

***Transition in Belarus Highlights***  
***May 12, 2009***

- (1) Drawing from Monitoring Country Progress (MCP) analysis, Belarus is performing poorly by Eurasian standards in three out of the four primary indices. It performs worse than any country but Turkmenistan on economic reform and ahead of only Turkmenistan and Uzbekistan on democratic reforms. Belarus scores worse on economic performance than any E&E country outside of the Kyrgyz Republic. However, Belarus is the Eurasian leader in human capital – outperforming all of Eurasia and most of the Southern Tier Central and Eastern Europe countries (***Figures 1*** and ***2***). However, these data for the most part do not (yet) take stock of the impact of the global economic crisis.
- (2) Disaggregating the MCP indices reveals that Belarus lags considerably in all areas in economic and democratic reforms compared with the average score at graduation of Romania, Bulgaria and Croatia. In economic performance, Belarus lags in all areas with the exception of economic growth, macro-stability and domestic inequality. In human capital, however, Belarus equals or exceeds the Romania, Bulgaria and Croatia average with the exception of life expectancy (***Figures 3-6***; make sure you double click to get these charts).
- (3) There has been modest progress in economic reforms in Belarus over the past ten years as measured by the EBRD’s macroeconomic reform indicators, albeit from a very low base (***Figures 7 -11***). After a steep decline in the mid to late 1990s, Belarus’ economic reform score has been slowly improving. While it lags considerably behind the Eurasia average, the slope of the economic reform line for Belarus resembles that of the rest of the region (***Figure 9***). Some progress has been demonstrated in banking reform, enterprise reform and large scale privatization since 1999 (***Figure 11***). There were 2008 gains in large-scale privatization and enterprise reforms.
- (4) As measured by the World Bank’s *Doing Business* indicators (i.e., micro economic reforms), Belarus ranked eighty-five out of 181 countries worldwide in 2008: at the Eurasian median. This is a significant improvement on its ranking of 115th in 2007, and Belarus was cited as the fourth-best (i.e., improved) reformer for the year. The government has presumably targeted these indicators for improvement. Related, it has also explicitly solicited foreign direct investment, to some success. Belarus’ ranking in 2008 was better than Moldova (103), Russia (120) or Ukraine (145). The country’s best rankings are for ease of registering property and enforcing contracts, where it now ranks 14th in both categories. For registering property, this reflects that fact that the number of procedures, duration and cost are all below OECD averages; similarly, for enforcing contracts, the number of procedures and time needed compare favorably with OECD countries (***Figure 12***).

- (5) There has been significant backsliding in democratic reforms (as measured by Freedom House) since 1994 (*Figure 13*). Backsliding has occurred in almost all areas of democratic reforms (*Figure 15*). Freedom House registered no change in democratic freedoms (political rights and civil liberties) in Belarus in 2008.
- (6) An E&E democracy and governance index compares Eurasia with other parts of the world. (The index includes three indicators from Freedom House and three from the World Bank's *Governance Matters* dataset). According to this 153-country dataset, Belarus is one of the ten least democratic nations worldwide (*Figure 16*).
- (7) *Figure 17* shows the remarkable GDP growth that Belarus has enjoyed in recent years. Belarus' GDP in 2008 was fifty percent higher than its pre-transition GDP, a greater percentage than even that of the Northern Tier CEE countries on average. Before the financial crisis, economic growth in Belarus averaged close to nine percent since 2002, with spare capacity and high investment underpinning production growth, as well as a combination of sharp export price gains, strong growth in trading partners, and large energy subsidies from Russia supporting demand.
- (8) However, Belarus has been hit hard by the global economic crisis. The April 2009 IMF World Economic Outlook forecast has Belarus' economy declining by -4.3% in 2009 (*Figure 18*). The drop in economic output from 2007 to 2009 will be very substantial by global standards (*Figure 19*).
- (9) Since bottoming in 2006 at seven percent, inflation has been rising in line with developments in other countries in Eurasia and currently stands around sixteen percent. According to the IMF, the rise in inflation is partly the result of global food and energy shocks, but indicators of domestic demand, high credit growth, and output growth above trend point to an overheated economy. The economic slowdown is forecast to slow the growth in the rate of inflation (*Figure 20*).
- (10) Belarus' vulnerability to the global crisis stems in part from its increasing export dependence on fuel, much of it the re-export of refined products of imported Russian crude fuel at market prices (*Figures 21-23*). During the boom, external vulnerabilities were not addressed: international reserves remained low, and exports to Western markets remained concentrated on oil products, while higher value-added exports were mostly to Eurasia. Belarus' current account deficit has been very high in recent years, and foreign direct investments, as the preferred way to finance those deficits, have been much too low (*Figures 23 and 24*). In addition, short-term debt relative to foreign exchange reserves has been very high (a ratio of 3-to-1 in 2008). Belarus remains very dependent on Russia's market for its exports, 37% of total

