of the impact of economic growth and mark a milestone in the research field. Even though the findings are specific to a single country or industry, as the series will evolve further, readers will be able to get more significant details of particular cases and draw definite conclusions that apply to the realm of economic growth.

Our goal is not only to examine the factors contributing to the success or failure of the economic stories but also to give a touch of extraordinary vision, to be forward-looking, and to be engaging for the readers in the academic and general public alike. We strive to enrich the students, researchers, and practitioners who deal with modeling economic growth, both from theoretical and functional viewpoints.

Bruno S. Sergi

Cambridge, MA, USA

August 5, 2019

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Introduction to *Modeling Economic Growth in Contemporary Belarus*

Modeling Economic Growth in Contemporary Belarus—the first volume in the series—aims to a peculiar post-Soviet country. Since 1991, the eyes of the world have been on the economic growth and development of the states that formerly made up the Soviet Union. Looking at Belarus' economic growth and prospects, this edited collection analyzes why the country is viewed ahead of other neighbor states in terms of human development. Looking across both medium- and long-term economic growth, this volume brings together a cast of expert contributors to analyze the foreign and domestic policies that affect Belarus's economy. The country is economically dependent on Russia and is attempting difficult emancipation by turning to China, which has sensed the ongoing underground crisis by proposing itself with the tried and tested diplomacy of the yuan and the stadiums. Across the 20 chapters included in the book, the contributors explore the largest industries in Belarus, including the financial, technology, tourism, and energy industries – a contradiction of the sectoral structure of the economy of Belarus, which was traditionally specialized in agriculture, and then successfully conducted industrialization and post-industrialization in the early twenty-first century. As of now, the industry and service sectors dominate its economy. Belarus made an “economic wonder,” which is remarkably interesting for modern economic science and practice. The experience of this post-Soviet country could be useful for other countries – primarily, those of the Commonwealth in Independent States.

With chapters on foreign investment, exports and imports, and regional policy, this is a text that looks across the whole breadth of the economy. A contradiction of international economic activities of Belarus is analyzed. In the two recent decades, it conducted globalization of its economy; despite this, however, the social environment is peculiar for low susceptibility to innovations. Belarusian entrepreneurship is more apt to domestic markets and markets of the region. The study also takes into account the environmental costs and consequences of economic growth of the Republic of Belarus for its environment. The economic growth issues of Belarus are analyzed from the standpoint of sustainability and the prospects for its improvement are determined.

The analysis of the main stages of the Belarusian economy's development from 2000 to 2018 has been carried out, and the main factors and limitations of economic growth have been considered. The known models of economic growth

applied to the Belarusian economy are shown. It is grounded that the correct use of endogenous growth models based on production functions is hampered by the significant influence of exogenous factors on the Belarusian economy, and it is preferable to use models based on the balance of payments under these conditions. Three scenarios for the growth of the Belarusian economy until 2025 are analyzed: baseline, adverse, and target. The desired structural changes are identified for the implementation of the target scenario.

The book considers world experience of the innovation sector transformation and describes results of the Belarusian innovation infrastructure development and transformation issues in the national economy. Suggestions on the ways and mechanisms focused on the efficiency improvement of innovation sector transformation based on clusters and innovation networks in Belarus are presented.

The establishment of the market model of financially stable socioeconomic development of the Republic of Belarus and improvement of the quality of life are inseparably linked with the development of the social innovation sphere and involvement of business in performing state-level strategic tasks. Despite the existence of a certain mechanism for developing public–private partnerships and implementing social innovation in international practice, the mechanical transfer of these statements is impossible due to the ongoing processes of cross-border integration in the Republic of Belarus.

The goals and objectives, subjects and objects, as well as the tools used by the Belarusian public authorities in the regional policy formation and implementation nationwide have been identified.

The promising trends for its improvement pursued in Belarus have been formulated and consider the foreign experience and the paradigm shift of regional development policy observed in the OECD member countries.

Considerable attention is paid to the analysis of industrial policy in the Republic of Belarus, its goals and instruments, as well as regulations. It is noted that the role of the government in regulating the industrial structure of the economy is significant.

