



**Office for European Expertise
and Communications**

Analysis of the Non- Profit Associations of Entrepreneurs Sector in Belarus

Executive summary



Секторный анализ

достоверные данные

для осознанных решений

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Regulatory Aspects of the Sector Activity

Not-for-profit associations of entrepreneurs in Belarus include non-governmental organizations and unions of legal entities, which primarily aim to protect the rights and interests of businesses before government bodies and conduct consultations and training for the business community.

The sector in which associations of entrepreneurs, business owners and employers operate is not governed by individual regulatory acts dealing exclusively with the activity of these entities.

Partly the regulations for the activity of business associations are contained in certain legal acts. Article 18 of the Law "On the Support to Small and Medium Businesses" dated July 01, 2010 specifies that "in order to ensure the most favorable conditions for the development of and support to entrepreneurship small and medium businesses have the right to establish unions (associations and confederations) according to the procedure prescribed by the law".

As for the choice of legal forms for the operation of the unions of entrepreneurs, business associations are guided by the provisions of the Civil Code.

Business associations operate in two forms specified by the Civil Code - as non-governmental organizations (associations of physical persons) and as associations of legal persons and/or individual entrepreneurs. To a large extent, the legal forms used for the registration of business associations are traditional.

In Belarus the legal environment for the operation of business associations is not structured. Various regulatory acts contain different descriptions of the functions, goals and tasks of business associations, thus complicating the conditions for the operation of these organizations, as it does not allow them to act as a full member of the trilateral social partnership: government - trade unions - employers. To date there is a long-felt need to adopt a law, which would regulate the activity of the associations of entrepreneurs and employers. The restriction on gaining profit for non-governmental associations and associations of legal entities - which also includes business associations - prevents these organizations from performing their functions to a full extent.

Currently there is a unified document, which generally outlines the development trends of Belarusian businesses and the shared interests of the majority of business associations - National Platform of Belarusian Businesses. This document formally reflects the positions of the entire business community, which is advantageous for large unions and associations trying to establish close contacts with the government. However, the indicators reflecting how proposals contained in the Platform have been implemented by the government confirm that the business community does not sufficiently influence the decisions regulating business.

Structure of the Sector

The functions of all business associations regardless of their sectorial or regional background can be divided into three main groups:

1. protection of the interests of their members;



2. lobbying the interests of their members and business as a whole at government bodies;
3. provision of consultations, education, information and other services to their members.

The sector of business associations and unions has a two-level structure.

The first level is represented by non-governmental federations, unions and associations bringing together businesses. The second level is represented by confederations uniting business associations.

The organizations of the first level can be divided for the purposes of the discussion into general associations and industry-specific ones. This division is just for the sake of convenience, as inside general organizations there is further division into committees and associations.

The main task of a general association is advocacy in such fields as taxation, control and inspections, etc., plus tackling common issues which businesses face. The activity of general associations is oriented at cooperating with the state bodies, which make decisions regarding business as a whole. These are the Ministry of Economy, Ministry of Finance, National Bank, State Control Committee, etc.

Industry-specific business associations deal with sector-specific issues of their members and engage in a close dialogue with the relevant ministries and agencies: Ministry of Transport and Communications, Ministry of Health, Ministry of Architecture and Construction, etc.

The second level of business associations is represented by confederations uniting nonprofit organizations such as business associations, business unions, non-governmental associations of employers. As of today there are two major confederations in Belarus: the Republican Confederation of Entrepreneurship and the Belarusian Confederation of Industrialists and Entrepreneurs (Employers). They exercise largely the same functions but in some areas complement each other.

Today the activity of the sector in which entrepreneurs' associations operate focuses along two main areas:

- cooperating with businesses; and
- cooperating with the state.

Apart from the areas of activity indicated in this review two other important spheres under analysis are the sector relations with donor (international) organizations and the cooperation of associations and unions with each other.

