

# ALTERNATIVE FINANCING IN THE REPUBLIC OF BELARUS: LEVERAGING ON LEASING FOR MSME FINANCING



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Belarussian woman wearing traditional clothing, weaving and spinning with an authentic vintage loom. Weaving is a traditional Belarussian craft.  
Photo by Alex Potemkin.

# INTRODUCTION

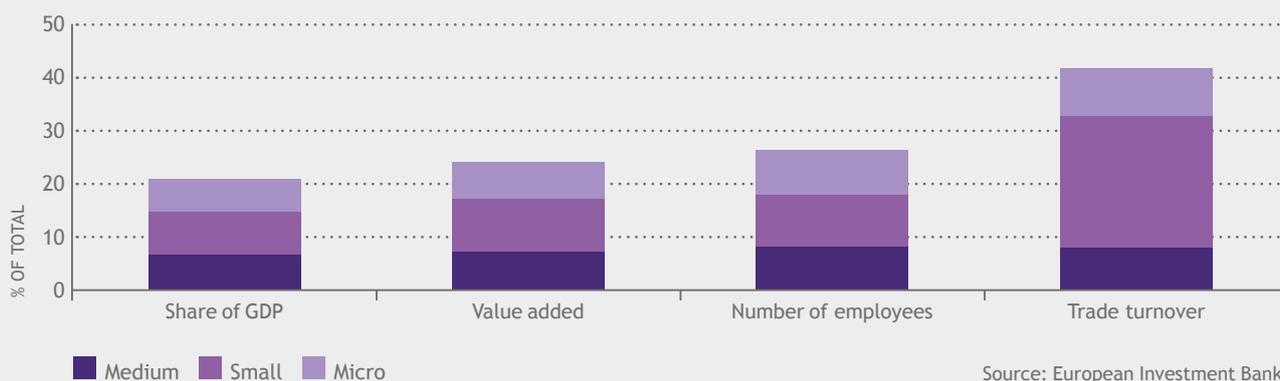
Micro, small, and medium-sized enterprises (MSMEs) are the backbone of a country’s economy as they constitute 90 percent of all businesses and more than 50 percent of employment globally.<sup>1</sup> In emerging economies, formal MSMEs contribute up to 40 percent of national income (GDP). The number is even bigger if we consider the contribution from a sizeable amount of the informal sector. Despite its importance, lack of access to financing is one of the main impediments for the growth of MSMEs.

The European Investment Bank report shows that MSMEs generate less than 28 percent of the total value added in the economy and account for slightly more than 23 percent of GDP in the year 2016. From Figure 1, it is evident that small enterprises, amongst all MSMEs, are holding the lion’s share of total MSME contribution to GDP, GVA, employment, and

international trade. Specifically, on international trade, the main importer of Belarus products and services is Russia due to its proximity, followed by Ukraine and Great Britain and Northern Ireland. Approximately 37 percent of all MSMEs are in the retail sector, followed by manufacturing (14 percent), transport (10 percent) and construction (9 percent).<sup>2</sup>

Internal financing sources typically include an entrepreneur’s own savings, retained earnings, or funding through the sale of assets. The external sources of finance can be informal (family and friends or supplier finance) and formal (debt or equity). From a MSME perspective, higher cost to serve MSMEs, information asymmetries, absence of traditional data used by banks to assess creditworthiness, lack of collateral and onerous documentation requirements make it difficult for these enterprises to obtain financing. More than 160 million MSMEs in emerging economies with estimated credit gap of \$5.2 trillion - 1.4 times the current MSME lending.<sup>4</sup> Notwithstanding the comprehensive financing landscape, MSME credit gap is still pertinent, particularly for start-up, early-stage and microenterprises as they pose adverse risk to the mainstream financial institutions, such as the incumbent banks and thus, require different form of financing to suit their risk profile. MSME financing need differs as it grows, which reflects the type of financing in each business phase whilst ensuring sustainability and growth. In addition, the supply-side requires

FIGURE 1: BELARUS MSME CONTRIBUTION TO ECONOMY



1 <https://www.worldbank.org/en/topic/sme/finance>  
 2 European Investment Bank, “Republic of Belarus: Financial Sector Review and Private Sector Financing”. June 2018. [https://www.eib.org/attachments/efs/republic\\_of\\_belarus\\_financial\\_sector\\_review\\_en.pdf](https://www.eib.org/attachments/efs/republic_of_belarus_financial_sector_review_en.pdf)  
 3 European Investment Bank, “Republic of Belarus: Financial Sector Review and Private Sector Financing”. June 2018. [https://www.eib.org/attachments/efs/republic\\_of\\_belarus\\_financial\\_sector\\_review\\_en.pdf](https://www.eib.org/attachments/efs/republic_of_belarus_financial_sector_review_en.pdf)  
 4 MSME Finance Gap: Assessment of The Shortfalls and Opportunities in Financing Micro, Small and Medium Enterprises in Emerging Markets.

different approaches to meet the growing demand for MSME finance. Traditional finance from banks and similar sources has been growing steadily but have been unable to reduce the MSME finance gap. Thing worsened when COVID-19 pushed the world into an unprecedented health and economic crisis and MSMEs, particularly women-led MSMEs, are being hit the hardest by the fallout of the pandemic. The OECD projected a 6 percent drop in global GDP, and a 7.6 percent fall in case of a second pandemic wave by end 2020, with a double-digit decline in some of the most hit countries, followed by a modest recovery of 2.8 percent in 2021.<sup>5</sup>

The emergence of alternative financing paved more options for MSMEs to do financing, particularly those who have constraints with the incumbent banks. The relatively low-level of external funding indicates that there is a need to strengthen and expand alternative finance mechanisms for MSMEs. The types of alternative finance mechanisms considered are digital finance, the use of the capital market (equity finance, angel capital, venture capital, mezzanine capital and Initial Coin Offering (ICO)), finance mechanisms (leasing and factoring (asset-based financing), non-secured loans, supply-chain financing) from banks and finance houses other than secured loans and grant. Based on the current survey conducted by the SME Finance Working Group on Alternative Finance for MSMEs, leasing came at the top among the alternative options followed by factoring and grant.<sup>6</sup>



An abandoned greenhouse in a Boarding School in the town of Behoml, Belarus, was restored to teach students the basics of gardening. The greenhouse is a part of the EU-funded 'Local Development' project, implemented by UNDP in partnership with the Ministry of Economy of Belarus. Photo: UNDP

## ALTERNATIVE FINANCE: LEASING

AFI Alternative MSME Finance member survey 2019 indicates leasing is most sought-after form of alternative finance from 15 other options. Leasing appears as an important complementary source of investment finance, particularly for countries that have weak collateral mechanism and credit information infrastructure.

The global leasing landscape in emerging markets is still very diverse today, with nascent leasing industries in the poorest countries in Africa and Asia, and maturing leasing markets in the most advanced economies of Latin America and Eastern Europe. In leasing, the provider (lessor) owns the equipment and permits the client (lessee) to use the equipment in exchange for periodic payments (lease payments). For most rural enterprises, leases are also a means of acquiring equipment (and not just its use) and ownership is transferred to the lessee at the end of the lease period, either automatically or at a token price. The advantage of leasing lies in the fact that it focuses on the firm's ability to generate cashflows from business operations to service the leasing payment, rather than on its credit history or ability to pledge collateral. A second way-out for the leasing providers in case of payment default is the repossession and sale of the leased asset, which provide additional risk mitigation. Leasing is also an appropriate financing instrument for demand-side reasons, as small entrepreneurs, especially those who are not incorporated, might be very reluctant to yield their personal property as collateral for a loan.

