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**SME Development Framework -
German and International Experience
and Implications for Belarus**

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SME Development Framework - German and International Experience and Implications for Belarus

Executive Summary

SMEs in Belarus contribute little to the economy's employment and value creation as compared to its EU counterparts. This is firstly because the size of the SME sector in Belarus is smaller in relation to the entire economy and secondly because Belarusian SMEs operate on very small scales in non-innovative, low-productivity industries. Bright spots are the increasing number of company registrations and the continuing fixed capital investments into such companies.

In order to unleash the potential of the SME sector, policy support is necessary. The Belarusian government has initiated some reform measures since 2010, but more work has to be done. Belarus can benefit from experience in Germany and other developed countries which have a long history of SME policy. The paper summarizes the experience and highlights those SME policy areas that are most promising with respect to the implementation in Belarus. Selection criteria for such policies are:

- SME policy measures should show high effects on SME development
- SME policy measures should show a high efficiency, i.e. require little public expenditure and entail little deadweight losses
- SME policy measures should be applicable to the specific Belarusian economic situation

As a result of the quantitative research on SMEs in Belarus and a critical review of recent international scientific empirical SME policy evaluations, we have identified the following SME policy areas with high relevance for Belarus:

- General economic policy measures with high efficiency for SME sector development and thus with high priority:
 - Reducing the inflation rate
 - Ensuring stable growth of aggregate demand
- Specific SME policy measures with high priority, because of promising efficiency:
 - Non-discrimination of SME
 - Reducing administrative burden and compliance cost for SMEs
 - Improving protection of property rights
 - Easing labor market regulation for SME
- Specific SME policy measures with low priority, because of low efficiency:
 - Direct SME support, such as counseling, training, coaching

We do not recommend the following SME policy measures that usually have ambiguous effects and low efficiency:

- SME tax incentives
- Encouraging unemployed to start a business

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1 Introduction

The SME sector in Belarus is underdeveloped: Not only is it smaller than in most other European countries, but it is also operating mainly in rather low productivity industries, mainly in trade, small scale commercial real estate, repair of motor vehicles and household and personal goods.

Belarus has already addressed this issue and has undertaken several reform steps since 2010, such as the passage of the Law of the Republic of Belarus of 1 July 2010 No. 148-3 "On the Support to Small and Medium-Sized Business" and the Directive No 4 of 31 December 2010 "On the Development of Entrepreneurship Initiative and Stimulation of Business Activity in the Republic of Belarus", to name only two.

This policy paper aims to support the reform process by providing an overview over international best practices of SME policy. In order to do so, it briefly highlights the most important strategic SME policy areas and the international and German experience with respect to SME policy measures.

The paper is structured as follows: The second chapter provides a framework for all strategic SME development conditions. The third chapter briefly analyses the status-quo of the SME sector in Belarus. The fourth chapter sketches the SME policy areas and highlights the results of scientific empirical research with respect to the political effectiveness and efficiency. The fifth chapter summarizes the implications for Belarus that can be derived from German and international experience.

2 SME Development Framework

A State-of-the-Art SME Policy supports companies to overcome their liabilities of newness and smallness and helps them to grow out of a premature stage and to become growth-oriented big enterprises.

This is in contrast to an outdated public policy towards SME that used to focus on sustaining the small and medium size status. Such a policy that attempted to help SMEs to stay small and medium turned out to be inefficient with respect to the individual level, economic level and welfare for the following reasons:

1. SMEs, and in particular small and micro enterprises, are the Achilles' heel of the economy: They are especially prone to closure and thus most vulnerable to economic shocks.
2. SMEs, on average, usually have lower productivity than big enterprises and are less innovative.
3. SMEs, on average, usually pay lower wages than big enterprises do.
4. SMEs, on average, provide less training for their employees than big enterprises do.

To sum up: Supporting SMEs for their sake is not an objective of modern economic policy.

So, what is the aim of a State-of-the-Art SME policy? Modern economic policy regards SMEs as companies in a certain stage in a company's life cycle. What is desirable is to have dynamic company life cycles: start-ups that flourish and grow out of the small and medium size fast. That is because such growing enterprises contribute most to economic dynamics in the industrial sector. For instance, in the USA, one third of the top 500 companies are displaced within 5 years.