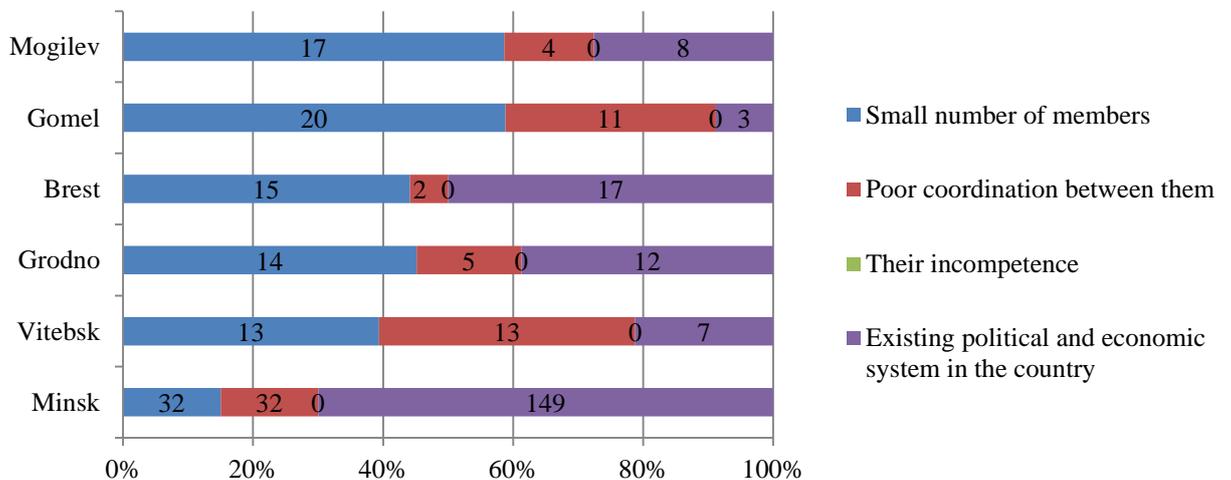
Relationship between Business Associations and Businesses

Entrepreneurs are the key recipients of the services provided by business associations. However, according to various surveys of business owners as well as the assessments voiced by entrepreneurs' associations during interviews conducted as part of the analysis, no more than 10 per cent of all businesses working in Belarus are members of business associations.



The findings of the survey of entrepreneurs who are members of business associations either as such (as members of non-governmental organizations) or through a legal entity they represent, demonstrated that all types of business associations are attractive for the Belarusian business. This said, most businesses join business associations to receive assistance in dealing with problems. Most respondents stated that they managed to solve their problems thanks to business associations, although there are fewer such respondents in Minsk as compared to the regions. However, when asked about the main functions of business associations businesses say it is the mediation between the government and business. Businesses see small number of associations' members as the main problem with business associations, while in Minsk where the Central Belarusian Government is situated, the main problem with business associations is believed to be the existing political and economic system in the country. When responding to the question why businesses do not participate in business associations and business unions the entrepreneurs who are already members of these entities mentioned as a primary reason that businesses are accustomed to dealing with their own problems independently; besides, they indicated lack of awareness about the work of business associations as an important reason.

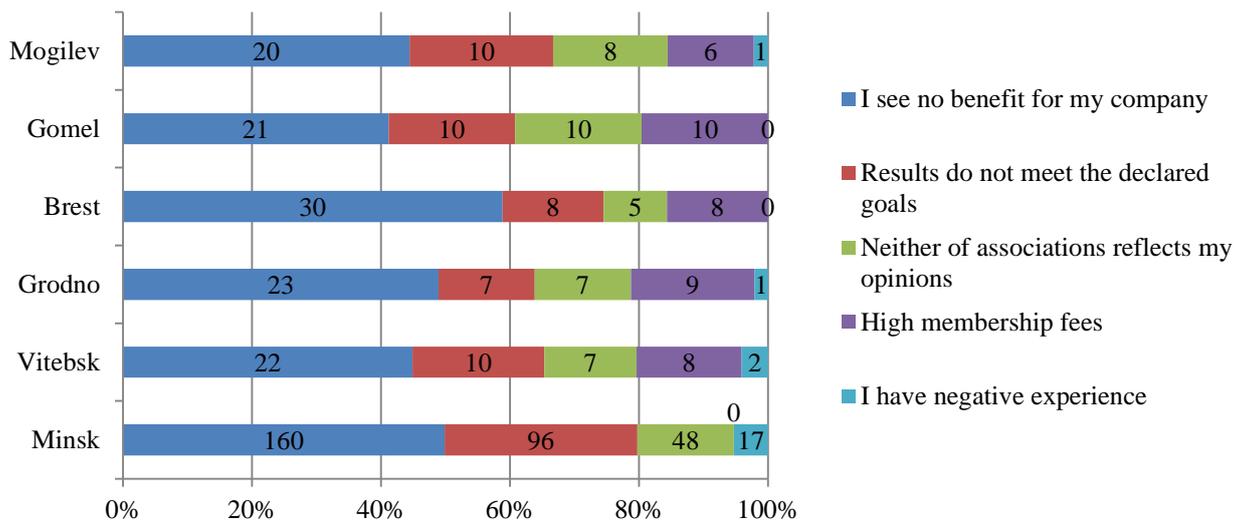
**Breakdown of responses to the question:
"What do you consider the primary
problem of business associations?"**