In many parts of the world, the leasing sector remains underdeveloped. Measured as a percentage of Fixed Capital Formation, leasing penetration in investment finance varies from 2.2 percent in China to 27.3 percent in Hungary.<sup>7</sup> Leasing and factoring volumes remain small in most developing economies, yet these

<sup>5</sup> [1] OECD (2020), OECD Economic Outlook, Volume 2020 Issue 1, OECD Publishing, Paris.

<sup>6</sup> AFI Alternative SME Finance member survey 2019

<sup>7</sup> <http://documents1.worldbank.org/curated/en/669161468140035907/pdf/948300WP0Box385443B00PUBLIC00ScalingUp.pdf>

products could help address some of the financing needs of smaller and informal firms. Legislation that promotes leasing and factoring also promotes access to finance by MSMEs, especially in environments where financial infrastructure remains deficient. The lower development of leasing and factoring in most developing countries may reflect gaps in the legal and regulatory environment of these countries. For example, leasing cannot flourish when providers experience difficulties in repossessing the leased asset and disposing of the asset. Bankers may be reluctant to apply the concept of project finance in general, and especially with MSMEs, for lack of technical understanding or perceived high risks.

This case study on the structure of leasing financing company in Belarus aims to shed light on the collaborative and inter-agency support that has been successful in growing the financing for the MSME sector of the Republic of Belarus. Specifically, we will dive into the support of the Development Bank of the Republic of Belarus (DBRB).

## MSME DEVELOPMENT IN BELARUS

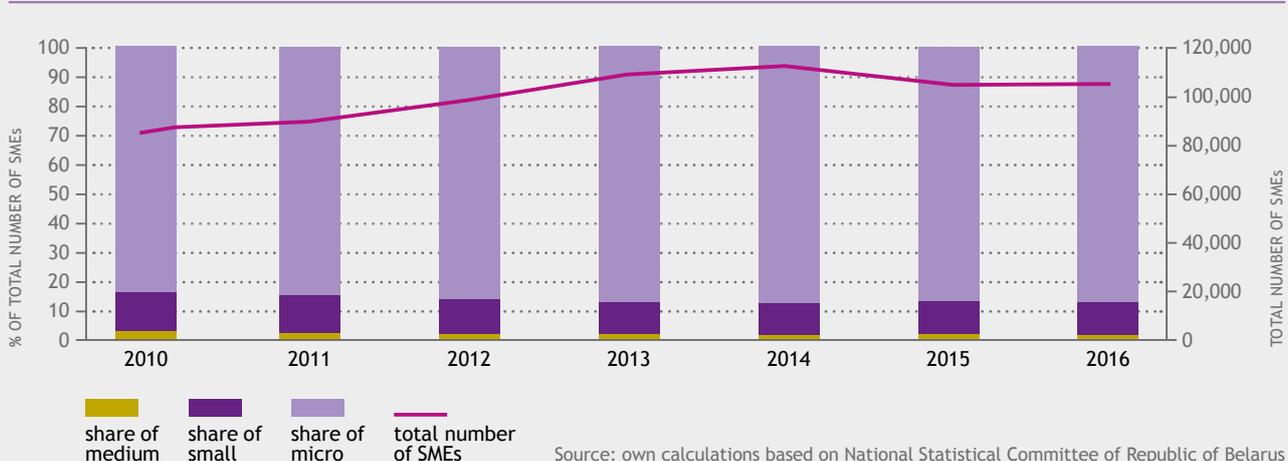
Micro, small, and medium enterprise (MSME) is a prospectively developing sector of the economy in the Republic of Belarus and its contribution to the development of the country is continuously growing.

Lately, the government has strongly re-focused its economic strategic orientations towards MSME support: reform packages focused on strengthening the business environment; creating a positive image of MSME sectors; promoting infrastructure projects for MSMEs. As a result, the government expects the share of MSMEs in total value added to reach 40 percent in 2020 and 50 percent in 2030.<sup>8</sup> Over the last 10 years, the Government of Belarus has increasingly supported private sector participation in the economy and has taken steps to develop a comprehensive MSME support policy.

Current governmental action is based on four main documents:

- (i) Presidential Directive No. 4 on the Development of Entrepreneurship and Stimulation of Business Activity in Belarus (adopted in 2010);
- (ii) Edict of the President No. 255 on Specific Measures of State Support for Small Entrepreneurship (adopted in 2009);

FIGURE 2: DISTRIBUTION OF MSMEs IN BELARUS BY PERCENTAGE AND TOTAL UNITS, 2010-2016



<sup>8</sup> European Investment Bank, 'Republic of Belarus: Financial Sector Review and Private Sector Financing' 2018. [https://www.eib.org/attachments/efs/republic\\_of\\_belarus\\_financial\\_sector\\_review\\_en.pdf](https://www.eib.org/attachments/efs/republic_of_belarus_financial_sector_review_en.pdf)

- (iii) Law No.148-3 on the Support of Small and Medium Entrepreneurship;
- (iv) and the most recent five-year State Program for MSME Support, 2016-2020.<sup>9</sup>

Belarus' authorities started recognizing the role of the private sector in economic development with the Presidential Directive on the Development of Entrepreneurship and Stimulation of Business Activity (late 2010). This is a program document aimed at further liberalizing the economy and unfettering business initiative that creates favorable conditions for a dynamic and sustainable development of the Republic of Belarus.<sup>10</sup> At present, Belarus has over 110,000 MSMEs, which are responsible for more than a quarter of the country's GDP and employ around 1.2 million people. Micro, small, and medium enterprises, as well as individual entrepreneurs and their employees, account for 27.4 percent of total employment (30.4 percent in 2014).<sup>11</sup> They also contribute to 46 percent of the country's external trade.<sup>12</sup> According to 2019 statistics, MSMEs generate 30 percent of the total value added in the economy and account for 26.1 percent of GDP. At the same time, the share of MSMEs' exports in the country's overall export performance reached 47.8 percent in 2019.<sup>13</sup>

TABLE 4. BREAKDOWN OF SMEs BY FORM OF OWNERSHIP

| ENTERPRISES  | DOMESTIC   |         | FOREIGN |
|--------------|------------|---------|---------|
|              | Public/SOE | Private | Private |
| Medium-sized | 27%        | 68%     | 5%      |
| Small        | 5%         | 89%     | 6%      |
| Micro        | 1%         | 94%     | 5%      |

Source: own calculations based on National Statistical Committee of Republic of Belarus. Source: European Investment Bank.<sup>14</sup>

Since 2010, MSMEs' share in GDP has increased by less than 5 percent, mainly driven by small and micro-enterprises. At the same time, the share of medium-sized enterprises in GDP decreased from 7.2 percent in 2010 to 6.4 percent in 2016. In 2016 the share of MSMEs' exports in total country export performance was 45.7 percent (of which medium-sized enterprises accounted for 6.7 percent), with more than 20 percent of total MSME revenue coming from export sales. MSMEs' imports accounted for 40 percent of total imports in 2016, with small enterprises representing almost half of this share, accounting for 17.1 percent.

## MSME DEFINITION IN BELARUS

Special attention is paid to the provision of the government financial support to the MSMEs, which is regulated by several legislative acts, with the Law of the Republic of Belarus "On Supporting Small and Medium Entrepreneurship" dated July 1, 2010, being the major one. This law determines the criteria of attributing legal persons and independent entrepreneurs to the MSMEs.

The micro, small and medium-sized enterprises are:

- > Independent entrepreneurs registered in the Republic of Belarus.
- > Micro organizations - profit-making organizations registered in the Republic of Belarus with the average number of employees over the calendar year being up to 15 (inclusive) persons.
- > Small organizations - profit-making organizations registered in the Republic of Belarus with the average number of employees over the calendar year being from 16 to 100 (inclusive) persons.

### DEFINITION OF MSMEs IN BELARUS

| CATEGORY                 | NUMBER OF EMPLOYEES |
|--------------------------|---------------------|
| Individual               | 1-4 employees       |
| Micro-enterprises        | up to 15 employees  |
| Small enterprises        | 16-100 employees    |
| Medium-sized enterprises | 101-250 employees   |

Source: National Statistical Committee of Republic of Belarus.