Of particular appeal to policymakers are the economic dynamics that are associated with:

- a) Innovation
- b) Productivity gain
- c) Job creation
- d) Increasing quality of products and services
- e) Price cuts and thus, in combination with d) an increase in welfare

Conclusion 1: Modern SME policy means enhancing market dynamics.

The following table provides an overview of the framework of economic conditions that are especially relevant for start-ups and the development of SMEs. The framework condenses all influence factors that have been identified by scientific research.

Table 1: Overview of SME development framework

<i>Economic conditions area</i>	<i>Conditions especially relevant for SME development</i>
Macroeconomic stability	Inflation rate Growth of aggregate demand
Regulation and legal environment	Entry regulations, e.g. registering, licenses, permissions Product certification Customs regulations Compliance costs and regulatory burden Efficient enforcement of business contracts Labor market regulation Secure property rights, especially protection against expropriation Exit regulations Non-discrimination of SME
Labor market	Availability of skilled and experienced workforce Labor costs
Infrastructure	Quality of roads, airports, communication, rail and port infrastructure etc. Availability of business parks, building sites, water supply, energy supply, broadband internet access etc. Availability of business related professional services
Taxation	Tax burden Administrative burden of tax regulations
Access to finance	Access to finance and other banking products e.g. payments Availability of 'non-traditional' financing such as pre-seed and start-up financing, angel investors, mezzanine financing, and other forms of venture capital not available through banks

3 Current Situation of the SME Sector in Belarus

3.1 The role of the SME sector in the economy of Belarus

The SME sector in Belarus is underdeveloped in comparison to most European countries, as can be demonstrated by a number of structural indicators.

Firstly, the SME sector is smaller than in Germany and the EU, as the following table shows. The relation of SME to big companies is lower than in Germany and EU. Considering that the classification criteria in Germany and in the EU are stricter (see footnote 1), table 2 even overstates the SME's share of enterprises in Belarus in comparison to Germany and the EU. The size of the SME sector in terms of number of companies has no economic meaning, if considered as the only indicator. However, as table 2 shows, the SME's contribution to employment and value creation is also much less than in Germany and EU. To sum up: The SME sector plays currently a smaller role in the Belarusian economy than it does in most other developed countries.

Table 2: Role of SME in Belarus, Germany and EU, 2011

SME's share of ¹	Belarus	Germany	EU 27
Enterprises	94.2%	99.5%	99.8%
Employment	27.5%	60.9%	66.9%
Value added	22.9% ²	53.8% ³	58.4% ⁴

Source: National Statistical Committee of Belarus, European Commission

Secondly, the SME sector in Belarus is dominated by micro enterprises, as table 3 shows.

Whilst the number of micro enterprises has risen by 17% since 2009, the numbers of small and medium-sized enterprises have even decreased slightly. Among the 17% new micro enterprise formations are many transformations of former individual entrepreneurs, which means that the

¹ Definition of SME in Belarus is different from the EU's SME definition. That is why comparison of the SME data is not absolutely accurate for methodological reasons. The classification of SMEs in Belarus uses only one criterion: Average annual number of personnel (see also table 3). The classification of SMEs in EU countries is as follows:

Enterprise category	Average annual number of personnel	Annual turnover m EUR	Annual balance sheet total m EUR
Micro enterprise	1 - 9	≤ 2	≤ 2
Small enterprise	10 - 49	≤ 10	≤ 10
Medium enterprise	50 - 249	≤ 50	≤ 43
Big enterprise	> 249	> 50	> 43

According to the EU classification, a company has to meet the criterion "No. of employees" and one of the criteria "turnover" or "annual balance sheet total".

² Share of GDP

³ Share of value creation of all enterprises

⁴ Share of value creation of all enterprises

net effect on the economy is much lower. In other words: the SME sector has actually not grown for the last years.

Additionally research into the statistical data reveals that 14% of the micro enterprises report no activities. That means that those companies are either not operating or they operate only in the informal economy. An additional reason is that it is easier to register a company than to get all other licenses and allowances necessary for starting operations.