- (11) Belarus' dependence on imports from Russia is even greater, at 56% of total imports. A key part of that dependence is natural gas imports, which have increased notably in price recently as Russia moves towards reducing price subsidies. Almost 100% of the domestic consumption of natural gas in Belarus comes from Russia (at least as of 2006, **Figure 25**).
- (12) Overall, Belarus is very energy insecure, not only very dependent on energy imports from Russia, but also very inefficient in the way it uses energy (**Figure 26**).
- (13) Only 8% of Belarusians say that the country's economic situation has improved, while 56% say it has declined. The estimation is much worse than a year ago. (**Figure 27**).
- (14) The impacts of the global economic crisis are likely to adversely affect Belarus' human capital. **Figures 28-32** highlight some of the health conditions prior to the crisis: low life expectancy that has only recently begun to increase after a decade of decline; among the highest life expectancy gender gap worldwide (in keeping with the northern former Soviet Union pattern). Belarus' trends in infectious diseases (AIDS and tuberculosis) have been less troublesome than in other parts of Eurasia.
- (15) Regarding demographic trends. Belarus' population is forecast to decline at a rate among the highest worldwide. Twenty-four countries worldwide are forecast to have their population contract from 2006-2015, all but four are transition countries. The most significant declines in population worldwide from 2006 to 2015 are forecast to take place in Bulgaria, Moldova, and Ukraine (all with a decline of -0.8%), followed by Russia, Romania, Latvia, and Belarus (with a decline of -0.6%). **Figure 33** indicates how declining birthrates will impact Belarus' population in 2025.
- (16) The E&E Bureau has developed a Peace and Security index as a new element of the MCP system. **Figure 34** shows how Belarus scores on all six elements of the index (2.9 out of 5.0). The poorest score on the overall index is in Transnational Crime, where Belarus scores 2.2 out of 5.0. **Figure 35** disaggregates the Transnational Crime sub-index, where the worst indicator is 'Criminalization of the State,' an indicator making up the Fund for Peace/Foreign Policy Magazine *Failed State Index*. Belarus also scores poorly on Money Laundering, indicating its designation as a "country of concern" by State INL. **Figure 36** inserts a 45 degree line into a scatterplot measuring peace and security and democratic reforms. Countries that fall on or close to the 45 degree line are equally advanced on the two dimensions. For Belarus, like all of Eurasia, peace and security is more advanced than democratization.