9 OECD, 'Strengthening SME capabilities through a sustainable market for business development services in Belarus' 2017. [https://www.oecd.org/eurasia/competitiveness-programme/eastern-partners/Peer\\_Review\\_Note\\_Business\\_Development\\_Services\\_Belarus.pdf](https://www.oecd.org/eurasia/competitiveness-programme/eastern-partners/Peer_Review_Note_Business_Development_Services_Belarus.pdf)

10 The Press Service of the President of the Republic of Belarus, Directive No 4 of 31 December 2010. [http://president.gov.by/en/official\\_documents\\_en/view/directive-no-4-of-31-december-2010-1642/](http://president.gov.by/en/official_documents_en/view/directive-no-4-of-31-december-2010-1642/)

11 OECD, 'Financing SMEs and Entrepreneurs 2020: An OECD Scoreboard' 2020. <https://www.oecd-ilibrary.org/docserver/061fe03d-en>

12 'EBRD loan brings new finance opportunities for Belarusian MSMEs' 2020. <https://www.ebrd.com/news/2020/ebrd-loan-brings-new-finance-opportunities-for-belarusian-msmes-.html>

13 'Small and medium-sized business in the Republic of Belarus' 2020. <https://www.belstat.gov.by/upload/iblock/e9e/e9edcb659de33ab04d5830e28af9e4ca.pdf>

14 Calculations are solely by the European Investment Bank and data is sourced from the National Bank of the Republic of Belarus.

- > The medium enterprises are profit-making organizations registered in the Republic of Belarus with the average number of employees over the calendar year being from 101 to 250 (inclusive) persons.

As of January 1, 2020, the Republic of Belarus registered:

- > 257,000 independent entrepreneurs.
- > 96,789 micro-organizations.
- > 11,753 small organizations.
- > 2,235 medium organizations.

Ensuring access of the MSMEs to the financial resources is an important constituent part of the general state policy of supporting entrepreneurship.

Financial support is provided to the MSMEs by the profit-making and non-profit-making entities (banks, the Development Bank of the Republic of Belarus, the Belarusian Fund of Financial Supporting of Entrepreneurs, the Belarusian Innovations Fund, leasing and micro leasing organizations, the European Bank for Reconstruction and Development, executive committees, among others) with the application of different forms and methods of financing.

Taking into account previous experiences, the Belarusian Government and the Council of Ministers sought the advice of the World Bank Group, International Finance Corporation and OECD to provide their recommendations on core objectives, priorities and instruments that were included in the new 'Small and medium enterprises in the Republic of Belarus' State program for 2016-2020, approved by Decision No 149 of the Council of Ministers dated 23 February 2016, which is the first attempt to create a five-year plan. The program outlines the following key objectives:

- > to improve the business environment.
- > to assist the development of MSMEs.
- > to improve support infrastructure for MSMEs.
- > to form a positive image of entrepreneurial initiative among people.

The total amount of planned financing for the program is set at USD317 million (at the exchange rate as of 31/03/2017), more than seven times higher than the previous program, with most financing sourced from the Development Bank of the Republic of Belarus (DBRB), which was identified as the main body for consolidating all MSME financing activities.<sup>15</sup>

## COUNTRY OVERVIEW

Belarus is the second-largest economy among Eastern Partnership countries, after Ukraine. The Belarusian economy is dominated by large state-owned enterprises, inherited from the USSR. Unlike its neighbors, the Belarusian Government has been carefully avoiding nationwide privatization that would see a change in ownership of such assets. State-owned enterprises provide a major part of gross output and employment opportunities; the private sector is comparably less developed.



Following the six-year period of economic stability (2009-14), the Belarusian economy entered a recession period. The Government believes that future economic growth cannot be achieved without a rapid surge in MSME development, so considerable effort has been made in this direction in recent years.

The development of MSMEs is expected to provide new workplaces, such that this requirement may be lifted, and the pace of privatization may increase.

According to the National Statistical Committee, the Belarusian MSME sector consists of 110 777 legal entities (including SOEs and companies in mixed ownership with fewer than 250 employees), which amounts to 87 percent of total businesses as of January 1, 2020. The number of individual entrepreneurs is estimated at 257 000. MSMEs and individual entrepreneurs are distributed in different sectors as follows:

- 1 Wholesale and retail trade, repair of motor vehicles and motorcycles - 35 percent of the total.
- 2 Transportation, warehousing, postal and courier services - 12 percent of MSMEs.
- 3 Professional services, research, and technology - 10 percent.
- 4 Industry - 8 percent.
- 5 Construction - 8 percent.

MSMEs account for:

- > 18.4 percent of total industrial output (+0.0 percentage points year-on-year).
- > 33.1 percent of retail trade turnover (-1.9 percentage points).
- > Almost half (48.1 percent) of catering sector turnover, which is 1.8 percentage points less than in 2018.
- > 47.8 percent of goods exports (-3.2 percentage points).
- > 44.1 percent of goods imports (-1.2 percentage points).

Source:

OECD, 'Financing MSMEs and Entrepreneurs 2020: An OECD Scoreboard', 2020 (<https://www.oecd-ilibrary.org/sites/76ff2ee0-en/index.html?itemId=/content/component/76ff2ee0-en>),

The National Statistical Committee of the republic of Belarus, 'Small and medium-sized business in the Republic of Belarus', 2020 (<https://www.belstat.gov.by/upload/iblock/e9e/e9edcb659de33ab04d5830e28af9e4ca.pdf>)

<sup>15</sup> EU4Business, 'Country Report: Belarus', May 2017.  
[http://www.eu4business.eu/files/medias/country\\_report\\_belarus.pdf](http://www.eu4business.eu/files/medias/country_report_belarus.pdf)

## CHALLENGES OF MSME DEVELOPMENT IN BELARUS

Like any other developing countries, MSMEs in Belarus experienced constraints both from demand and supply-side. From the demand-side, among the major obstacles to the further development of MSMEs in Belarus are a lack of entrepreneurship skills and business capabilities, both crucial for providing the know-how and skills needed to seize growth opportunities, reach export markets and become more innovative and competitive.

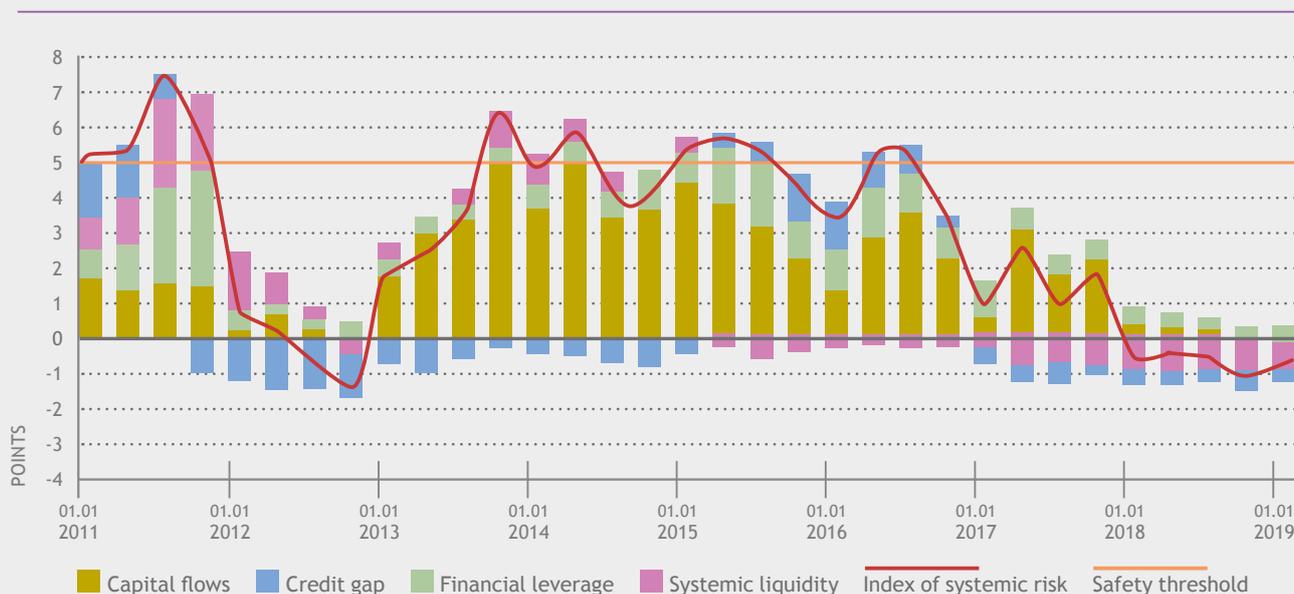
Currently, the Entrepreneurship Department of the Ministry of Economy of Belarus oversees not only policy design but also the overall coordination and implementation of MSME support measures. It is backed by national and sub-national government bodies, such as various entrepreneurship development councils and commissions, i.e. The Council for Entrepreneurship Development; the Interdepartmental Commission for