The dynamics within the SME sector is low. Micro companies that do not grow but stay micro, the same is to say for the small and for the medium enterprises. This is an unhealthy SME sector structure. As mentioned earlier, micro and small enterprises are, in general, very vulnerable and their survival rates are usually very low, giving instability to the entire economy. It would be much healthier for the economy, if the new registered companies grow and reach a more sustainable size: at least small size stage, but better they reach medium and big size stage.

Table 3: SME sector structure in Belarus with respect to company size, 2011

<i>Enterprise category</i>	<i>Classification criterion: Average annual number of personnel (persons)</i>	<i>No. of all active companies (private and public)^{5,6}</i>	<i>Share of all companies</i>
Micro enterprise	1 – 15	65,959	77.5%
Small enterprise	16 – 100	11,646	13.7%
Medium enterprise	101 – 250	2,604	3.0%
Big enterprise	> 250	4,926	5.8%

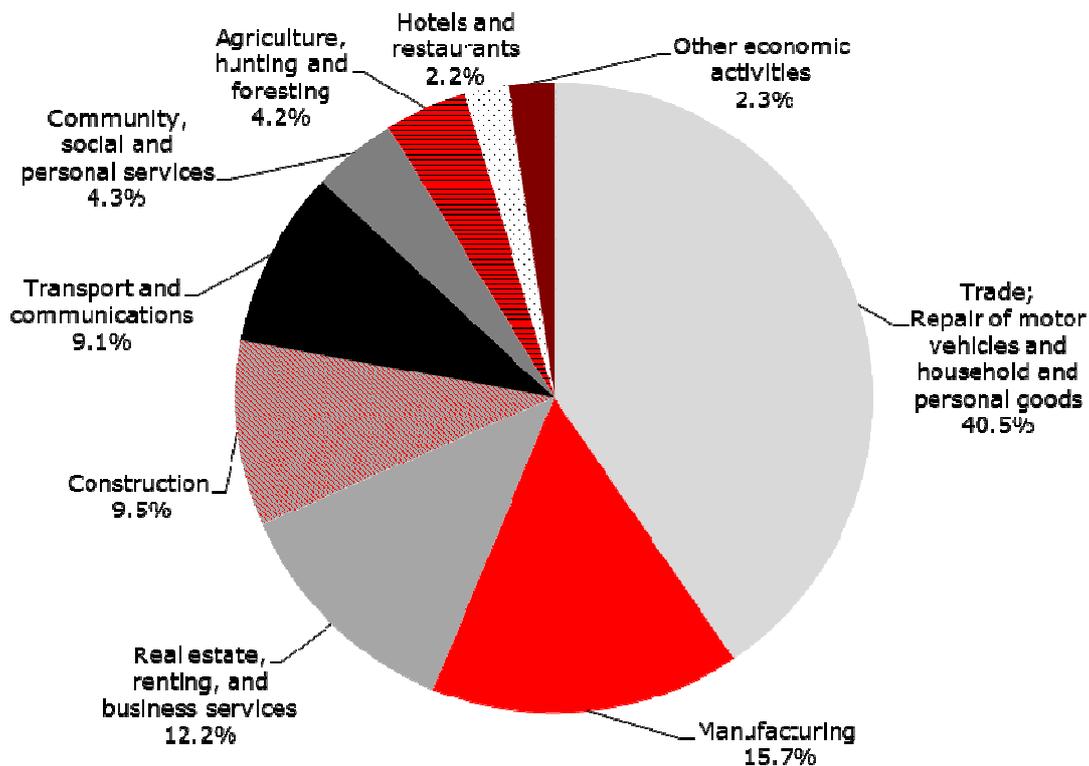
Source: National Statistical Committee of Belarus

Thirdly, Belarusian SMEs operate mainly in low-tech, labour-intensive industries with low productivity and thus with low contribution to the economy’s value creation, as the following figure 1 illustrates.

⁵ 1.7% of the micro and small, 29.1% of the medium and 40.5% of the big enterprises are public enterprises.

