



028736

ENEPO

EU Eastern Neighbourhood: Economic Potential and Future Development

Instrument: Specific Targeted Research Project

Thematic Priority: Priority 7 – Citizens and Governance in a Knowledge-based Society

D27

Case studies for selected TA projects: Belarus

Due date of deliverable: 30/11/2007

Actual submission date: 30/11/2007

Start date of project: 01/05/2006

Duration: 36 months

Organisation name of lead contractor for this deliverable: **CASE Kyrgyzstan**

Revision [draft]

Technical Assistance to CIS countries

Case study of Belarus

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1. Country Background

A. Lukashenko is governing Belarus since 1994. After a referendum changing the Constitution, Mr. Lukashenko was allowed to be president more than two terms. Today, elections are flawed and lack international acknowledgement. Human rights are not observed according to international standards.

The political situation and violation of human rights have led to a tough relationship between Belarus and Western countries. The Congress of the United States every year enacts the Freedom Support Act for supporting democratic changes in Belarus. Furthermore, there is no Partnership Cooperation Agreement (PCA) between Belarus and the EU, which considerably narrows the spheres of Belarusian-European cooperation. Also, there is a 'visa ban list' for top-rank Belarusian officials from the Western side since 2002. Both sides are in a stalemate since Minsk insists on widening cooperation in the economic, social and political spheres without meeting preliminary conditions on improving the situation with respect to democracy and human rights, while the other side insists cooperation is impossible without improvement in these domains (see for example, Proposals and demands of the European Union "What the European Union could bring to Belarus")¹.

Belarus is implementing its own way of transforming society in the economic sphere since 1996. As a Soviet era legacy the country inherited developed industries such as the energy sector and infrastructure, as well as a highly skilled work force. Its geographic position between two large and developing markets – the European and Russian – allows it to use its economic potential and transport infrastructure. That is why, despite the low progress in implementing market reforms and the low level of economic freedom (EBRD, WB, Heritage Foundation), Belarus shows high rates of economic growth. The annual GDP growth in the period from 1996 to 2006 amounted 9%.

The special conditions of trade with Russia (Customs Union, low prices for imported energy, credits and subsidies) play a considerable role for the country's economic development (Belarusian business, 2006-2007). Russia remains the main partner of trade, although its share in Belarusian exports fell from 52% to 35%, while the share of EU countries reached 40%. Belarus exports mainly machinery and other industrial goods to Russia, while crude oil and other materials with low added value such as fertilizers, chemistry and refined oil products. Its specific political situation, the unfavorable investment climate and over regulation cause a low FDI inflow (220 USD per person; EBRD, 2006).

High rates of economic growth and the necessity to hold and win electoral campaigns² allowed the authorities to increase living standards considerably and even to implement a short-term policy of 'pro-poor growth' (Haiduk, Chubrik, 2007). All that provided the authorities with a high electoral support for their policies³. Most households are satisfied with economic policy and don't want market reforms such as liberalization, privatization and opening the country for international competition (Rakova, 2006).

According to the sociological survey *Eurasian monitoring*, 65% of Belarusians is satisfied with their life, while only 32% is dissatisfied⁴. However, only 19% of Belarusians say the economic situation in their country is good, 60% finds it middling, 15% bad and 6% find it difficult to answer. 52% of Belarusians is willing to unite politically with Russia and 27% supports the idea to join the European Union.

¹<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/06/1593&format=HTML&aged=0&language=EN&guiLanguage=en>

² The so called 'political-business circle', during which a government increases salaries, pensions and regulate consumer prices (for populist aims).

³ Two leading Belarusian independent sociological institutions – ISEPS and Novak – always stated that according to their opinion polls Lukashenko won, however not with such high results as officially reported (55-65% vs. 85-90%)

⁴ The Eurasian Monitor International Research Agency conducted polls in several CIS countries in May to find out what social attitudes of the population are. The polls were conducted in Belarus, Kazakhstan, Russia, Ukraine, Armenia, Azerbaijan and Kyrgyzstan. See <http://www.regnum.ru/english/842536.html>