the Support and Development of Small Businesses; and the Advisory Expert Council on Entrepreneurship Development under the Ministry of Economy. It also has the support of regional executive committees (mostly in charge of budget allocation to the certified business support infrastructure), the Belarusian Fund for Financial Support of Entrepreneurs (BFFSE) and the Development Bank of the Republic of Belarus (DBRB), both the latter providing financial support to MSMEs.

The next section will explore the role of DBRB in assuring and enlarging access to credit resources for MSMEs operating in the manufacturing and service sectors, as well as conducting leasing operations for investment projects at different stages of their development.

Figure 3 shows the NBRB’s quantitative assessment of the banking sector’s exposure to the temporary manifestation of systemic risk. Amongst the variables used is credit gap. From the image, it is observed that the credit gap in Belarus has been volatile over the last 10 years but is a measure undertaken by the state as a countercyclical buffer to limit excessive lending to the economy and to maintain the crediting level and risk coverage. Latest data in 2019 shows an overall negative credit gap, which indicates a low-risk banking sector.

FIGURE 3: INDEX OF SYSTEMIC RISK OF BANKING SECTOR OF THE REPUBLIC OF BELARUS



Source: National Bank of the Republic of Belarus (2018)

## MSME FINANCING LANDSCAPE IN BELARUS: MITIGATING MSME CREDIT GAP THROUGH LEASING

For MSMEs, the main source of capital investment for the businesses is known to be from personal savings or government grants. This characteristic is the same across all sizes from micro, small, and medium-sized MSMEs. The financing sourced from banks (in the form of credits) are only 20 percent for micro and small enterprises and a mere 10 percent for medium-sized businesses. FDIs, instead, account for 12 percent and 5 percent of the overall source of funding by the respective enterprises. For these reasons, access to finance needs have been prioritized through the Development Bank and the “Programme on State Support for Small and Medium Enterprises in the Republic of Belarus for 2013-2015.”

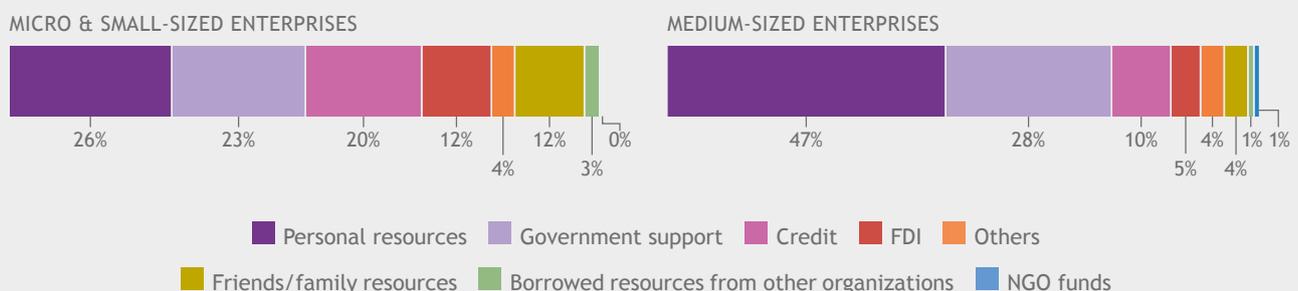
Bank lending is the most common source of external finance for many MSMEs, which are heavily reliant on traditional debt to fulfil their startup, cash flow and investment needs. However, the incumbent bank finance poses challenges to MSMEs to newer, innovative, and fast-growing companies with higher risk-return profile. The continued slower than the required growth in lending from banks and similar types of credit to the MSME sector, due to mismatches in what banks can offer and what MSMEs require, has contributed to MSME credit gap. In Belarus, the MSME

finance gap as a percentage of GDP is at 33.74 percent, of which women’s MSME finance gap about 24 percent of total MSME finance gap.<sup>17</sup>

The limitation of traditional lending led to the increased use of alternative mechanisms for MSME financing. Alternative finance are the financial channels and instruments that have emerged outside of the traditional credit line and product. The range of alternative finance goes beyond the intervention of Financial Technology or ‘FinTech’ but the emergence of FinTech has changed the existing financing landscape for MSMEs, thus FinTech is the conduit for a better financing option to MSMEs. Leasing and factoring are the two most used alternative finance mechanisms.<sup>18</sup> These products are typically offered by commercial banks (already well regulated), while non-bank financial institutions are increasingly offering or plan to offer such products.

Aside from the above, “Financial Leasing” is found to be an alternative to complement the financing landscape for MSMEs in Belarus, of which a licensed leasing company (the “Lessor”) purchases an asset on behalf of its customer (the “Lessee”) in return for a contractually agreed series of payments, which usually include an element of interest. The lessor maintains ownership of the asset while the lessee enjoys the use of the asset for the duration of the lease agreement, usually accompanied by an option to buy the asset at the end of the contract. The lessee bears all costs and risks associated with the use of the leased asset. Leasing started to grow over the last few years in Belarus. Since 2014, all leasing activities have been

FIGURE 4: SOURCE OF FUNDING (CAPITAL INVESTMENT) FOR MSMEs IN BELARUS, 2016



Source: European Investment Bank analysis of data from the National Bank of the Republic of Belarus<sup>16</sup>

16 European Investment Bank, ‘Republic of Belarus: Financial Sector Review and Private Sector Financing’. June 2018. [https://www.eib.org/attachments/efs/republic\\_of\\_belarus\\_financial\\_sector\\_review\\_en.pdf](https://www.eib.org/attachments/efs/republic_of_belarus_financial_sector_review_en.pdf)

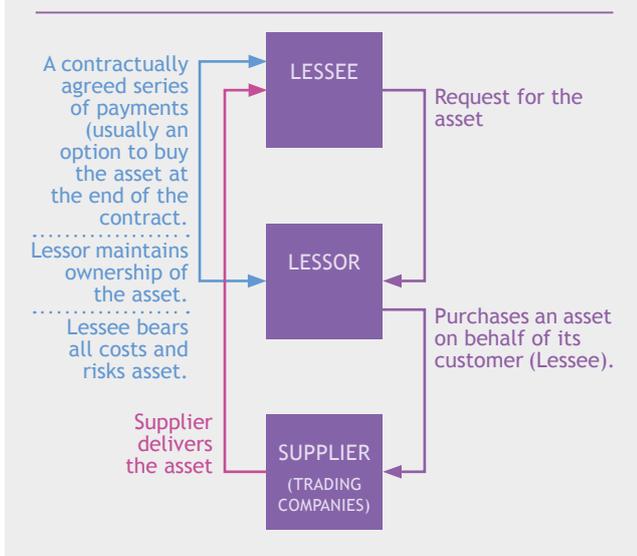
17 <https://www.smefinanceforum.org/data-sites/msme-finance-gap#field-data-sites-tabs-tab-1>

18 [https://issuu.com/afi-global/docs/afi\\_afpi\\_msme\\_ecosystems\\_framework\\_aw2\\_digital/s/11200327](https://issuu.com/afi-global/docs/afi_afpi_msme_ecosystems_framework_aw2_digital/s/11200327)

regulated by NBRB and in 2016 its assets accounted for 3.2 percent of total financial assets (0.2 percent growth on a YOY basis). At the beginning of 2017, 95 leasing companies were registered, of which 27 were established with foreign capital participation. An increase in the volume of new deals was largely driven by natural persons, whilst several new deals with legal persons showed a slight decline, reflecting the overall slowdown in business activity. Leasing items were purchased by leasing organizations employing their funds and bank credits in equal parts.