⁶ In the beginning of the year 2012 there were an additional 219,285 active individual entrepreneurs according to the Ministry of Taxes and Duties.

Figure 1: SME sector structure as share of total number of all SME, 2011



Source: National Statistical Committee of Belarus

3.2 SME Development Framework in Belarus

The following table provides an overview of the framework of economic conditions in Belarus that are especially relevant for start-ups and the development of SME. The framework relates to table 1, it condenses all influence factors that have been identified by scientific research. As the table demonstrates, there are already some favorable framework conditions in Belarus.

One of the main problems is that private SMEs and state-owned enterprises (SOE) do not compete on a level-playing field. SOE have superior access to resources, finance and public procurement. Additionally, some important consumer markets and some business-to-business markets are closed markets only for SOE; the private SME have no access to such markets.

Table 4: Overview of SME development framework in Belarus

<i>Economic conditions area</i>	<i>Conditions that are especially relevant for SME development</i>
Macroeconomic stability	<ul style="list-style-type: none"> ⊖ Very high inflation rate ⊖ Volatile growth of aggregate demand
Regulation and legal environment	<ul style="list-style-type: none"> ⊖ Inefficient entry regulation, e.g. registering, licenses, permissions⁷ ⊖ Inefficient product certification, inefficient customs regulation⁸ ⊖ High compliance costs and massive regulatory burden ⊖ Inefficient enforcement of business contracts ⊖ Very restrictive labour market regulation⁹ ⊖ Not always secure property rights, especially protection against expropriation not always working ⊖ Inefficient exit regulation ⊖ Discrimination of private SME with respect to access to markets, resources, finance, subsidies and public procurement ⊖ Cases of corruption and fraud in business and authorities¹⁰
Labor market	<ul style="list-style-type: none"> ⊕ Availability of educated workforce (at least with respect to formal education) ⊕ Competitive labour costs (e.g. in comparison to EU countries)
Infrastructure	<ul style="list-style-type: none"> ⊕ Good quality of roads, airports, communication, rail and port infrastructure (as compared to peer countries in the region) ⊕ Availability of business parks, building sites, water supply, energy supply, broadband internet access etc. ⊖ Underdeveloped sector of business related professional services
Taxation	<ul style="list-style-type: none"> ⊕ Moderate tax burden (e.g. in comparison to EU countries) ⊖ High administrative burden of tax regulation
Access to finance	<ul style="list-style-type: none"> ⊖ Restricted access to credit finance ⊖ Low availability of 'non-traditional' financing such as pre-seed and start-up financing, angel investors, mezzanine financing, and other forms of venture capital not available through banks

⁷ The fact that Belarus is currently No. 9 out of 183 in the World Bank "Doing Business 2013" report with respect to start-up procedures is a good success. However, the WBDB report uses a standardized research method that is not applicable to most start-ups. Scientific empirical research has not found any effect of WBDB start-up procedure rankings on start-up numbers in 39 countries over 2000-2005.

⁸ Some reform processes have already started, e.g. deregulation of prices and tariffs, except for products of monopoly organizations and socially important goods (Decree of President #72; 25 Feb 2011, Resolution of Council of Ministers #319; 14-mar-2011), reduction of documents' flow (Decree of President #114; 15 Mar 2011, Resolution of Council of Ministers #360; 24 Mar 2011), reduction of socially important goods' list (Resolution of Council of Ministers).

⁹ Some reform processes have already started, e.g. employers have now the right to establish flexible payment schemes (Decree of President #181; 10 May 2011).

¹⁰ According to Skriba (2012): Problems of corruption and shadow economy from Belarusian SMEs' perspective. IPM Discussion Paper survey PDP/12/04, forthcoming.

4 International and German experience regarding public policy towards SME development

Western developed countries can look back at more than 30 years of public policy towards SME development. Policy measures that focused exclusively on SME have been very popular in the US, in the UK (since 1980), in Germany (since end of 1990s), in France, in Sweden and in Netherlands. A rich scientific literature already exists that investigates and discusses the effects and efficiency of such dedicated SME policy measures. The reminder of this chapter highlights the most common SME policy areas¹¹ and briefly explains the international experience regarding their outcomes.