Conducted analyses of the international economic specialization in the Republic of Belarus are based on the balance of payments and national statistics data by type of economic activity. It also demonstrates application of the customized Trade in value added methodology for analysis of the international economic specialization of Belarus. The methodology has been developed for the calculation of selected key figures for 2011–2016. Using “Input–Output” tables to measure intersectoral relationships enabled assessment of international trade not only in terms of prices of goods and services, but in terms of value added of each product. The analysis shows that the most important industries of the international economic specialization of Belarus are oil products, chemical products, foodstuffs, equipment and vehicles, transport services, and computer services. Domestic value-added share of exports is about 60%, which corresponds to the level of such countries of Central and Eastern Europe as the Czech Republic, Slovakia, Estonia, Poland. Consequently, import intensity of exports accounts for about 40%.

In the book the features of foreign economic policy of the Republic of Belarus are identified and determined by its multidirectional external economic relations and participation in the processes of international economic integration.

It is noted that in the last decade there was an active search for opportunities to shift the focus in foreign economic policy, including geographic redirection of trade and investment flows, intensification of the search for a “niche” and new ways of incorporating into the world economic relations system, progress toward the liberalization of trade relations by means of multilateral and bilateral interaction formats.

Assessment of the motivation for the boost of the foreign economic policy of the Republic of Belarus is presented in the context of an aggravated geopolitical situation and the growth of protectionist tendencies, identifying obstacles of their implementation.

The activities of foreign transnational corporations and the factors hindering the internationalization of business activity of domestic enterprises have been studied in detail. The priority areas of government in activities to promote the attraction of FDI to the Republic of Belarus have been analyzed.

Descriptions for ensuring financial stability policy are presented in the book. The main goal of the research is to determine the role and policy of the National (Central) Bank, which was called up, together with the Government, to ensure financial stability in the Republic of Belarus. The research provided a summary of the state of the country's financial sector and presented the achievements of the National Bank and state institutions for ensuring financial stability.

The development of technology in the financial sector has led to the formation of a new financial and technological ecosystem. Revolutionary innovations in the field of financial services arise in the interaction of both organizations among themselves and organizations with customers. In the interaction between organizations, new companies appear that develop and offer technologies in the field of payment services at a lower price and on more favorable terms, unlike financial organizations.

The book also covers implementation of tax reforms in Belarus. It analyzes the place of tax instruments in economic growth and investigates the strategic direction of tax reforms. The actual tax policy in Belarus is determined by the requirements of the national strategy of sustainable development which aims to ensure a stable financial basis for the development of society, economy, and environmental management. As a theoretical and practical tool for improving the quality of the tax system through the modernization of the incentives system, the concept of tax expenditures as a part of the budget process was investigated.

The current state and development of the education system in Belarus are considered. It includes preschool, general secondary, vocational, secondary special and higher education, as well as supplementary education for children and further education for adults, including nonformal education. The role of universities in creating the Belarus National Innovation System is shown. The main direction of improving the activities of higher education institutions based on the “University 3.0” model is considered. The Belarussian universities actively develop their innovation infrastructure (they form their own training and research

centers, research and production laboratories, centers of cooperation with enterprises, career development centers for students and startup schools). During the last years, 14 sectoral laboratories and 6 science technological parks were established at Belarusian universities. Belarusian universities, while determining their own development trajectory, are guided by their main mission – to promote innovation and human capital formation – for the sustainable social and economic development of the country.

Description of development and main achievements of the Belarusian IT sector which is today considered by experts to be the most promising and progressive part of the national economy is provided. Special attention to the analysis is given to the governmental policy to stimulate information and communication technology sector growth through special legal regulations (e.g., High-Tech Park as favorable business environment for IT business since 2005) and efforts to promote transition of Belarus to the “IT country” through a number of national programs and legislative instruments, including the President's Decree on Digital Economy Development (2017). Main scenarios of the Belarusian IT sector future development are proposed and analyzed, including risks and opportunities on such four paths as being the global IT development outsourcing provider; exponentially growing their own software product companies; becoming the regional or even global cryptocurrency hub; integrating IT in all parts of the domestic economy in order to build Industry 4.0 and digital society.