The Belarusian Fund for Financial Support of Entrepreneurs carries out leasing activities, based on the regulation of state financial support provided to small businesses and subjects of infrastructure, to support small and medium-sized businesses at the expense of the funds provided in the programs of the state support, approved by the Decree of the President of the Republic of Belarus, dated May 21, 2009 - city number 255.<sup>19</sup>

FIGURE 5: LEASING PROCESS



The context of the Development Bank of the Republic of Belarus (DBRB) amongst commercial banks in Belarus is illustrated in Figure 6. Commercial banks in Belarus represent around 85 percent of total financial assets and are estimated at 73 percent of GDP (2016) whilst leasing, microcredit, and insurance companies account for roughly 5 percent.<sup>21</sup> The Belarus Development Bank represents 7 percent of total assets.<sup>22</sup> Within the financial sector, state dominance is rather high. State-owned banks, such as National Bank of the Republic of Belarus (NBRB), comprise around 65 percent of the banking sector's assets.

#### LIST OF DOCUMENTS SUBMITTED BY SMALL BUSINESSES FOR PARTICIPATION IN THE COMPETITION FOR STATE FINANCIAL SUPPORT:

- 1 Application for participation in the competition in the prescribed form.
- 2 Feasibility study of the investment project.
- 3 A letter (certificate) from the bank on open accounts, indicating the persons entitled to the first and second signature of financial documents, the amount of debit and credit turnovers on the accounts opened with the bank for the last month, and claims for unpaid accounts, overdue loans.
- 4 Information on the provision of security for the return of the requested state financial support.
- 5 Consent to receive a credit report in the prescribed form.

Additionally, for legal entities:

- > A copy of the certificate of state registration of a legal entity.
- > The original or a copy of the articles of association.
- > Balance sheet and annexes for the previous year, as well as for the actual hours worked in the current year.
- > Copies of documents confirming the powers of the person acting on behalf of the small business entity.

Additionally, for individual entrepreneurs:

- > Tax return for the previous year and for the last reporting date in the current year.

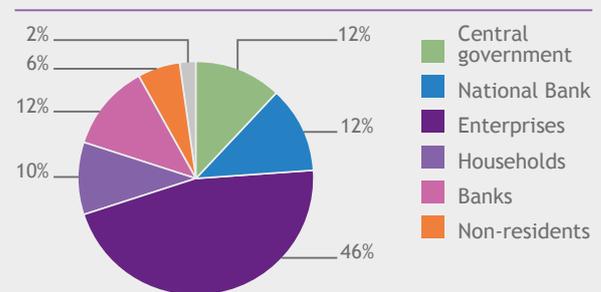
Additionally, for small businesses applying the simplified taxation system:

- > Tax return for the previous year and for the last reporting date in the current year.

Other necessary documents at the request of the Foundation.

All documents must be certified by the signature of the head and the seal of the legal entity or the signature of an individual entrepreneur and the seal, if any.

FIGURE 6: STRUCTURE OF BELARUS BANKS' ASSETS, JANUARY 2017.



Source: National Statistical Committee of the Republic of Belarus (2018)

<sup>19</sup> <http://belarp.by/ru/state-help/gosfinfond/leasing>

<sup>20</sup> European Investment Bank, 'Republic of Belarus: Financial Sector Review and Private Sector Financing' 2018. [https://www.eib.org/attachments/efs/republic\\_of\\_belarus\\_financial\\_sector\\_review\\_en.pdf](https://www.eib.org/attachments/efs/republic_of_belarus_financial_sector_review_en.pdf)

<sup>21</sup> European Investment Bank, 'Republic of Belarus: Financial Sector Review and Private Sector Financing' 2018. [https://www.eib.org/attachments/efs/republic\\_of\\_belarus\\_financial\\_sector\\_review\\_en.pdf](https://www.eib.org/attachments/efs/republic_of_belarus_financial_sector_review_en.pdf)

<sup>22</sup> European Investment Bank, 'Republic of Belarus: Financial Sector Review and Private Sector Financing' 2018. [https://www.eib.org/attachments/efs/republic\\_of\\_belarus\\_financial\\_sector\\_review\\_en.pdf](https://www.eib.org/attachments/efs/republic_of_belarus_financial_sector_review_en.pdf)

## DEVELOPMENT BANK OF THE REPUBLIC OF BELARUS (DBRB): CHAMPIONING LEASING FINANCING IN BELARUS



In line with the Edict of the President of the Republic of Belarus No. 261 dated June 21, 2011, a special financial institution - the Development Bank - was established. Its main purpose was the development of a system of government programs financing and implementing socially-important investment projects.

The program to provide financial support to the MSMEs, which was implemented in August 2014 by the Development Bank of the Republic of Belarus (DBRB), facilitates the expansion of MSMEs access to credit resources, as well as expands the possibilities of carrying out financial lease (leasing) transactions for the implementation of investment projects at different stages of development in their business. The main instrument of the program is the provision of credit resources at a reasonable price and with transparent and clear requirements to borrowers.

As partners in the implementation of the MSME Support Program, the Development Bank also considers banks and leasing organizations, which should meet the criteria defined by the Development Bank. The project portfolio formed at the beginning of the program was diversified both by economic activity and by region. The largest share was occupied by projects related to transport activities (passenger and cargo transportation) and production activities (production of metal products, plastic products, furniture, clothing, etc.).<sup>23</sup>

Since 2014, all leasing activities have been regulated by NBRB and only those entities registered with the bank are eligible to perform leasing activities in the country. In 2016, new amendments were introduced to the regulations, governing leasing activities, requiring more detailed specifications of the transactions carried out by leasing entities. Furthermore, new legislation is being prepared to regulate leasing operations in the real estate sector for natural persons.

As of December 2020, 11 partner banks and 5 leasing companies are participants of the program.

The priority objectives of providing financial support to MSMEs operating in the manufacturing and services sectors are the following:

- 1 Introduction of new technologies.
- 2 Expansion of export potential, production of import-substituting products.
- 3 Creation and expansion of the material and technical base.
- 4 Acquisition, reconstruction, modernization, construction, and overhaul of fixed assets.

The practical implementation of the program is carried out with the participation of commercial partner banks and leasing companies that have experience in cooperating with the MSMEs and envisaging the use of the double-level mechanism:

### LEVEL 1



> DBRB provides financial resources to the partner banks and leasing companies chosen under the established criteria.

### LEVEL 2



> Partner banks and leasing companies assess their financial condition and projects envisaged for implementation, as well as take decisions on issuing loans under the agreed-upon maximum rate.

> Partner banks and leasing companies choose the borrowers implying the criteria agreed-upon with the DBRB.

> Partner banks and leasing companies take decisions on loans under the agreed-upon maximum rate.