The economic situation changed to a large extent in 2007. Today, Belarus reached a crossroads of new trends and challenges, which require changes in economic policy and which would cause a change in the previous pattern between society and the state. *Firstly*, Russia intends to reduce its subsidization of the Belarusian economy by a gradual but substantial increase in prices for gas and oil. A significant reduction of rent incomes forces the Belarusian government to look for new sources to finance social programs and to support loss-making state enterprises. There are two main options to do so – privatization revenues and international credits and loans – but both are rather limited. *Secondly*, the government is slowly adapting its economic policy towards fewer subsidies for special groups, such as benefits to agricultural enterprises, social benefits to pensioners, students and other social groups. There are also plans to increase utility services. *Thirdly*, the increase in living standards caused a consumption boom, an increase in traveling, and the appearance of a middle class. Sociologists discuss the so called ‘phenomena of Lukashenko’s rating motivation trap’⁵. That means that to support his current high level of popularity he needs to maintain and to increase households’ welfare. But increased welfare changes human motivation (Maslow’s Hierarchical effect). So at some point Belarusians will demand more economic, political, informational etc. freedom and space for self-realization. All that would contradict the intrinsic nature of the current political regime. Therefore, maintaining the current economic growth rates is, to some extent, a question of ‘political survival, and, simultaneously, death’ of A. Lukashenko. *Fourthly*, there is increasing electoral support for national independence among the elites, as well as the population at large (and a negative support of any Union state with Russia) accompanied by a European vision of the country’s future (Rakova, ENEPO 13).

All these trends and challenges necessitate a revision of the direction and methods of technical assistance (TA) and donor support.

2. Demand for Technical Cooperation in the Country

2.1. Attitude of the Government and Society towards Democracy and Market Economy

Since the first electoral victory of A. Lukashenko, the official position of the government is one of minimal foreign presence and interference with internal affairs. The programs for civil society and development of democratic institutes, as well as economic projects were treated by official Minsk as interference in internal affairs.

In 2003 Belarus adopted a decree, according to which most international assistance ought to be taxed. According to the new procedures, international assistance projects must undergo a registration process and be scrutinized by the Department of humanitarian activities of the Presidential Administration for tax exemption and receive formal approval before they can start.⁶ Many representative offices of donor organizations were closed (IREX, Counterpart, Eurasia, Open Society Institute, etc.) or did not receive government approval for opening or prolongation for their activities, which are regarded as ‘too political’ or prejudiced against official Minsk.

The government of Belarus is not keen on co financing. For example, the World Bank project on AIDS and tuberculosis has been considered for a few years and now is being implemented in a strongly diminished form. The only examples of co-financing are humanitarian and social projects of UNDP or the World Bank. Belarus avoids IMF loans and financing.

The programs of increasing competences of governmental officials are also not highly welcome. Every official must get a permit from the Presidential Administration for going abroad for participation, for example, in a conference or a seminar. However, IMF trainings do meet governmental support and, for example, many middle level employees of the National bank have been trained in IMF programs in Vienna or Washington. .

So, there is a demand-supply model for two different kinds of technical assistance. On the one hand – economic and social programs which meet governmental support (social projects, energy sector, infrastructure, strengthening borders, technical trainings of officials). For this kind of

⁵ <http://www.nmnby.org/pub/0709/27d.html>

⁶ Decree of the President of the Republic of Belarus On Receiving and Use of Foreign Grants, as of 28 November, 2003, http://www.belarusembassy.org/economic/Tech_assistance.htm.

cooperation the 'market' in the current institutional environment is more or less balanced, with modest supply and demand. On the other hand, there is a civil society (political parties, NGOs, analytical organizations), which needs financial resources for its support and development. 30-40% of the population supports market and political reforms, so, the programs for supporting alternative information sources are highly appreciated (radio, internet, TV, educational programs for students, exchanges, capacity building, etc.). Indeed, for such projects donors need special schemes for working in Belarus (for financing, audit etc.) and the mandate of many of them don't allow doing so. To some extent, this 'market' is imbalanced, since demand exceeds supply; thus, supply should be increased, albeit by changing principles and ways of providing support.

2.2. Technical Capacity of the Country

The quality of the official political elite is quite low – it is represented by a kind of Soviet *nomenklatura*, 'red directors' or by lower-ranking provincial executives. There is a certain amount of clan competition and fighting; under the aegis of fighting corruption sometimes rotation of the governmental elite is taking place, but there are no principal changes in the quality of official elites and their views on political and economic development of the country. There is only one relevant criterion – personal loyalty to A. Lukashenko. That also explains the low technical capacities of the government (and Parliament), since the main decision maker in the country is the Presidential administration. However, in economic ministerial departments, and especially in the National Bank (as low inflation and a working banking system proved to be vitally important), the quality of middle level specialists (the heads of departments) is relatively high. Partly, the relatively high level of salaries of the officials and their participation in TA programs could explain this. Partly, the necessity to have adequate specialists to make the whole system of governance sustainable and manageable could play a role.