The representatives of business that are not members of business associations believe that there is no use for their company in being a member of association. However, the absolute majority of respondents never applied to business associations for help, maybe because they think that business associations are not an efficient tool in dealing with business problems. Many representatives of the business community, who are not members of business associations, think that these organizations are just a non-functional attribute of the civil society, and their main problem is the incompetence of business associations. According to the representatives of the business community, the main reason why businesses do not join business associations is the zero result of membership.



**Breakdown of responses to the question:
 "Why are you not a member of any non-governmental business organization?"**



As part of the analysis interviews with ten senior executives of business associations were conducted. One of the questions during the interview was to evaluate the performance of business associations vis-a-vis their functions, namely, ensuring and advocating for the interests of businesses.

Among others, respondents mentioned the following reasons of poor performance:

- businesses are only interested to protect their own interests never caring much for the common good;
- businesses are unwilling to unite;
- poor influence of business unions on the decisions and actions of the government;
- no possibility to carry out profit-making activities.

Relationship between Business Associations and the Government

The influence of the government upon business associations is of dual nature. On the one hand, business associations act as a partner to the government in determining the conditions for the operation of businesses in Belarus. On the other hand, the government sets "the rules of the game" for the sector of business associations thus affecting these organizations and in certain cases manipulating them.

In the course of the analysis a questionnaire survey of government authorities was arranged to get information about their cooperation with business associations.

All state bodies mentioned a close cooperation with business associations. At the same time, the Ministries dealing with general issues concerning all business entities (Ministry of



Finance, Ministry of Tax and Duties) emphasize the importance of broadening cooperation with business associations, while branch ministries underline the need to retain the current level of cooperation with business associations.

Sectorial ministries cooperate with industry-specific associations most closely and view them as full-fledged partners.

The Ministry of Economy, which is a key representative of the Government in the dialogue between the state and the business, views business associations as partners rather than opponents. With that, the fundamental position of the government demonstrating its attitude to associations is reflected in the following quote: "they do not interfere with the Government". The same attitude was voiced by the representative of the Council for the Development of Entrepreneurship.

Representatives of all business associations indicated the lack of necessary demand for the services of business associations (first and foremost, consultations on the development of the business environment) from the part of the Government. This problem is especially acute for the organizations that protect the interests of sole traders. They say that state bodies are flatly reluctant to hear business associations, which makes their dialogue with the authorities impossible.

This said, major business associations indicate that they found their way into the system of public decision making as consultants. However, despite the token conditions for the dialogue between business associations and authorities, in reality even large business associations feel that the state does not pay enough attention to the opinions of associations.

Most business associations interviewed in the course of the analysis mentioned that the state views business associations in much the same way as it views the private sector as a whole.

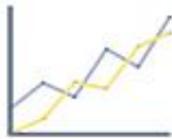
Cooperation within the Sector

Considering that according to different estimates all business associations unite no more than 10 per cent of entrepreneurs and organizations the need for concerted action is a burning issue for the sector.

So far, the sector has produced a common document - Belarus National Business Platform. Despite the formalistic approach of most business associations to the elaboration of this document, every year over 50 business associations are somehow involved in its design.

To coordinate the efforts of business associations there are the Consultation and Coordination Meeting (CCM) of the business community bringing together all major Belarusian associations, the Council for Entrepreneurial Development and the Department for the Development of Entrepreneurship. The CCM meets at least once every three months; and while the minimum periods between meetings are not defined every member can initiate a meeting should there be urgent issues for discussion.

Neither of the interviewed representatives of business associations pointed out the need to create a united national business association. Most respondents mentioned that business associations must compete with each other to accelerate their development and involve new



members. At present neither of the existing business associations has the right to limit its members' rights to membership in several associations at a time.

Cooperation with Donor Organizations

The cooperation with donor organizations is one of the priorities for many business associations. This is due to the need to diversify the sources of funding, as low membership fees and the prohibition to make profit heavily limit the possibilities for the intensive growth of business associations.