MSMEs can obtain financing not only directly through banks. The Development Bank approved a mechanism for financing MSMEs through leasing organizations, which provides for the purchase of leasing organizations' bonds by the Development Bank. The subsequent allocation of funds from the placement of bonds by these

<sup>23</sup> Development Bank of the Republic of Belarus (DBRB), 'Active Implementation of Development Bank's SMEs Support Program Continues', 2020. <https://brrb.by/en/about/press/news/active-implementation-of-development-bank-s-smes-support-program-continues/>

organizations to finance arrangements, involve the acquisition of property for its transfer to financial lease (leasing) to MSMEs, in line with the following product range that are approved by the Development Bank:

|                                                                                                                                                                                     |                                                                                                                                                                                                |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>1</b></p>  <p>Manufacturers of Medical Protectors and Equipment During COVID-19 Epidemic</p> | <p><b>6</b></p>  <p>Manufacturing enterprises, enterprises of agricultural, forest and fishery industries</p> |
| <p><b>2</b></p>  <p>Start-up companies</p>                                                         | <p><b>7</b></p>  <p>Trade and Service enterprises</p>                                                         |
| <p><b>3</b></p>  <p>Regions</p>                                                                   | <p><b>8</b></p>  <p>Social entrepreneurship</p>                                                              |
| <p><b>4</b></p>  <p>Women's entrepreneurship</p>                                                 | <p><b>9</b></p>  <p>Ecological projects</p>                                                                 |
| <p><b>5</b></p>  <p>Exporting enterprises</p>                                                    | <p><b>10</b></p>  <p>South-Eastern regions &amp; Orsha</p>                                                  |

## SUPPORT FOR START-UP COMPANIES



Eligible candidate:

- > A newly-created entity or newly-registered individual entrepreneur operating for a period less than 1 year from the moment of state registration (except newly-created organizations or newly-registered individual entrepreneurs created through reorganization).
- > Legal entities and individual entrepreneurs registered 1 year ago without business activities conducted until the year of applying for financing.

The aim of the program is:

- > Financing SMEs' costs associated with acquisition (reconstruction, modernization, construction, capital repair) of fixed assets and/or financing SMEs' costs associated with the acquisition of intangible assets (franchise license) to operate activities or service operations.
- > Financing of the costs of leasing organizations associated with the acquisition of property (fixed assets) for its further leasing out to SMEs - lessees for their operating activities or service rendering.

Cost of Fund and financing threshold/term:

- > 2\3 of the refinancing rate of the National Bank of the Republic of Belarus increased by 3.5 percentage points, which resulted to 8.67 percent p.a. (when financing through partner banks).
- > When financing is granted through a leasing organization, the interest rate is set up by a leasing organization.
- > When financing through partner banks: BYN 2.5 million (USD 1.06 million)
- > When financing through leasing organizations: BYN 0.7 million .

The share of own participation in the project (the share may include funds raised through crowdfunding platforms):

- > Determined by a leasing organization or a partner bank.
- > When financing through leasing organizations: up to 5 years.
- > When financing through partner-banks: unlimited.

## SUPPORT TO REGIONS AND WOMEN'S ENTREPRENEURSHIP

### Eligible candidate:

- > Individual entrepreneurs
- > Micro-entities
- > Small entities
- > Medium-sized businesses



### The aim of the program is:

- > Financing SMEs' costs associated with acquisition (reconstruction, modernization, construction, capital repair) of fixed assets and/or financing SMEs' costs associated with the acquisition of intangible assets (franchise license) to operate activities or service operations.
- > Financing of the costs of leasing organizations associated with the acquisition of property (fixed assets) for its further leasing out to SMEs - lessees for their operating activities or service rendering.

### Cost of Fund and financing threshold/term:

- > 2\3 of the refinancing rate of the National Bank of the Republic of Belarus plus 3.5 p.p. resulted to 8.67 percent p.a. (when financing through partner banks).
- > When financing is affected through a leasing company, the interest rate shall be defined by a leasing company.
- > When financing through partner-banks: BYN 5.0 million.
- > When financing through leasing organizations: BYN 1.5 million.

### Participation with own funds (the share may include funds raised through crowdfunding platforms):

- > Determined by a leasing organization or a partner bank.
- > When financing through partner-banks: unlimited.
- > When financing through leasing organizations: up to 5 years.

### Supplementary conditions (only for program to support regions):

- > The loans are granted to MSMEs operating in manufacturing and service sectors, registered and operating in the territories of medium-sized, small towns and the rural districts. The territory of medium-sized, small towns and the rural districts in the territory of the Republic of Belarus except for the territory of the towns of Baranovichi, Bobruisk, Borisov, Brest, Vitebsk, Gomel, Grodno, Zhodino, Zhlobin, Lida, Minsk, Mogilev, Mozyr, Molodechno, Novopolotsk, Orsha, Pinsk, Polotsk, Rechitsa, Svetlogorsk, Slutsk, Soligorsk.
- > Within the validity period of the agreement for Sub-project financing the SME is entitled to undergo a free training for conducting business, business-plans preparation, legal aspects of business activities and applying for financing within the UNDP project regarding employment and self-employment development in small towns, or any other similar training within the frames of associated programs to be implemented by partner organizations together with and simultaneously with UNDP and/or Development Bank.

## PROGRESS OF THE DBRB MSME SUPPORT PROGRAM

The beginning stages of implementation were rampant and yielded positive results for both MSMEs and the DBRB. In the first half of the year 2018, 812 investment projects amounting to BYN 119.8 million (USD 49.7 million) were financed in the framework of the Development Bank's MSMEs support program with the participation of partner banks, which is almost four times more than the funding provided for the same period last year. The total cost of projects financed from the resources of the Development Bank amounted to BYN 190.6 million (USD 79.1 million). In total, more than 2,500 projects with a total cost of about 650 million rubles (USD 9.19 million) were financed during the implementation of the program from August 2014 to June 2018.

As of August 1, 2019, since the introduction of the above-mentioned mechanism, four leasing organizations participated in the program, which financed 36 projects, the total volume of concluded financial lease (leasing) agreements amounted to BYN9.6 million (USD4.0 million), and the total cost of projects financed at the expense of the Development Bank's resources amounted to about BYN12.5 million (USD 5.2 million).

- > **As of the close-of-business on 31<sup>st</sup> December 2019, 835 projects under the agreements concluded with partner-banks and leasing companies in 2019 were financed. The total volume of concluded loan agreements (financial lease agreements) makes BYN 131.4 million. The total value of projects funded on account of the Development Bank's resources made about BYN 178.3 million.**

Based on the analysis of projects portfolio structure, 80 percent of the projects are financed in the amount not exceeding BYN 200 000.

The largest relative share in the total portfolio of MSMEs support (in terms of the value of loan agreement (financial lease agreement)) belongs to projects related to the transport sector (passenger and cargo transportation) at 45 percent, manufacturing (production of ice-cream, outer clothing, construction metalwork, timber, plastics metal articles, feedstuffs and feed additives, wallpaper, timber sawing up and slicing, production of furniture, food, glass formation and processing etc.) at 29 percent and the service sector at 8 percent.

Geographically, the financing covers practically the whole of the territory of the Republic of Belarus due to an extended branch network of partner banks participating in the program. The leading position in terms of projects quantity is taken by the Grodno, Brest, and Minsk regions - 149, 147 and 146 projects, respectively. In terms of loan agreements (financial lease agreements) values, the leading position is taken by Minsk region - BYN 26.54 million, the second place belongs to Brest region - BYN 26.25 million.

Considering the number of financed projects 72 percent of the customer segment is taken by micro-business and individual entrepreneurs. In terms of financing amount, micro-enterprises and individual entrepreneurs take about 53 percent within the portfolio structure and small enterprises take 37 percent.