Authors of the book have defined prerequisites for the formation and features for the development of the National Strategy for Sustainable Development of the Republic of Belarus, which is a complex of scientifically grounded directions for solving national problems that are closely interrelated with world development. It is also noted that the green economy is becoming a new engine of growth, contributes to the creation of decent jobs, and is a vital factor in the eradication of poverty and destitution. The main factors of the transition to a green economy and the main directions of its development in the Republic of Belarus are outlined. The features of the concept of circular economy and the formation of business models for its implementation are analyzed. The study concluded that the concept of sustainable development is a theoretical model for the desired future of mankind, and the green and circular economies provide very specific projects for the practical implementation of the sustainable development paradigm.

Characteristics of the fuel and energy sector for the Republic of Belarus, its organizational structure, the current state of development of power, gas, peat, and oil industries are given. The energy balance of the country and the main power streams are analyzed. Characteristics of key indicators of energy security is presented. The main threats connected with ensuring energy security in the Republic of Belarus are allocated. In particular, the characteristics of the directions of reducing the energy dependence of the Republic of Belarus on the supply of natural gas from the Russian Federation is presented. Dynamics of power consumption of GDP is analyzed. Potential use of renewable and local energy resources, complexity, and prospect of further integration into the Belarusian power system are considered. The prospects of development of nuclear power of the Republic of Belarus are described. The advantages and disadvantages

connected with input of the Belarusian nuclear power plant in operation are designated. The perspective directions for sustainable power development of the Republic of Belarus until 2035 are revealed.

Analysis of the economic advantage of a geographical location of the Republic of Belarus is presented. Thus, effects of each of the directions of transportations are analyzed and approaches to assessment of their cost efficiency are formulated. The factors that influence the export of transport services as well as the trends of development of the transport sector of Belarus are defined. The main directions and ways of improvement of logistics in the Republic of Belarus are described.

The development of the tourism and the hospitality industry in Belarus has a long-term positive trend. This process is uneven, and the growth rate is below the global average. To stimulate the development of the tourism and hospitality industry, measures are being taken in the form of creating visa-free zones, stimulating business activity, and holding major sport events. The potential for growth in this industry has not yet been exhausted. The assessment of the competitiveness of Belarus in comparison with the neighboring countries showed that the development of the tourism and hospitality industry requires improvement of the business environment, increase of openness for tourists, strengthening of country marketing in the world tourism market.

The agro-industrial complex of Belarus is one of the priority sectors of the national economy, which performs economic, social, environmental, and cultural functions. The main trends in the development of the industry on modern business conditions are presented in the section. The goals, objectives, and mechanisms for the implementation of the state programs of development of the AIC are analyzed. The directions and measures of state support for agriculture are reasonable, and the actual structure of the “green box” and “yellow box” measures are presented. Approaches and mechanisms to ensure national food security are highlighted in light of new conditions, goals, and objectives. The results of foreign trade in agricultural products of Belarus and rural development and social infrastructure of the village are presented. Scenarios for the development of agriculture in Belarus, taking into account national priorities in the field of agricultural production, the domestic consumer market, foreign trade, have been developed.

Informatization of all human activities is reflected in areas of the economy of the Republic of Belarus. Although the concept of “smart” cities is not formulated as a standard or regulation for any city in Belarus, the main indicators of urban services and the quality of life indicate a high degree of territorial development in the direction of automating the urban environment management, energy saving, and improving social services quality for the population. Due to high proportion of the population living in the cities of the Republic of Belarus, the development and implementation of the smart city concept both for the city of Minsk and other cities will improve the quality of life of almost 80% of the population.

The positioning of Belarus in the international context of socioeconomic development based on an assessment of the country's dynamics in world rankings is discussed. The country's presence is recognized in the world rankings and its

holding high positions in them is an obvious advantage for achieving a favorable investment image. Ratings characterize the country's comparative position at the international level in several areas: from credit capacity to human capital development.