4.1 Non-discrimination of SME

Table 5: International experience regarding: Non-discrimination of SME

<i>Importance for SME development</i>	!!!!!!
<i>Typical policy instruments</i>	<p>Ensuring fair competition between SME, big companies and state-owned enterprises</p> <p>Ensuring access to public procurement</p> <p>Ensuring access to resources and finance</p> <p>Ensuring fair access to state programs such as subsidies</p>
<i>Economic effect regarding:</i>	
<i>No. of start-ups</i>	Positive, esp. strong evidence from transition countries
<i>Survival of young firms</i>	Positive, esp. strong evidence from transition countries
<i>Growth of SME</i>	Positive, esp. strong evidence from transition countries
<i>Net job creation</i>	Positive, esp. strong evidence from transition countries
<i>Net investment</i>	Positive, esp. strong evidence from transition countries
<i>Innovation rate</i>	Positive, esp. evidence from transition countries
<i>Political efficiency</i>	Very high, because costs of policy implementation are very low and deadweight losses are low, too.
<i>Current German policy</i>	<p>Fair competition between SME, big companies and state-owned enterprises</p> <p>SME programs that help SME to access resources and finance</p> <p>Public procurement guidelines that help SME to take part in state tenders</p>

Conclusion 2: Non-discrimination policy for SME is of utmost relevance for Belarus.

¹¹ Except SME finance, because this issue will be the subject of a forthcoming policy paper.

4.2 Easing regulatory burden and reducing compliance costs

Table 6: International experience regarding: Easing regulatory burden and compliance costs

<i>Importance for SME development</i>	!!!!!!
<i>Typical policy instruments</i>	<p>Easing entry regulations, entry costs and implementing efficient company formation procedures, e.g. regarding registering, licenses, permissions etc.</p> <p>Efficient product certification procedures</p> <p>Efficient customs regulation</p> <p>Partial or complete exemption of SME from substantive requirement such as reporting and record keeping</p> <p>Less frequent inspections</p> <p>Lighter fines for non-compliance</p> <p>Easing exit regulation</p>
<i>Economic effect regarding:</i>	
<i>No. of start-ups</i>	Positive, esp. strong evidence from transition countries
<i>Survival of young firms</i>	Positive, esp. strong evidence from transition countries
<i>Growth of SME</i>	Positive, esp. strong evidence from transition countries
<i>Net job creation</i>	Positive, esp. strong evidence from transition countries
<i>Net investment</i>	Positive, esp. strong evidence from transition countries
<i>Innovation rate</i>	Positive, esp. evidence from transition countries
<i>Political efficiency</i>	Very high, because costs of policy implementation are very low and deadweight losses are very low, too.
<i>Current German policy</i>	<p>Very easy entry regulations</p> <p>Efficient product certification procedures (EU standards)</p> <p>Efficient customs regulation (EU standards)</p> <p>Partial exemption of SME from reporting, record keeping and accounting requirements (according to EU recommendations)</p> <p>Easing of regulation of exit and bankruptcy (recently)</p>

Conclusion 3: Easing regulatory burden and reducing compliance costs are of high relevance for Belarusian SME policy. There are promising reform steps already, but reform measures must proceed, and most important, must be successfully implemented and enforced.

4.3 Securing property rights

Table 7: International experience regarding: Securing property rights

<i>Importance for SME development</i>	!!!!!!
<i>Typical policy instruments</i>	Prevention against expropriation Facilitation of contract enforcement, e.g. efficient courts Effective and transparent intellectual property rights regulation
<i>Economic effect regarding:</i>	
<i>No. of start-ups</i>	Positive, esp. strong evidence from transition countries
<i>Survival of young firms</i>	Positive, esp. strong evidence from transition countries
<i>Growth of SME</i>	Positive, esp. strong evidence from transition countries
<i>Net job creation</i>	Positive, esp. strong evidence from transition countries
<i>Net investment</i>	Positive, esp. strong evidence from transition countries
<i>Innovation rate</i>	Positive
<i>Political efficiency</i>	Very high, because costs of policy implementation are low, deadweight losses are very low, too.
<i>Current German policy</i>	One of the most secure, stable and efficient property right protection systems in the world Highly effective IPR protection system, harmonized with EU standards Already high and further increasing transparency, e.g. company data are available via internet, all legislation and all important court decisions are available via internet etc.