In terms of the amounts of agreements concluded by partner-banks and leasing companies, 46 percent of the projects are aimed at motor vehicles purchase, 29 percent at equipment purchase, 15 percent at real estate purchase, and 10 percent at working capital funding (feedstock, materials, goods for sale).<sup>24</sup>

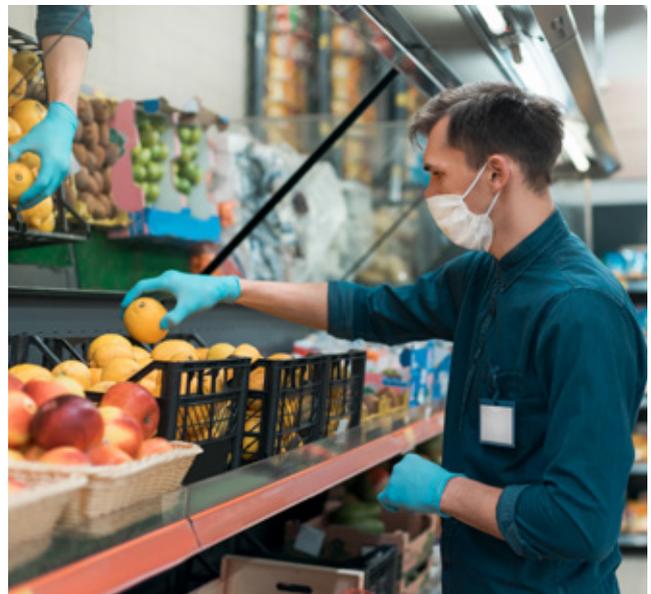
In 2019, the product line under the Development Bank's financial support program was replenished with a new product - "Support of Social Entrepreneurship". Credit resources under this product can be used by individual entrepreneurs, micro- and small organizations, as well as medium-sized businesses that help social institutions or ensure employment for the socially-vulnerable categories of citizens. In July 2019, the first project under this product was funded. Financing was received by an enterprise, more than 50 percent of whose employees were disabled people of the 2nd and 3rd groups, who were involved in all production processes and underwent social adaptation through work.

In April 2020, The Development Bank of the Republic of Belarus and the Intellect Leasing JLLC<sup>25</sup> signed a general agreement on the procedure for interaction within the framework of expanding access to financing for MSMEs. Through this tie-up, MSMEs can receive financial support not only directly from partner banks, but also through leasing organizations of the Republic of Belarus, including through intellect-leasing.<sup>26</sup>

**Compared to financing via banking, leasing has several differences that makes it much more suitable for MSMEs:**

- > Leasing company undertakes search for credit resources, equipment suppliers and other transaction costs.

- > There is an opportunity to use accelerated depreciation of leased property, which allows to write down the value faster and reduce the amount of property tax.
- > Leasing gives an opportunity to upgrade leased equipment at the end of the lease term and use the most modern technologies, which increases competitiveness, productivity, and product quality.
- > Lease payments are included in the cost of production, which decreases profit tax base and, consequently, tax payments.
- > Transparent and flexible system of payments make budget planning and management of working assets easier.



## SUPPORT TO LOCAL BUSINESS AMIDST COVID-19

The first confirmed case of COVID-19 was reported on 28 February 2020. Since then, the government has been swift in its response, implementing a range of measures to delay the spread of the disease and to support individuals and businesses. Containment measures currently in place, which are limited compared to other countries, include travel restrictions

<sup>24</sup> Development Bank of the Republic of Belarus (DBRB), 'Support to SMEs Program Outcomes', 2020. <https://brrb.by/en/activity/support-to-smes/program-outcomes/>

<sup>25</sup> Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) 'Development Bank of Belarus expands range of program partners to support SMEs'. 2020. <http://www.adfiap.org/news/members-news/development-bank-of-belarus-expands-range-of-program-partners-to-support-smes/>

<sup>26</sup> Development Bank of the Republic of Belarus (DBRB) 'Development Bank Continues Expanding Range of Partners of Program for Financial Support to SMEs', 2020. <https://brrb.by/en/about/press/news/development-bank-continues-expanding-range-of-partners-of-program-for-financial-support-to-smes/>

(e.g. cancelations of international flights and ground transportation), social distancing (e.g. self-isolation rules for the sick, and their first and second-level contacts; and a ban on gatherings/events with international participation), and recommendations for schools and education. In some regions such as Minsk, there has also been cancelation of public events. In order to facilitate travel abroad, the Ministry of Health has developed a certificate of the absence of COVID-19 and is identifying clinics where the certificate and a test can be obtained for a fee. Policy measures are elaborated below. First re-opening measures became effective in mid-June; the national airline, Belavia continues to update its international flight schedule (flights to Russia resumed in late September) and restrictions on transit truckers were lifted. In mid- October, quarantine regulations were further amended, and the Ministry of Health issued enhanced recommendations to businesses and non-profit organization on social distancing, limiting any meeting with more than 5 participants and encouraging video conferencing.

In addition to the impact of the COVID-19 pandemic, Belarus faces a gradual loss through oil price subsidies from Russia through the “tax maneuver” till 2024, the economic impact of protests and strikes that are taking place since the presidential election of August 9, 2020, and the recent oil-price shock and its negative impact on the price of Belarus’ exports of refined products.

For economic relief, the government of Belarus announced a package of fiscal measures, which included additional resources for the healthcare sector (including salary allowances for essential personnel) and tax relief and tax deferral measures to support businesses. Some of these measures are being implemented on the local government level (e.g. in Minsk on June 1 and June 11). The possible total fiscal impact of these measures has not yet been published. In addition, public sector salaries are being kept at the legislated minimum and subsidies are being granted to public sector organizations that are forced into part-time employment or to stand idle for a specified time.

On the part of monetary and micro-financial mitigations, the National Bank of the Republic of Belarus played a key role, such as:

- > Credit holidays: Guidance to banks to postpone principal repayments and interest on loans.
- > Mitigation of a number of prudential requirements: softening of assets classification requirements (including looser prudential requirements on FX loans); increasing the maximum risk standard for one debtor; suspending indexation of regulatory capital of banks

- or other financial corporations; lowering the liquidity coverage ratio; and softening credit risk requirements for systemically important borrowers when calculating the normative capital adequacy ratio.
- > Softening of recommendations on interest rate ceilings on deposits and credits, and the associated risk assessment.
- > Recommendations to banks on restraining from increasing interest rates on restructured debt.
- > Partially releasing the capital conservation buffer.
- > Extending the maturity of the central bank’s refinancing loans for banks.

The central bank also reduced the policy rate twice during the COVID-19 pandemic period to 7.75 percent from July 2020 and remains the same as of 11 November 2020.<sup>27</sup>

On part of the DBRB, the <SME support program has been expanded to now include manufacturers of medical protectors and equipment. The range of beneficiaries expand across all who fall under the MSME definition in Belarus.



An employee manufacturing macarons at the BonGenie confectionery factory, Minsk, Belarus. Photo by Natalia Fedosenko.

<sup>27</sup> National Bank of the Republic of Belarus (NBRB), ‘On additional measures aimed at increasing the ability of banks to provide financial support to the real sector of the economy’, 26 March 2020. <https://www.nbrb.by/press/10042> ; <https://www.nbrb.by/press/10060> <http://www.nbrb.by/press/10167>

**LEGISLATION AND REGULATORY FRAMEWORK AS ENABLERS**

To create favorable conditions for doing business, the National Bank of the Republic of Belarus improves legislation governing the implementation of credit operations, as well as takes measures to create the necessary infrastructure for the development of alternative financing for MSMEs and elaboration of relevant legislation.

Currently, the National Bank is working on improving financing under the assignment of monetary claims (factoring) and creating legal conditions for factoring by entities that are not banks.