The position of the Republic of Belarus is organized in several international comparisons, such as Human Development Index, Doing Business, ICT Development Index, Global Innovation Index, Sustainable Development Goals Index, Corruption Perceptions Index, Rule of Law Index, Worldwide Governance Indicators, and others have been analyzed.

The research findings show that the strongest aspects of the socioeconomic development of Belarus are in place due to the high educational level of the human capital development, gender equality, and the implementation of the UN sustainable development goals.

The well-known book's contributors suggest factors to increase the growth of Belarus's economy, such as launching smart cities, expanding logistic services and the tourism and hospitality industry, and the modernization of the agrarian sector. The book looks for an answer to the question of how Belarus could preserve the focus on national socioeconomic system development in the age of globalization concurrently showing a high quality of population's life. For students and researchers in political economy, or international economics, this is a vital text exploring an important, but the underrepresented, economy.

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Chapter 1

Belarus in Global Ratings: Position and Dynamics

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Abstract

This chapter discusses the positioning of Belarus in the international context of socioeconomic development based on an assessment of the country's dynamics in world rankings. The country's presence in the recognized world rankings and its holding high positions in them is an obvious advantage for achieving a favorable investment image. Ratings characterize the country's comparative position at the international level in a number of areas: from credit capacity to human capital development.

There has been analyzed the position of the Republic of Belarus in several recognized international comparisons, such as Human Development Index, Doing Business, ICT Development Index, Global Innovation Index, Sustainable Development Goals Index, Corruption Perceptions Index, Rule of Law Index, Worldwide Governance Indicators, and others.

However, Belarus is not yet participating in the international competitiveness assessment through such popular international ratings as Global Competitiveness Index and Global Entrepreneurship Monitor. The research findings show that the strongest aspects of the socioeconomic development of Belarus are in place due to the high educational level of the human capital development, gender equality, and the implementation of the UN sustainable development goals. The analysis also shows that the weaknesses of institutional environment and public administration do not enable the full implementation of the planned goals of socioeconomic development.

Keywords: International rating; human developing; doing business; institutional environment; innovation; indicators

JEL Classifications: O1; O11; O15; O32; O43; O50

1.1 Introduction

The Republic of Belarus lies in Eastern Europe. Its territory is 207,600 sq. km, and it ranks 86th in the world. Belarus has a favorable geographical position as a transitory country with a population of 9.5 million people, ranking 79th in the world. The capital is Minsk (1.9 million residents). Belarus operates as an open, export-oriented economy: its external trade turnover to GDP ratio has exceeded 1 over the last years, and it strongly depends on supplies of Russia's natural resources and raw materials, as well as its exports of value-added products to Russia.

Belarus is a member state of the Eurasian Economic Union (EAEU), which came into force in January 2015 (it includes Russia, Kazakhstan, Belarus, Armenia, and Kyrgyzstan). This Union ranks eighth in the world with regard to the amount of population (186 million people), first with regard to the territory (20.26 million sq. km), and fifth with regard to GDP (USD4695.9bn). EAEU ensures freedom of goods, services, capital, and work force mobility, as well as pursuing a coordinated or unified policy in the economy sectors. The integration association of the EAEU countries is based on mutual interests; it takes into account the former USSR single economic area, as well as the cultural traditions of many generations, current trends of forming economic knowledge, and the objectives of mutual innovative development. Belarus is also a member of the association of the CIS, which includes the countries of the former Soviet Union (less the Baltic States, Ukraine, and Georgia).

In the modern world, an assessment of a country's development level is often based on international ratings, which makes it possible to determine a country's competitiveness and its potential for ensuring sustainable development in dynamic conditions. This chapter will consider the positioning of Belarus in such leading international rankings as Human Development Index (HDI), Doing Business, ICT Development Index (IDI), the Global Innovation Index (GII), and so on.