We should mention the high level of the technical specialists in different spheres – medicine, education, transport infrastructure, construction industry – which is explained by the high quality of human capital in the country⁷, existing schools of training and retraining, relatively high standards of living (compared with most CIS countries). However, apart from a 'brain drain' to developed countries, the growth of welfare in Russia, combined with an identical culture and language, causes an increasing immigration flow from Belarus to Russia (builders, programmers, engineers etc., especially those of a younger generation). Soon it would also concern such traditionally underpaid professions as doctors or teachers. For example, the plans of Russia to increase the average salary of a doctor manifold by the end of 2008 would mean a serious challenge for Belarusian government to keep the specialists inside the country.

3. Supply of TA to the Country

3.1. Dynamics of TA Flows

Under the current institutional conditions for international organisations and foreign governments created by Belarusian authorities, many global foundations cannot not work with Belarus. Some programs and foundations (mainly German) operate also from their offices in Kiev, some Belarusian NGOs work in collaboration with Polish, Slovak or Lithuanian structures and organisations. All that, to some extent, hampers the transparency and efficiency of TA, making it difficult to analyse and control financial flows and real inputs of implemented projects.

The lack of market and democratic reforms made it very difficult for some international organisations to provide any substantial amount of TA. Such organisations and institutions as the World Bank (WB), the International Monetary Fund (IMF), the European Bank for Reconstruction and Development (EBRD) and others, link their TA for transition countries to the extent in with reforms are being implemented. The limited mandate for these organisations means limited amounts of help provided. On the other hand, the necessity to meet legal requirements determines

⁷ UNDP (2006) Human Development Report, 2006.

the character of the projects implemented by the World Bank, UN or the EU (TACIS) to limited domains of medicine, strengthening borders, refugees, and social projects⁸.

Belarus received one of the smallest amounts of TA that is given to CIS countries. The country is an outsider for both American and European TA. For example, during 1991-1999 Belarus received only 2% of all TACIS funds (Ukraine – 20%, Russia – 51%, Uzbekistan – 4%, Moldova – 2%). The same applies to American TA – Belarus receives many times less than Ukraine, Russia or even Moldova.

Most of the larger donors to transition countries, such as the WB, IMF, IFC, UNDP and TACIS, claimed that their programs of technical cooperation with Belarus are one of the smallest among all CIS countries due to the reluctance of the Belarusian government to implement any reforms (Daneyko, Pelipas, Rakova (2001)).

Due to a lack of information, it is generally very difficult to estimate real amounts of provided assistance. No databases are available; numbers are fragmentary, incoherent, or cover only a limited number of years. Donor sites do not provide proper information while OECD databases with this kind of information is neither available.

From compounding the major donors (EU, US), added with bilateral donors such as the EBRD and the WB and assuming that other donors do not exceed 5%, we can approximately put the amount of total TA received by Belarus during 1991-2006 at USD 1237m. In terms of GDP or GDP per capita this is much less than in its neighbours (Table 1).

Table 1. Approximate flows of technical assistance to Belarus, Russia and Ukraine, m USD

	Approximate accumulated TA for the period from 1992-2006, m USD	Approximate TA in the period 1992-2005 to GDP ⁹	Total accumulated TA per capita, USD
Belarus	1174.3	3.89	119.8
Russia	26163.0	3.41	181.6
Ukraine	12686.8	14.65	269.4

Source: author's estimations and calculation.

Table 2 provides an approximate account of TA flows by year and major donors, which the author was able to find on Internet sources.

⁸ Ongoing projects within the TACIS program: Rehabilitation of Patients with Radiation Induced Thyroid Cancer and other Thyroid Pathologies in the Stolin Region; Enhancing Border Management in the Republic of Belarus" (BOMBEL 1); Programme of Assistance for the Prevention of Drug Abuse and Drug Trafficking in Belarus, Ukraine, Moldova (BUMAD II Programme); Technical Assistance to Support Climate Change, Energy Supply, and Environmental Issues; Establishment of System of Mobile Palliative Care for terminally ill adults in the Republic of Belarus, <http://www.delblr.ec.europa.eu/page2066.html>

⁹ GDP for 2005.