According to the survey of business associations only four out of ten organizations interviewed do not participate in international support programs; out of these four organizations two represent the regional and other two the national level.

All business associations view the implemented projects funded with international assistance as effective.

When talking about the problems impeding the participation in the projects of international organizations, representatives of business associations who had such experience in the past name the complexity of the registration of international technical assistance, lack of technical expertise to fill out a project application form and the lack of resources to administer projects.

The representatives of donor organizations name the same reasons. Experts of international organizations say that the projects involving business associations are quite effective. Some experts especially mention that even if projects implemented by business associations are not quite effective, the support to the sector is ongoing.

Prospects for the Sector Development

In the medium term (3-5 years) we may expect that a status quo will be preserved both regarding the conditions for the operation of business associations in Belarus, and the methods, quality and effectiveness of their work.

This is to a large extent due to the fact that all entities capable of influencing the sector are still interested in maintaining the existing state of affairs. The current level of dialogue between the state and the business community allows the government to declare that it closely cooperates with business associations, which is formally in line with the focus of Directive #4. One should not expect that in the medium term the government will fundamentally change the conditions in which business associations operate.

These organizations will remain unattractive for business community considering that they cannot seriously influence governmental decisions regarding the functioning of businesses. The proportion of businesses - members of business associations and non-members - is very likely to be maintained at the current level.

To a certain degree business associations are quite happy with this status quo. Should the demand for the services provided by business associations go up, they would not be able



to meet it adequately. The lack of expertise will not permit business associations to offer whole new services for the business community. This said, a focused effort of business associations to build their own capacity may have a positive impact resulting in attracting new members.

Key Findings

1. The civil society sector in Belarus in which nonprofit associations of entrepreneurs operate is poorly structured but its representatives mostly pursue common goals. Business associations group around Belarus National Business Platform to demonstrate the consolidated decisions adopted by the business community. There are some disputes between business associations uniting small businesses and the associations of business owners uniting medium and big businesses. These are due to the dissimilarity of the interests (more specifically, the controversy between the interests of small business and those of medium and big business), personal ambitions of certain leaders of business associations, and different understanding by business associations of their goals and objectives.

2. Both business associations and government bodies assess the level of influence the organizations founded to represent the interests of the business community on governmental decisions regarding business as insufficient. Experts hold the same view.

3. Business associations point out the inconsistency of governmental decisions regarding business, also due to the lack of a clear understanding of the problems that the business community faces.

4. Representatives of international and foreign organizations assess the projects implemented with the involvement of business associations as very effective. They express the intention to continue cooperation with business associations as part of their goals for business development.

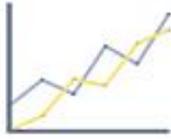
5. The representatives of most business associations think that the business community needs to forge a common ground regarding the implementation of the program of cooperation between the state, business and society.

6. Among business associations there is a conflict of interests between the organizations protecting small businesses and those representing medium and big businesses. The representatives of the associations for small businesses believe that the government favors the organizations uniting medium and big enterprises.

7. Neither of the respondents interviewed in the course of the analysis said that business associations are very effective. However, there are possibilities to improve the relationships of organizations with all related stakeholders.

Recommendations for Business Associations:

1. design new services for businesses, first and foremost, professional (legal, accounting) and communication services;
2. tighten the control of business associations over the decisions of the government;



3. conduct a large-scale information campaign to promote the advantages for businesses in joining business associations;
4. build capacity and refresh the directorates of business associations;
5. launch the training program for new leaders who could in future replace some current senior managers;
6. enhance cooperation with international organizations;
7. renew the discussions on the expediency of adopting the law on the associations of employers.

Recommendations for the Government:

1. give back rent benefits to business associations;
2. develop the system of accountability to business associations regarding their recommendations;
3. adopt a law or another regulation, which would regulate the special status of business associations;
4. take necessary decisions about the self-regulation of business, influence the creation and development of influential sector-specific business associations in Belarus;
5. establish a clear system of coordinating with business associations all regulatory and legislative acts regulating business activity;
6. at every governmental body designate officers responsible for cooperation with business associations.

Recommendations for International Organizations:

1. initiate projects aiming to improve the status of entrepreneurship associations;
2. conduct training programs on filling project applications;
3. facilitate the emergence of new leaders of business associations through capacity building of their administrative staff.