Conclusion 4: International experience regarding a policy of securing property rights is of high relevance for Belarusian SME policy.

4.4 Easing employment protection legislation

Table 8: International experience regarding: Easing employment protection legislation

<i>Importance for SME development</i>	!!!!!
<i>Typical policy instruments</i>	<p>Permission to use temporary or fixed-term contracts</p> <p>Efficient redundancy procedures</p> <p>Short pre-notification periods</p> <p>Low or no severance payments</p> <p>Exemption from special requirements for collective dismissals</p> <p>Availability of short-time work schemes</p>
<i>Economic effect regarding:</i>	
<i>No. of start-ups</i>	Positive
<i>Survival of young firms</i>	Positive
<i>Growth of SME</i>	<p>Positive</p> <p>But: disincentive to grow, when small-firm exemptions are withdrawn once a given company size is attained</p>
<i>Net job creation</i>	Positive, especially in labour-intensive industries
<i>Net investment</i>	Unclear
<i>Innovation rate</i>	Unclear
<i>Political efficiency</i>	<p>Unclear</p> <p>Costs of policy implementation are very low, but risks of deadweight losses, depending on entire social security system</p>
<i>Current German policy</i>	<p>Pre-notification period: 14 days</p> <p>No severance payments required by law</p> <p>Efficient redundancy procedures</p> <p>Exemption from special requirements for collective dismissals for companies with up to 10 employees</p> <p>Permission to use fixed-term contracts</p> <p>Availability of short-time work schemes during last crisis 2009</p>

Conclusion 5: International experience regarding a policy of easing employment protection legislation is of high relevance for Belarusian SME policy.

4.5 SME support services

Table 9: International experience regarding: SME support services

<i>Importance for SME development</i>	! ! ! ! !
<i>Typical policy instruments</i>	Information dissemination Training, Mentoring Business advice and assistance Incubators, facilities Loan guarantee schemes Grants, subsidies
<i>Economic effect regarding:</i>	
<i>No. of start-ups</i>	Unclear, little empirical evidence
<i>Survival of young firms</i>	Unclear, some evidence for positive effect on ME, not on SE
<i>Growth of SME</i>	Unclear, little empirical evidence
<i>Net job creation</i>	Unclear, little empirical evidence
<i>Net investment</i>	Unclear, little empirical evidence
<i>Innovation rate</i>	Unclear, little empirical evidence
<i>Political efficiency</i>	Unclear, ambiguous empirical evidence Problems for assessing effects and efficiency: Low take-up rates Few evaluations with appropriate methodology
<i>Current German policy</i>	Year by year reduction of public expenditure on such measures, although still an important pillar of SME policy. Focus shift to targeting innovative and growth-oriented start-ups and SME.

Conclusion 6: SME support services could play a supportive role for Belarusian SME policy in the future, but currently the unfavourable framework conditions are likely to outweigh such direct SME support measures.¹²

12 There are already 82 business support centers and 16 incubators in Belarus. However, the concept of those is different from international practice. Usually, business support centers and incubators are funded by the state and their services are free for SME (or at least subsidized). In Belarus, the centers and incubators are either for-profit companies or state-owned institutions, which are obliged to search for strategies to become profitable. Autonomous business support centers and incubators are not part of public policy.