Table 2. Dynamics of TA flows

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Total
The EU, m euro	16.82	20.13	17.5	11.9	17.85	9.5	13.6	9.3	5.4	14.1	2.5	na	na	221*	5	5	231.0
The US, m USD				21.49	46	65	19.5	17.72	29.44	24.32	37.78	28.05	25.53	10.14	30.96	15.28	371.21
EBRD, m euro															199*		199
World Bank, m USD**			120	41.9						45	26.84					27.26	261
TRANSFORM													39.13				39.13
German government, m euro														1.0	1.0	1.0	3.0
Adenauer Foundation, m euro										0.00	0.00	0.00	0.10	0.18		na	0.28
Polish government (Polish Aid), m USD															0.26	3.58	3.84
SIDA (Sweden government), m USD																22.01*	22.01
CIDA (Canadian International Development Agency), m USD															0.25	0.25	0.5

Note: * - means by mentioned year, for example by 2003 (i.e. accumulated amount during period 1993-2003).

** The annual amount of the WB TA is difficult to estimate as it provides long-term projects, which lasts 4 and more years.

Source: own calculations, web sites.

3.2. Technical Co-operation by Donor

The US government is one of the largest donors in Belarus, providing TA mainly in such spheres as support to civil society organisations and political processes (50% of total support); support to private sector development; support to independent media and support to vulnerable groups. American TA for Belarus is represented in limited programs of USAID (managed from the Kiev office) and devoted mainly to private sector development; the Program of small grants (provided by the US Embassy in Belarus) and some projects directed by structures of the National Endowment for Democracy (NED), from Kiev or Washington, devoted to support of political opposition parties and civil society structures.

European TA for Belarus is very much limited, as co-operation between Belarus and the EU hardly exists. PCA, which is one of the main documents describing the direction, fields and intensity of co-operation, was not ratified after it was drafted in 1995. Due to political disagreements on the official position of Belarus, EU technical assistance is limited to “humanitarian or regional projects or those which directly support the democratisation process”. The relationship between the EU and Belarus has considerably worsened in the beginning of 2000, when official Minsk refused to implement any democratic and economic reforms, on the one hand, and on the other hand, - considerably toughed the legislation concerning technical assistance. In 2001-2004 most of the EU projects in Belarus (realized through TACIS) were frozen or canceled. The EU continued to provide technical assistance to Belarus in 2005-2006, mainly focusing on programs that support civil society development, exchange of students internationally, cross-border co-operation and so on. Most of the EU TA, first of all the projects of supporting independent mass media and civil society development, go now through the programs of EIDHR and Decentralized cooperation.

The total amount of the EU TA received by the country in 1991-2006 is 231 m euro, which is much less, than, for example, received by Ukraine or Moldova (2.5 b and 1 b respectively). Dynamics of the TA flows in 1991-2006 are given in Table 1.

Box 1. EU projects in Belarus

Since 1997, two TACIS National Programmes for Belarus were launched for 2000-2001 and 2002-2003, both worth €5 m and focusing on the development of civil society. Under the programme endorsed by Belarus in 1999, there was a further €5 m allocation in 2003 targeting civil society and activities related to the effects of Chernobyl. At the same time, Belarus received €16 m in 2001 - 2003 from the CBC (cross-border cooperation), Interstate/regional and the Nuclear Safety Programmes. In addition to TACIS resources, Belarus was provided with €3.2 m in food aid during 1998 - 2001. ECHO provided €6.7 m to Belarus for humanitarian assistance linked to the effects of the Chernobyl accident.

Technical assistance to Belarus was hampered in 2002-2003 by the fact that Belarus stopped granting tax exemption to TACIS projects. A new co-ordination model was set up in the autumn 2003 for activities related to the alleviation of Chernobyl consequences. The CORE programme (Cooperation for Rehabilitation), in which the EU is participating, was established with the objective to improve the living conditions of the inhabitants of selected districts by reaching out to the people themselves, helping them to get involved in the development and execution of specific projects. The model emphasizes a participatory approach and active involvement of those affected by the Chernobyl accident. National and international partners as well as governmental and non-governmental actors operate under the CORE programme.

Through the European Initiative for Democracy and Human Rights (EIDHR) the EU has provided assistance to the European Humanities University, in cooperation with the OSCE. Support from the EIDHR to Belarus has also been granted through a project in 2003 with the Lithuanian Union of Journalists. The EIDHR and decentralised co-operation (calls for proposals) has provided 1,5 m € per annum, whilst in 2005 the EIDHR targeted projects provided 3 m € in funding. Landmine projects in 2005 were also granted 3 m € and media projects in Belarus were granted 2,4 m € in 2006.