# Monitoring Country Progress in Belarus

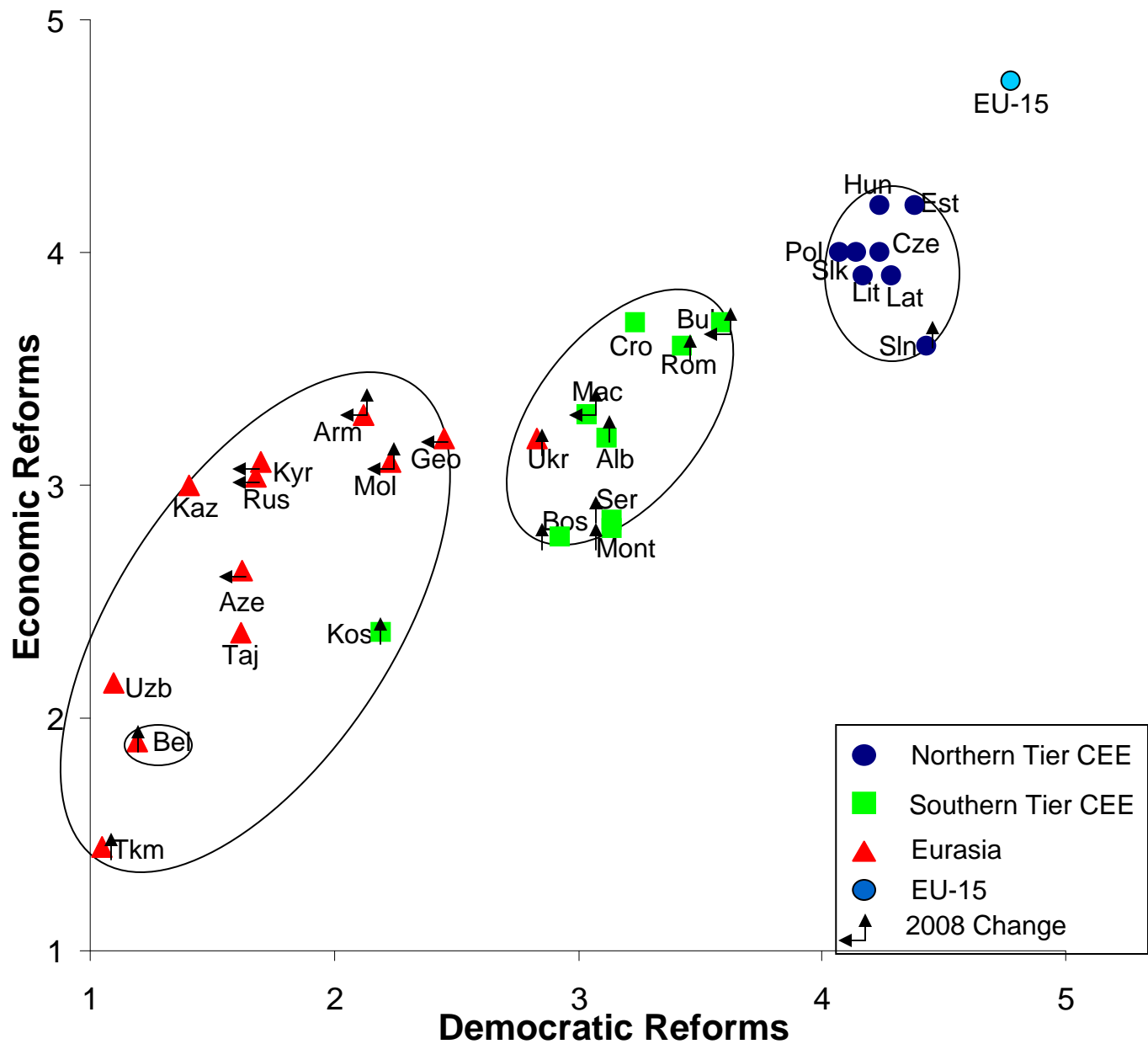
Program Office  
Bureau for Europe and Eurasia  
U.S. Agency for International Development