4.6 SME tax incentives

Table 10: International experience regarding: SME tax incentives

<i>Importance for SME development</i>	! ! ! ! !
<i>Typical policy instruments</i>	Reduced tax rates for small firms Reduced tax rates for entrepreneurial income
<i>Economic effect regarding:</i>	
<i>No. of start-ups</i>	Unclear, ambiguous empirical evidence
<i>Survival of young firms</i>	Unclear, ambiguous empirical evidence encourage investments in inferior business cases
<i>Growth of SME</i>	Unclear, ambiguous empirical evidence reduces incentives to grow
<i>Net job creation</i>	Unclear
<i>Net investment</i>	Unclear, ambiguous empirical evidence encourage investments in inefficient projects
<i>Innovation rate</i>	Unclear, ambiguous empirical evidence
<i>Political efficiency</i>	Low no evidence that benefits outweigh the loss in tax revenues
<i>Current German policy</i>	No differential income taxation No tax rates reduction for SME Shorter depreciation periods for SME's investment, which does not reduce tax burden, but improves liquidity of SME

Conclusion 7: Tax cuts for SMEs should not be of high priority. However, reducing the administrative burden of tax regulations should play a key role for Belarusian SME policy (see above).¹³

¹³ There is already a tax simplification system for micro-enterprises in Belarus, which is a combination of tax incentives and reduced administrative burden. Whilst the latter is a good approach, the tax incentive part of the system has some drawbacks, especially it is prone to money laundering and tax evasion.

4.7 Encouraging unemployed to start a business

Table 11: International experience regarding: Encouraging unemployed to start a business

<i>Importance for SME development framework</i>	! ! ! ! !
<i>Typical policy instruments</i>	Enterprise allowance schemes (subsidies replacing unemployment compensation) Training, Counseling
<i>Economic effect regarding:</i>	
<i>No. of start-ups</i>	Unclear, ambiguous empirical evidence high deadweight cost
<i>Survival of young firms</i>	Unclear, ambiguous empirical evidence, high closure rates, additionally negative effect on incumbent SME, i.e. subsidized start-ups displace viable competitors
<i>Growth of SME</i>	Unclear, ambiguous empirical evidence, most subsidized start-ups operate on small scale
<i>Net job creation</i>	Unclear, ambiguous empirical evidence, mainly creation of self-employment for former unemployed, but also high closure rates and re-unemployment
<i>Net investment</i>	Unclear, most subsidized start-ups in labour-intensive industries, such as services, retail and construction
<i>Innovation rate</i>	Unclear, most subsidized start-ups in low-tech industries
<i>Political efficiency</i>	Low: a reduction in unemployment compensation spending, but also high deadweight costs displacement effects high costs of administering the scheme
<i>Current German policy</i>	Reduction of enterprise allowance schemes by more than 80% beginning in 2012

Conclusion 8: Encouraging the unemployed to start a business should not play a key role for Belarusian SME policy at the moment.

5 Conclusions and implications for Belarus

The main factors influencing SMEs' formation, performance and growth are the macroeconomic conditions and the legal and regulatory environments. Any policy targeting special SME and start-up problems are add-on measures that work efficiently only when the basic development framework conditions have already been established.

The recommendation for Belarus is, therefore, to refrain from spending too much public resources in specialized SME support measures with typically rather low efficiency but instead concentrate all resources in regaining macroeconomic stability and improving the business legal framework.

The empirical evidence for the effectiveness of this policy strategy is overwhelming. In other transition countries with similar starting conditions in 1990 - like for instance Poland, Czech Republic, Slovenia, Slovakia and Estonia etc. - this strategy has resulted in a high number of start-ups and enormous growth of young companies. SMEs in many of these countries have been responsible for the bulk of job creation, in contrast to incumbent state firms or privatized former state firms that often shed jobs. The SMEs have also been main drivers for enhanced market dynamics and innovation, which -together with FDI- played a vital role in those transition countries. This experience is of high relevance for Belarus, because when the overdue transformation of the state owned enterprises (SOE) into modern competitive private companies starts and proceeds, the SME sector could act as a job motor that compensates for the inevitable employment reduction in the SOE sector.

Having said this, a starting point for a modern entrepreneurship policy, which includes SME policy but has a more general approach, for Belarus could be the widespread implementation of entrepreneurship education in schools and universities. This is because that measure has a broad effect, requires little additional public expenditure and entails no deadweight losses. Above all, entrepreneurship education has long-term effects: That is why the implementation should start at the same time as the improvement of the basic framework begins, so that the pipeline of educated nascent entrepreneurs will be filled once the economic framework conditions are ready for innovative and ambitious entrepreneurs.

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