Source: http://www.delukr.ec.europa.eu/internship_opportunities.html ,
http://ec.europa.eu/external_relations/belarus/intro/index.htm

As for ENP, initially the Minsk authorities welcomed the European Neighbourhood Policy (ENP) concept. But later on, disagreement on the particular programs and specific areas for co-operation and further anti-democratic developments and human rights violations made it impossible for both sides to develop and widen the policy framework.

The German federal government has been one of the largest bilateral donors in the country in the economic sphere through its TRANSFORM program (supporting civil society, SME development, independent mass media, local self-governance, and land reform), active in 1993-2002. But recently it was curtailed. Other foreign governments, like the British, Swedish or Canadian have rather limited programs of TA in Belarus. Their focus is mainly on the fields of democratisation, human rights, SME development and the environment.

Multilateral donors are represented in the country, however, in a limited size. They include the WB, whose Country Assistance Strategy for Belarus envisions a loan to the government to tackle relevant economic and social issues (e.g. TB/AIDS, the Chernobyl disaster, the environment, etc.). The IMF has a monitoring program and provides some training for the officials in their Washington and Vienna offices. The European Bank for Reconstruction and Development (EBRD) has a limited portfolio of investment in the private sector. The United Nations (UNDP) has a small grants program that offers support to social security objects in various spheres. Various private organisations provide small grants for the development of civil society organisations, independent mass media and pro-democratic political parties.

Recently, international support for Belarus was increased through the programs of the Polish government (Polish Aid) and the Slovakian and Lithuanian governments, but these programs have a limited character and minor financing (compared, for example, with supporting Ukraine). Many German, American, Swedish, Swiss and other foundations are not represented in Belarus. This very limited character has the support of the selected country governments. Most active is Germany who provides every year (after Transform program ended) around 1 m euro, mainly for NGOs working in the field of environmental and social issues.

3.3. Technical Cooperation by Sector

Most of the EU TA goes through the TACIS program that is obliged to meet all necessary governmental approval. That is why most programs assume cross-border co-operation, strengthening borders and social projects (80%, Table 3).

Table 3. EC sectoral assistance to Belarus, (1991-2001 in euro m)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	Total
National programs	8.92	14.63	9	7	12	0	5	0	0	2.5	2.5	61.55
Inter-governmental programs	5.4	4.6	5.1	2.6	3.3	6.5	6.3	4.6	1.7	2	no decision of EC	42.1
Programs on nuclear security	0.3	0	1.5	0	0.6	0	1.1	0	0	0	no decision of EC	3.5
Programs on cross-border co-operation	-	-	-	-	-	3	1.2	4.7	3.7	7.3	no decision of EC	19.9
Programs of small projects	2.2	0.9	1.9	2.3	1.95	0	0	0	0	2.3	0	11.55
Total	16.82	20.13	17.5	11.9	17.85	9.5	13.6	9.3	5.4	14.1	2.5	138.6

Source: http://ec.europa.eu/external_relations/belarus/intro/index.htm

The US assistance goes mainly from the FREEDOM Support Act funds. That determines the nature of the support – it is mainly projects on support of democratic institutes – political parties, NGOs, dialogue inside the country on the ways of development and existing alternatives (Table 4).

Table 4. The structure of the US government assistance in Belarus in 2003-2006, m USD

	2003	2004	2005	2006	Total	%
Democracy Programs	9.18	7.78	14.05	13.57	44.58	54.43
Economic and Social Reform	0.1	0.1	-	-	0.2	0.24
Security and Law Enforcement	-	1.75	1.79	0.9	4.44	5.42
Humanitarian Assistance	1.33	0.5	0.8	0.61	3.24	3.96
Cross Sectoral Initiatives	-	0.01	-	0.2	0.21	0.26

Privately donated and USG Defense

Department	14.92	-	14.32	-	29.24	35.70
TOTAL	25.53	10.14	30.96	15.28	81.91	100

Source: <http://www.state.gov/p/eur/rls/rpt/92786.htm>

EBRD has a limited activity in the country¹⁰. LINK Due to the mandate of this organization, the current Country strategy provides assistance only in the project of private sector development and has a very limited (compared with Ukraine or Russia) character. The main spheres of co-operation are development of financial institutes (including micro finance and lending), transport and energy sectors, Table 5.