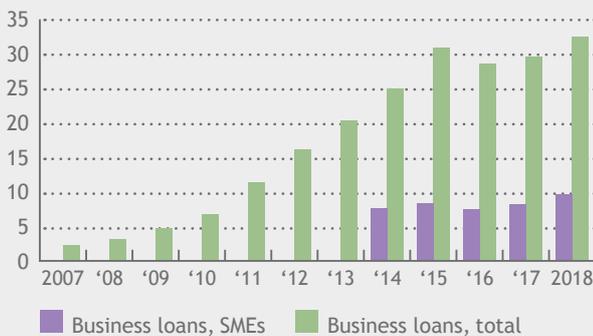
To expand the use of leasing in financing the activities of business entities, the National Bank of the Republic of Belarus considers the possibility of transferring intellectual property objects in the Republic of Belarus to lease. With regards to international regulatory practice, amendments will be prepared to legislation aimed at

creating a legal framework for transferring software, works of science and art, industrial designs, and other results of intellectual activity to lease. This will make it possible to expand the use of leasing as a financing tool and will enable entities to pledge expensive intellectual property objects for use on acceptable terms.

On a national level, financial support for MSMEs has two basic dimensions. First, there is state support, i.e. public funding provided by central and local budgets and by the Development Bank of the Republic of Belarus (DBRB). The legal framework for this type of support is based mainly on the following laws and regulations:

- > Law on the support of small and medium-sized entrepreneurship (adopted on July 1, 2010).
- > Presidential Decree No. 255 on specific measures of state support for small and medium-sized entrepreneurship (May 21, 2009).
- > Resolution of the Council of Ministers No. 149 on the state program for MSME Development in Belarus for 2016-20 (February 23, 2016), and other regulations adopting the state program.

**FIGURE 7: SME LOANS AND TOTAL BUSINESS LOANS, 2007-18 ANNUAL, IN BYN BILLION**



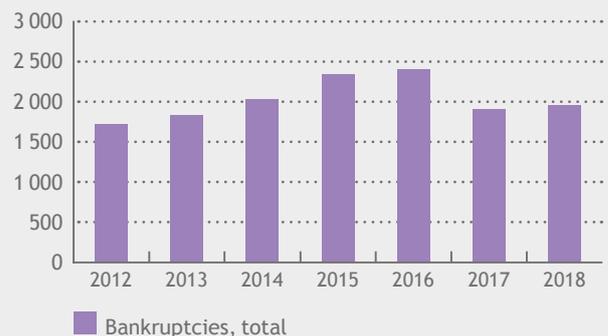
**FIGURE 9: NEW BUSINESS LENDING, 2007-18 ANNUAL, IN BYN BILLION**



**FIGURE 8: NON-PERFORMING LOANS, 2007-18 ANNUAL, AS A SHARE OF ALL LOANS**



**FIGURE 10: BANKRUPTCIES, 2017-18 QUARTERLY, NUMBER OF INSOLVENT CORPORATIONS**



The funds budgeted under state support programs may be provided to MSMEs via:

- > The Belarusian Fund for the Financial Support of Entrepreneurs, which gives access to (interest-free) financial loans and finance-leased assets.
- > The Executive Committee of Minsk City and regional Executive Committees (or, upon their decision, via executive committees of cities, towns and districts, other local authorities, and/or entrepreneurship financial support infrastructure in regions or Minsk City). These entities provide (interest-free) financial loans, interest rate subsidies (in the case of bank loans), subsidies to reimburse costs of leasing, including the lessor's cost (in case of finance leasing), and subsidies to reimburse costs of trade fairs organization and/or participation.
- > Banks, providing concessional (micro) loans using the funds from local budgets allocated by the state MSME support programs and deposited into the banks in question.

These graphs show the trend in MSME and entrepreneurship finance in Belarus.<sup>28</sup> Lending to MSMEs only began in 2014, despite the fact, that Belarus had increased their business loan amount (BYN billion) by almost 6-fold over 10 years (2007-2018). This is a positive sign on the financial performance of MSMEs as they continue to increasingly fulfil the scheduled repayments to banks. Non-performing loans amongst MSMEs were highest in 2016 but improved in 2017 and 2018. It is also important to note that most of the loans to MSMEs were lent to new customers, which suggests promising financial support and the development of the MSME sector.

## NATIONALIZING DIGITAL FINANCING

Given the development of digital technologies, new tools are being improved, developed and implemented, which allows MSMEs to increase and ensure access to financing sources, including alternative ones (credit register, movable property registry, Single Settlement and Information Space (SSIS), unified interbank identification system).

To further the economic efficiency and the development of microfinance infrastructure, the National Bank of the Republic of Belarus plans to settle new types of microfinance using financial technologies. At present, work is underway on the draft Decree of the President of the Republic of Belarus "On Online Borrowing Services," the concept of which is to address the development of financial returns of crowdfunding platforms in the Republic of Belarus, as well as to expand the access of natural persons and legal entities to borrowed funds, in order to satisfy their needs in financial services to a full extent.

COVID-19 has also resulted in a steep increase in the participation rate of Digital Financial Services. In October 2020, amendments were made to the Rules for the implementation of transactions with electronic money, expanding the possibilities of their use (i.e. Resolution No. 328).<sup>29</sup> From January 1, 2021, restrictions on the purposes of spending electronic money issued by Belarusian banks will be lifted for legal entities and individual entrepreneurs. Business entities will be able to use them within the framework of their economic activities for purposes that not prohibited by law.

In addition, from January 1, 2021, banks and non-bank financial institutions of the Republic of Belarus will be able to provide legal entities and individual entrepreneurs with services for exchanging electronic money. This means one-settlement system that uses electronic money can exchange electronic money with another settlement system that uses the same. This includes the exchange of electronic money denominated in different currencies and issued within the same settlement system. Only banks can provide such services, subject to the conclusion of appropriate agreements between them and the issuers of electronic money.

<sup>28</sup> OECD, 'Financing SMEs and Entrepreneurs 2020: An OECD Scoreboard' <https://www.oecd-ilibrary.org/sites/76ff2ee0-en/index.html?itemId=/content/component/76ff2ee0-en#figure-d1e84141>

<sup>29</sup> National Bank of the Republic of Belarus (NBRN), 'Opportunities for Using Electronic Money are Expanding in the Republic of Belarus', 4 November 2020. <https://www.nbrb.by/press/10732>

# CONCLUSION

Alternative finance opens the door for more MSME access to financing, thus mitigates the credit gap. Regulator should ensure that alternative finance mechanisms, particularly leasing and factoring, are enabled and included within the financing environment landscape. An ideal legislative framework for leasing should:

- (i) Clarify the rights and responsibilities of the parties to a lease;
- (ii) Remove any possible contradictions within the existing legislation;
- (iii) Create non-judicial repossession mechanisms;
- (iv) Ensure that tax rules are clear and neutral, removing any bias against leasing, e.g. the lessor should be entitled to claim depreciation on the asset and the lessee should be entitled to claim the lease payments; and
- (iv) Clarify the rights of lessors and lessees under bankruptcy.

Belarus offers a wide range of opportunities to access finance, thereby enabling MSMEs to choose the most appropriate instrument. Banks are the main source of external funding to MSMEs, mostly through loans, but non-bank financing, i.e. leasing, is of high relevance as well. Unlike loans, there is no cash made available from a finance company to the client, but only an asset, which provides MSMEs with additional possibilities to reach credit sources. Although implementation of these alternative tools in Belarus has been increasing over the last few years, they are still underdeveloped. Therefore, support for the development of alternative sources of finance and services is highly important.

The example drawn from the Development Bank of the Republic of Belarus is exemplary to public-private sector participation. The success of MSME indeed hinges greatly on availability and access to financing but should be coupled with regulatory and legislative actions to create the right environment for growth.

An engineer by education, Victoria combines work on the railway with her own business selling sweets in the small town of Kichev in eastern Belarus. Photo by UNDP.





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