Human Development Index. UNDP's HDI has captured human progress, combining information on people's health, education, and income in just one number. It is calculated annually, for almost 30 years, by experts from the United Nations Development Program (UNDP) together with a group of independent international experts who, in addition to analytical work, use statistical data from national institutions and international organizations in their work. Ranking countries by their HDI value transformed the development discourse and dethroned income per capita as the sole indicator of the development progress. The HDI 2018 is a summary measure for assessing long-term progress in three basic dimensions of the human development: a long and healthy life, access to knowledge, and a decent standard of living. A long and healthy life is measured by life expectancy (HDI, 2018). Knowledge level is measured by an average number of years for education among the adult population received in a lifetime by people aged 25 years and older. Access to learning and knowledge by expected years of schooling for children of school-entry age, which is the total number of schooling years a child of school-entry age can expect to receive if prevailing

patterns of age-specific enrollment rates stay the same throughout the child's life. Standard of living is measured by Gross National Income (GNI) per capita valued in constant 2011 international dollars (converted using purchasing power parity (PPP) conversion rates). To measure the human development more comprehensively, the Human Development Report 2018 presents four other composite indices. The Inequality-Adjusted HDI discounts the HDI according to the extent of inequality. The Gender Development Index (GDI) compares female and male HDI values.

The 2018 update presents HDI values for 189 countries. Of these countries, 59 are in the very high human development group, 53 in the high group, 39 in the medium group, and only 38 in the low group. Belarus – by income level – is an upper middle-income country of the region: Europe and Central Asia. Belarus's HDI value for 2017 is 0.808, which put the country in a very high human development category, ranking it 53rd out of 189 countries and territories. In the period between 1995 and 2017, Belarus's HDI value increased from 0.657 to 0.808, i.e., by 22.9%.

Table 1.1 reviews Belarus's progress in each of the HDI indicators. Between 1990 and 2017, Belarus's life expectancy at birth increased by 2.5 years, mean period of schooling grew by 3.8 years and expected years of schooling increased by 2.6 years. Belarus's GNI per capita increased by about 93.7% between 1990 and 2017 (UNDP, 2018).

The human development progress, as measured by the HDI, can usefully be compared to other countries. Belarus's 2017 HDI of 0.808 is below the average of 0.894 for countries in the very high human development group and above the average of 0.771 for countries in Europe and Central Asia (see Table 1.2).

Table 1.1. Belarus's Human Development Index Trends Based on Consistent Time Series Data and New Goalposts.

	Life Expectancy at Birth	Expected Years of Schooling	Mean Years of Schooling	Gross National Income Per Capita (2011 PPP\$)	HDI Value
1990	70.6	12.9		8,428	
1995	68.3	12.4	8.5	5,482	0.657
2000	67.4	13.3	8.9	7,602	0.683
2005	68.4	14.6	9.3	11,337	0.725
2010	70.7	15.5	12.0	15,979	0.792
2015	72.7	15.5	12.2	16,228	0.805
2016	72.9	15.5	12.3	15,765	0.805
2017	73.1	15.5	12.3	16,323	0.808

Source: Calculated according to UNDP (2018).

Table 1.2. Belarus's Human Development Index (HDI) and Component Indicators for 2017 Relative to Groups of Countries.

	HDI Value	HDI Rank	Life Expectancy at Birth	Expected Years of Schooling	Mean Years of Schooling	Gross National Income Per Capita (PPP USD)
Belarus	0.808	53	73.1	15.5	12.3	16,323
Europe and Central Asia	0.771	–	73.4	14.1	10.3	15,331
Very high HDI	0.894	–	79.5	16.4	12.2	40,041

Source: Calculated according to [UNDP \(2018\)](#).

Belarus is lagging behind countries with a very high level of human development in terms of life expectancy and standard of living: CNI per capita is lower by 2.5 times and life expectancy at birth is lower for 6.4 years.