Table 5. EBRD TA by sector, m euro

	1992	1993	1994	1998	2000	2003	2004	2005	TOTAL	%
Agriculture	-	5.164	-	-	-	-	-	12.06	17.22	8.66
Financial institutes	-	-	25.359	2.608	3.521	10.144	14.019	16.061	71.71	36.07
Energy	-	32.071	-	-	-	-	-	-	32.07	16.13
Transportation	-	-	44.021	-	-	-	-	-	44.02	22.14
Natural resources	-	-	-	-	-	-	-	-	-	-
Industry	-	-	-	-	1.01	-	-	-	1.01	0.51
Telecommunications	32.785	-	-	-	-	-	-	-	32.78	16.5
Ownership and tourism	-	-	-	-	-	-	-	-	-	-
City-council/local authorities	-	-	-	-	-	-	-	-	-	-
Effective energy use	-	-	-	-	-	-	-	-	-	-
Total	32.785	37.235	69.38	2.608	4.531	10.144	14.019	28.121	198.82	100.0

Source: www.ebrd.com

During the time of co-operation with the World Bank, the Bank supplied 5 loans worth USD 243 m, which were provided for 17 years with a small interest rate. Two loans currently keep projects running – the Post-Chernobyl Recovery Project (USD 50 m) and the Social Infrastructure Retrofitting Project (USD 22.6 m). During the period analysed, the WB supported 30 national programs with grant funds around USD 18 m.

The Canadian International Development Agency (CIDA) does not maintain a significant assistance program in Belarus and there are no long-term projects planned. In 2004-2005, Canadian Official Development Assistance to Belarus totalled USD 0.5 m¹¹.

3.4. Role of Non-Traditional External Sources of Technical Expertise

For many years Russia played an important role in the economic development of Belarus by subsidizing it on different levels as a good and reliable ally. For example, in 1999 an intergovernmental agreement wrote off all Belarusian energy debts to Russia (around 2-3 b USD). In 2004 Russia provided Belarus with a USD 175 m state loan for 5 years (at the Libor rate plus 0.8%) as a kind of compensation for higher gas prices. Preferential terms of energy supply from Russia also play a substantial role in economic development. In particular, in 2006, if Belarus were to pay the German price for the volume of gas imported (USD 250 for 21 bcm) it would have to spend an additional 9% of GDP, while the Ukrainian price (USD 95 per tcm) would take an extra 3% of Belarus' GDP.

Trade in oil products has been another important source of economic growth. High world market prices for oil and oil products and duty-free imports of crude oil from Russia allowed Belarus to maintain a considerable trade surplus with non-CIS countries. The share of oil products in the total volume of exports exceeded 40% in 2006, while in 2002 it was about 18%. According to some estimates, budget revenues from the oil business amounted to approximately USD 3 b. These revenues have helped the government to boost population income and subsidize enterprises without implementing any serious economy-wide or sectoral reforms. In 2007 prices for imported oil and gas were considerably increased. Indeed, according to the agreements made, preferential prices will remain till 2011, although they will gradually scaled down.

¹⁰ <http://www.ebrd.com/country/country/belarus/showcase.htm>

¹¹ <http://www.acdi-cida.gc.ca/belarus-e>

To deepen co-operation, the government participated in financing several UNDP projects. For example, more than USD 15 m was accumulated in the form of donor and trust finances including a USD 700,000 contribution of the government of Belarus to implement the second country co-operation projects (2001-2004/5)¹². The priorities feature the creation of favourable conditions for sustainable economic growth and human development; development of a trilateral interaction between the government, the private sector and non-governmental organizations.

4. Impact of Technical Co-operation on Country Development

Due to the small amount of TA and specific political conditions in Belarus, TA did not and could not make any considerable impact on political and economic development. Belarus is an outsider, even among CIS countries, in implementing market reforms. The state of democracy development is even worse (table 6). Indeed, the dictatorship is slowly replaced by an authoritarian style of governance, which is reflected in a huge increase in corruption during the last few years (TI, 2006).

According to Freedom House, the Democracy Score went down from 6.75 in 1999 to 7.00 in 2006-2007 (table 5). The state of the electoral process, civil society, the judicial framework and its independence are estimated as one of the worst in CIS and CEE countries. The situation with corruption also considerably deteriorated (TI, FH, IPM RC).

To a large extent, success of economic development could be explained by different subsidies and preferential terms of trade (another large part of the explanation of the 'Belarusian miracle' is its inherited industrial capital and infrastructure). So, on the one hand, international organizations and TA played a minor role in the country's development. On the other hand, TA was an important and also the single source for keeping civil society alive. Due to the mainly American help devoted to the development of democracy in Belarus, there are some political parties, NGOs, analytical centers, human rights watchers, independent mass media projects, which provide 30% of the Belarusian population with alternatives and keep international society informed.