May 2009



Figure 1

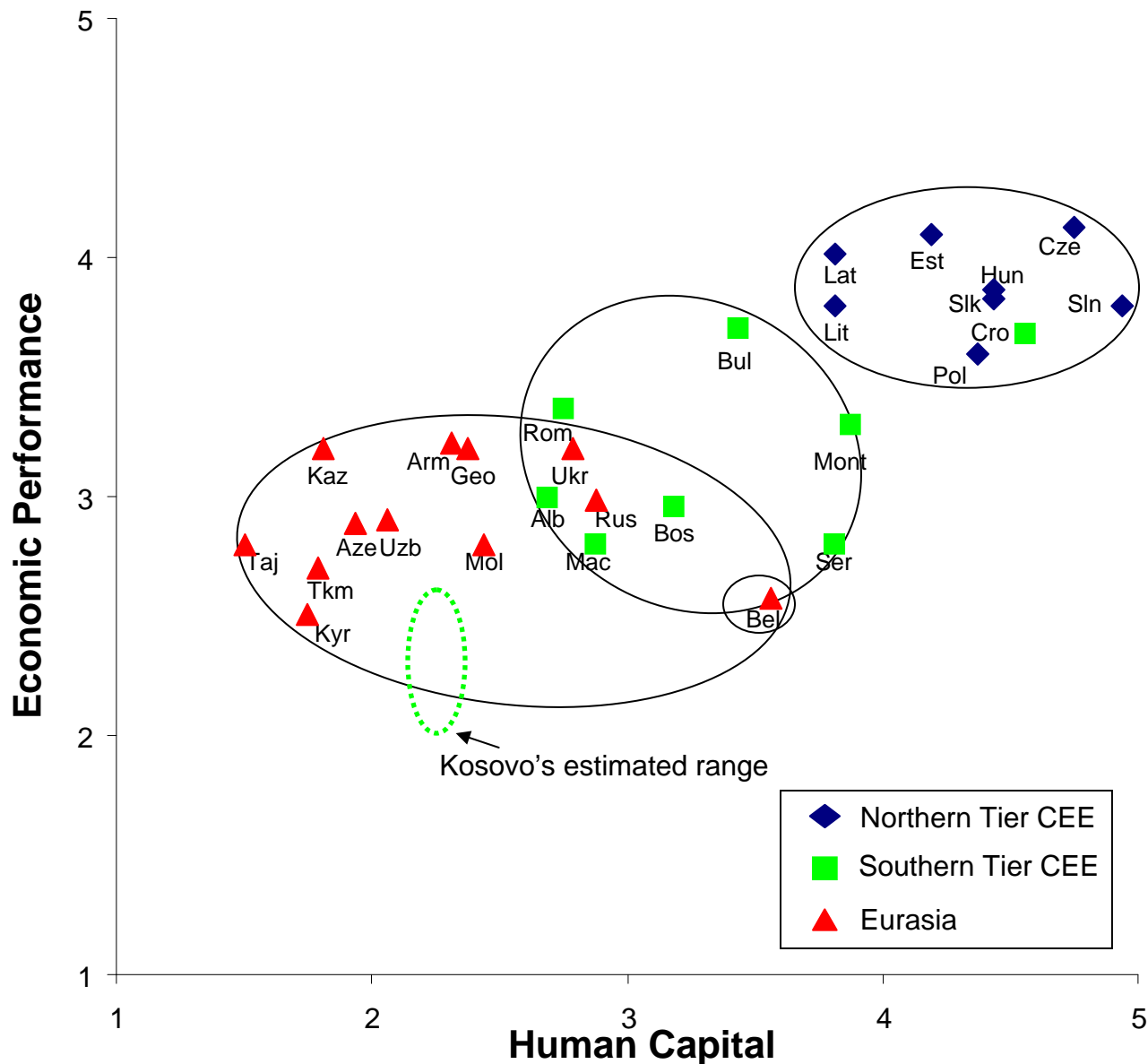
# Economic and Democratic Reforms in 2008



Ratings are based on a 1 to 5 scale, with 5 representing most advanced. Freedom House, *Nations in Transit 2008* (June 2008); *Freedom in the World 2009* (January 2009); and EBRD, *Transition Report 2008* (November 2008).

Figure 2

# Economic Performance and Human Capital in 2006-2008



Ratings are based on a scale from 1 to 5, with 5 representing the best score. World Bank, *World Development Indicators 2008* (April 2008); EBRD, *Transition Report 2008* (November 2008), UNECE, *Statistical Division Database* (2008); Fund for Peace, *Failed States Index* (2008); IFC & World Bank, *MSME Database* (2007); UNICEF, *TransMONEE Database* (August 2008); World Health Organization European Health For All Database (2008); Murphy, Petric and Sprout, *Education in Eastern Europe & Eurasia*, USAID/E&E Working Paper #2 (October 2005); IEA, *PIRLS 2008 International Report* (2008) and OECD, *PISA 2006 Science Competencies for Tomorrow's World* (December 2007).