The HDI is an average measure of basic human development achievements in a country. Like all the averages, the HDI marks inequality in the distribution of human development across the population at the country level. The 2010 HDR introduced the Inequality-adjusted Human Development Index (IHDI), which takes into account inequality in all three dimensions of the HDI by “discounting” each dimension’s average value according to its level of inequality. The IHDI is basically the HDI discounted for inequalities. The “loss” in human development due to inequality is given by the difference between the HDI and the IHDI; it can be shown in percentage. As the inequality in a country increases, the loss in human development also grows. The coefficient of human inequality is calculated as a direct measure of inequality which is an unweighted average of inequalities in three dimensions. The IHDI is calculated for 151 countries.¹

Belarus’s HDI for 2017 was 0.808. However, when the value is discounted for inequality, the HDI falls to 0.755, making a loss of 6.5% due to inequality in the distribution of the HDI dimension indices. The average loss due to inequality for very high HDI countries was 10.7%, and for Europe and Central Asia it was 11.7%. The human inequality coefficient for Belarus is equal to 6.5% (see [Table 1.3](#)).

The analysis shows that Belarus – compared to the presented groups of countries in [Table 1.3](#) – has the lowest gap between the indices HDI and IHDI, which indicates a low degree of stratification of society. The Gini coefficient also indicates the low-income stratification in the country. Gini coefficient measures the deviation of the distribution of incomes among individuals or households

¹For more details, see Technical Note 2 – hdr.undp.org/sites/default/files/hdr2018_technical_notes.pdf.

Table 1.3. Belarus's Inequality-adjusted Human Development Index (IHDI) for 2017 Relative to Selected Groups of Countries.

	IHDI Value	Overall Loss (%)	Human Inequality Coefficient (%)	Inequality in Life Expectancy at Birth (%)	Inequality in Education (%)	Inequality in Income (%)
Belarus	0.755	6.5	6.5	4.9	3.7	10.8
Europe and Central Asia	0.681	11.7	11.6	10.9	7.2	16.7
Very high HDI	0.799	10.7	10.4	5.0	6.3	20.1

Source: Calculated according to [UNDP \(2018\)](#).

within a country from an equal distribution. A value of 0 represents absolute equality, whereas a value of 100 represents absolute inequality. Belarus has the lowest Gini coefficient among the neighboring countries (cf. countries with a very high HDI: Russia – 37.7; Latvia – 34.2, Lithuania – 37.4, and Poland – 31.8). However, a low standard of living in the country leads to an increase in the outflow of qualified personnel to work abroad (Russia, Poland, and Lithuania).

Office of HDR introduced a new measure, the GDI² in 2014. GDI is based on a sex-disaggregated HDI defined as a ratio of the female to the male HDI. The GDI measures gender inequalities in achievement in three basic dimensions of human development: health (measured by female and male life expectancy at birth), education (measured by female and male expected years of schooling for children and mean years for adults aged 25 years and older), and command over economic resources (measured by female and male estimated GNI per capita). Country groups are based on absolute deviation from gender parity in HDI. This means that the grouping takes into consideration inequality in favor of men or women on an equal basis. The GDI is calculated for 164 countries. The 2017 female HDI value for Belarus was 0.814 in contrast with 0.799 for males, which resulted in a GDI value of 1.020, placing it into Group 1 (see [Table 1.4](#)).

Worldwide, the average HDI value for women (0.705) is 5.9% lower than that for men (0.749). The gender gap is widest in low human development countries, where the average HDI value is 13.8% lower for women than for men, a similar situation for the countries of Eastern Europe and Central Asia (–4.5%). The gap also exists in countries with a very high level of human development in favor of males (–1.7% for females). In Belarus, the situation is the opposite: average HDI value is 1.9% higher for females than for males.

²For details on how the index is designed, see Technical Note 3.

Table 1.4. Belarus's GDI for 2017 Relative to Selected Groups of Countries.

	Life Expectancy at Birth		Expected Years of Schooling		Mean Years of Schooling		GNI Per Capita		HDI Values		F–M Ratio
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	GDI
Belarus	78.5	67.5	15.9	15.1	12.2	12.4	13,479	19,592	0.814	0.799	1.020
Europe and Central Asia	77.0	69.7	13.9	14.2	9.9	10.6	10,413	20,529	0.751	0.785	0.956
Very high HDI	82.4	76.7	16.9	16.0	12.2	12.3	30,276	50,033	0.884	0.899	0.983

GDI, Gender Development Index; GNI, Gross National Income; HDI, Human Development Index.