Table 6. The state of reforms in Belarus: international comparisons

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<i>Democracy Score, including</i>	-	6.25	6.25	6.38	6.38	6.46	6.54	6.64	6.71	6.68
- Electoral Process	-	6.75	6.75	6.75	6.75	6.75	6.75	7.00	7.00	7.00
- Civil Society	-	6.00	6.00	6.50	6.25	6.50	6.75	6.75	6.75	6.50
- Independent Media	-	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75
- Judicial Framework and Independence	-	6.50	6.50	6.757	6.75	6.75	6.75	6.75	6.75	6.75
- Corruption	-	5.25	5.25	5.25	5.25	5.50	5.75	6.00	6.25	6.25
EBRD transition index	1.52	1.52	1.59	1.67	1.78	1.81	1.81	1.81	1.81	-
- Price liberalization	1.00	1.00	1.67	2.00	2.33	2.33	2.33	2.33	2.33	-
- Large privatization	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	-
- Enterprise Restructuring	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	-
- Trade and FOREX system	1.00	1.00	1.67	2.00	2.33	2.33	2.33	2.33	2.33	-
- Competition policy	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	-
- Infrastructure sector reforms	1.00	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	-
Corruption perception Index, CPI	3.9	3.4	4.1	-	4.8	4.2	3.3	2.6	2.1	-
Doing business	-	-	-	-	-	-	-	106	123	110
Human Development Index (HDI)		60	57	53	56	53	62	67	67	-

Source: EBRD, Transition report; Freedom House, Nations in transition; WB, Doing business; Transparency International.

Note: FH ratings are based on a scale of 1 to 7, with 1 representing the highest level of democratic progress and 7 the lowest. EBRD ratings are based on a scale of 1 to 4.77, with 1 representing the standards of a planned economy and

¹² http://www.government.by/en/eng_solution2081.html

4.77 those of a market economy. CPI measures the perceptions of corruption on a scale of 0 'highly corrupt' to 10 'highly clean'. Doing business and HDI represent the rank of the country.

International assistance plays an important role in educational programs. For example, it helps to support the first and single University (EHU) in exile, as well as to organize different trainings and seminars for politically active youth. There were some programs in Belarus, which supported public dialogue and discussion among officials and independent experts on the ways of Belarusian economic development which contributed to increasing competences and capacity building of both sides involved (for example, the so called Economic clubs within TRANSFORM program, seminars and conferences in 2005-2006 within BIZPRO program (USAID)). Indeed, the fact that economic issues could and were discussed led to the situation that the quality, the level of discussion and competences of the officials and independent economic experts are much higher than in the politic sphere.

The private sector (SMEs) also receives additional impulses for development due to the support of necessary institutes (micro finance and lending, technical trainings, programs for international standards of accounting, research and policy recommendations on the ways to improve business climate etc.).

5. Problems in Technical Co-operation and the Ways to Increase TA Effectiveness

First, one should conclude that the amount of TA provided to Belarus is insignificant and should be increased. Despite the hostile legal environment for technical co-operation, the programs should be intensified and their direction widened. The value of TA and its necessity is currently increasing as Belarus is on a cross roads of future development. Official elites are ready now to listen to alternative information, advise and expertise (especially through participation in different seminars and conferences). The change in the pattern of Russian-Belarusian relationships opens a window of opportunity. International society should use this 'window' and try to improve democratic and free market values.

Second, one should admit that, in order to increase the efficiency of TA, the ways and principles of providing TA to Belarus need to be changed. All problems and recommendations of improving TA efficiency can be divided into two approaches: a principled and a technical one.

A principled approach means that international society should revise its principles on co-operation. For example, according to the official definition, within ENP the EU offers its neighbours an intensified political dialogue and a deeper economic relationship, based on shared values and common interests in tackling common problems¹³. In this regard, in the case of Belarus the ENP failed not only in promoting the same reforms as CEE countries implemented but even failed in slightly improving the situation with regard to democracy or human rights. Stimuli and incentives have hardly had any influence on implementing economic (market) or political reform, necessary from an EU point of view. Rather on the contrary, skepticism about the place of Belarus in a united Europe increased. Instead of an Action plan and ENP instruments the EU suggested the reduction in General System of Preferences (GSP), an increase in prices for visa, minimal co-operation in humanitarian and cultural spheres and, as a result, a further distance from European life in all spheres.