Source: Calculated according to [UNDP \(2018\)](#).

High achievements in gender equality in Belarus are based on the high cost of education in the country and free access to education. Government expenditures on education (2012–2017) in Belarus constituted 5% of GDP, which is the same as in OECD countries.

To further assess the position of Belarus in the world development, we will look at the institutional structure based on Doing Business ranking.

Doing Business is a reputable international ranking. The project provides objective measures of business regulations and their enforcement across 190 economies and selected cities at the subnational and regional level. Doing Business is the project launched in 2002. It looks at domestic small- and medium-size companies and measures the regulations applying to them through their life cycle. It captures several important dimensions of the regulatory environment as it applies to local firms.

Doing Business provides quantitative indicators on regulation for starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, as well as enforcing contracts and resolving insolvency. It also measures features of labor market regulation. The first report published in 2003 covered 5 indicator sets and 133 economies. This year’s report covers 11 indicator sets and 190 economies.

Belarus has been participating in the World Bank’s Doing Business study since 2005. Over this period, Belarus has raised its position in the ranking of countries from 124th to 37th (see Fig. 1.1). In Doing Business 2019 report (World Bank, 2019), the Republic of Belarus ranked 37th among the 190 countries covered by this study.

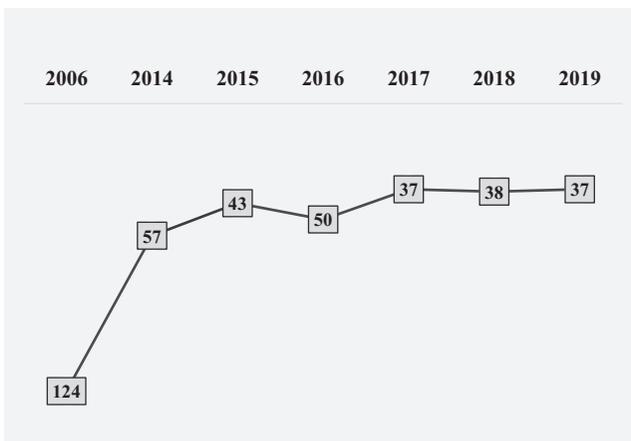


Fig. 1.1. Ranking Positions of Belarus From the Project “Doing Business.”

DB 2019 Ease of Doing Business Score for Belarus is 75.77. The ease of Doing Business score captures the gap of each economy from the best regulatory performance observed on each of the indicators across all economies in the sample since 2005. An economy's ease of Doing Business score is shown on a scale from 0 to 100, where 0 represents the lowest and 100 represents the best performance. The ease of Doing Business ranking ranges from 1 to 190.

The ranking of Belarus by 2019 DB topics and Ease of Doing Business Score on DB topics are shown in [Figs. 1.2 and 1.3](#).

DB 2019 Starting a Business Score in Belarus is 93.39, and its ranking is 29, i.e., they are better than those in the regions Europe and Central Asia and average OECD countries. Belarus also has a good position in Registering Property (93.19); Getting Electricity (90.24); and Trading Across Borders (96.21). Weaker Belarus's positions are in Getting Credits (score 55.00) and Paying Taxes (score 70.68).

The indicator "Domestic credit provided by financial sector" in Belarus is very low (41.9% GDP) relative to the world (177% GDP) and developed countries (OECD – 204% GDP), which also confirms the weakness of the financial sector of Belarus in supporting business.

The ranking of economies on the ease of paying taxes is determined by sorting their scores for paying taxes. These scores are the simple average of the scores for each of the component indicators, with a threshold and a nonlinear transformation applied to one of the component indicators, the total tax and the contribution rate. In recent years, Belarus has significantly improved its position in the tax administration of Doing Business project, but it still retains a low ranking in Paying Taxes topic 99 (see [Fig. 1.2](#)).



Fig. 1.2. Rankings in Doing Business Topics – Belarus.



Fig. 1.3. Ease of Doing Business Score on Doing Business Topics – Belarus. *Source:* Calculated according to [World Bank \(2019\)](#).