Indeed, this is neither in the interest of Europe, nor in that of Belarus. Isolation of Belarus (step by step approach) is nonproductive. To negotiate from a position of strength, according to which first Belarus should change some things, only after which the EU will start closer cooperation does not seem to work.

Therefore, currently with regard to Belarus the EU policy lacks the proper incentives (of both 'carrot and stick' instruments). With such preconditions and in such an institutional environment all EU policy instruments are everything but effective and influential. There should be a shift from the policy of limitations and sanctions to a constructive, positive and profitable co-operation in a process connected to European integration.

¹³ http://ec.europa.eu/world/enp/faq_en.htm

A technical approach includes technical proposals for improving the current situation, which include the criteria of the programs, its efficiency in terms of costs-effect, reached level of auditory, ways of monitoring and control, ability of Belarusian agents to compete (procedures of tenders), spread ways of financing, etc.

Firstly, one might point out the complex character of applications. For example, the EU programs of *Decentralised Co-operation* are made by and for Belarusian civil society (as the TACIS program meets organizational difficulties from the governmental side). However, the requirements for participation in these programs have a complex and bureaucratic nature (and many NGOs are unable to fulfil them), and the criteria of the relevant projects are questionable and doubtful. For example, in 2006 the Guidelines for grant applicants responding to the call for proposals had the following priorities¹⁴:

- 1) development of social dialogue between local governments and civil society organisations promoting social and cultural rights (which is rather difficult in the current Belarusian conditions);
- 2) empowerment of grass-roots organisations and vulnerable groups, by promoting partnerships between these groups and other decentralised co-operation actors;
- 3) encouraging effective operation of the local democratic process (it is not clear what the local democratic process in the context of Belarus exactly is);
- 4) actions in support of poverty reduction (although Belarus has the lowest poverty rates of CIS countries);
- 5) promotion of cultural diversity and the fight against intolerance (according to many social scientists, Belarusians is one of the most tolerant countries in the region due to an absence of religious, nationalistic and ethnic conflicts).

It is difficult for any NGO to come up with a project that will fit all these priorities. As a result, such organisations as UNICEF, the Red Cross etc. receive a considerable part of these funds. Certainly, activities of these organisations are highly important; but they don't help realise the goals set forward by EU policy makers with regard to a stronger civil society or democratic reforms.

Secondly, besides the complex, irrelevant to the current situation in the country, and bureaucratic character of choosing eligible projects, the information on possibilities to take part in the European projects is rather limited. For example, recently, the EU is increasing its appearance in Belarus providing more TA and support through programs of the Polish or Lithuanian governments and other decentralised programs. Indeed, information about EU support to Belarus is limited, if available at all.

Thirdly, one might add that the efficiency of many programs (such as sponsoring new TV channels and radio stations) is low. For most people they are not available or unknown (according to some opinion polls, less than 5% of the population consume these programs) while these projects require big resources. There were no public tenders or discussion on the content of these programs, arguable is the decision to make a new TV channel on Belarusian language. It seems that the growth in the use of Internet by the Belarusian population increases the potential efficiency of supporting independent Internet resources.

Fourthly, the criteria of relevant groups of participants in some programs should be changed. For example, NGOs and independent organisations are not able to participate in IMF trainings, however, their competence and skills are important for future country development. On the other hand, Belarusian officials are not invited to most international conferences, seminars, trainings etc., organized by international foundations (they are simply ignored). Such conduct seems to be one-sided and a change in this pattern could prove beneficial for both independent experts and officials.

Fifthly, regarding American TA, it could be worth changing the balance a bit toward more programs for supporting private sector and economic reforms. This could be done in the form of more programs, devoted to policy advising, promoting market values, a set of different trainings of methods of economic analysis, etc. Support of small NGOs and emphasis on supporting political

¹⁴ http://ec.europa.eu/europeaid/tender/gestion/index_en.htm

parties within current schemes of financing (which makes it difficult to assess their results) spoil and corrupt them, and lead to a low efficiency of these programs. Besides, during most electoral campaigns, the opposition offers mainly the slogans “against Lukashenko”, without clear and sympathetic alternatives of development. But in order to win and increase the popularity of a political party to be ‘just against’ is not enough. Many programs on supporting political parties and NGOs lack quality and are aimed mainly on supporting the current status quo and existing political infrastructure. The foreign ideological and financial support for political parties is an easy target for the authorities, who can easily characterise them as ‘a herd of parasites’ to win popular support.

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