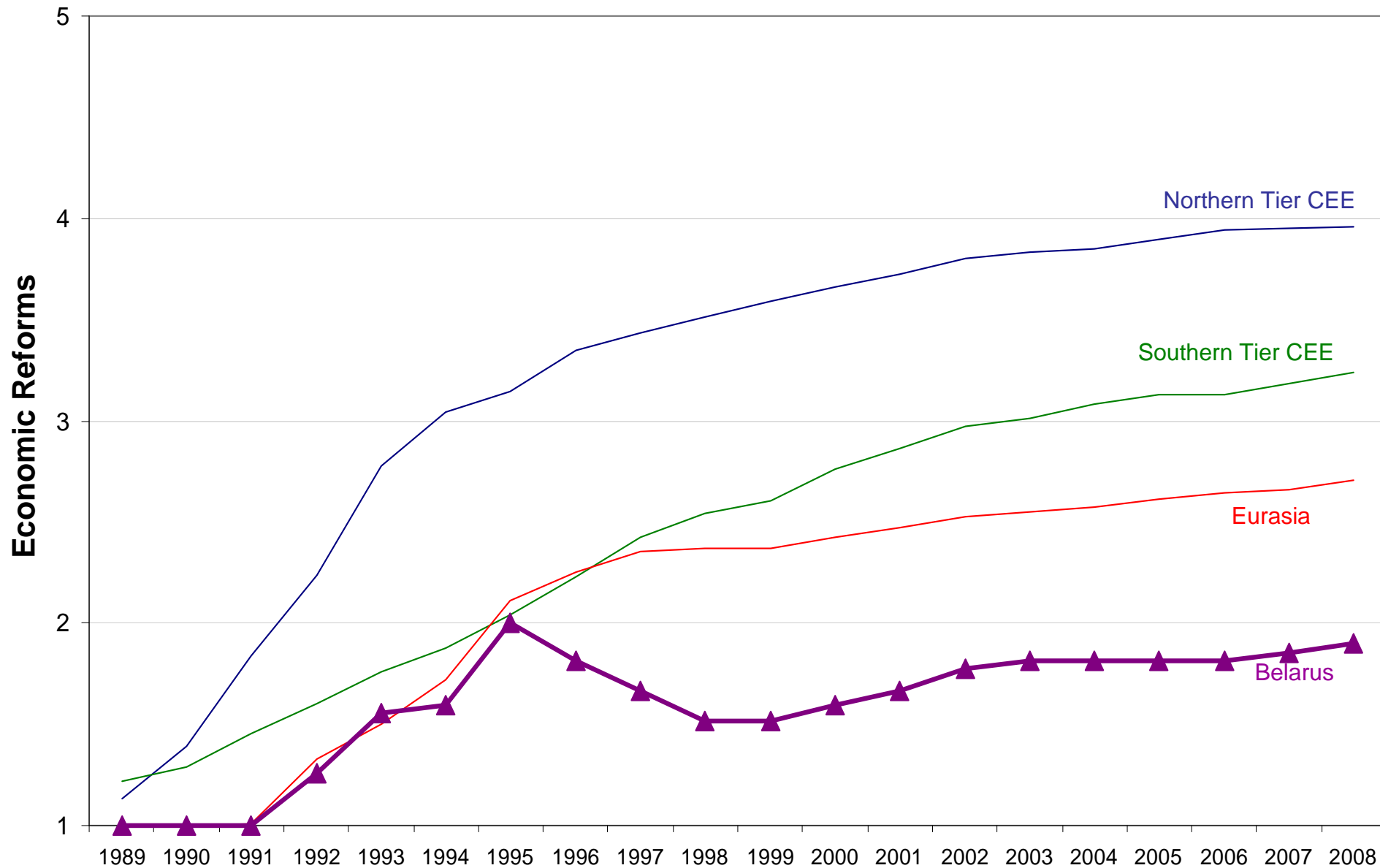


Microsoft PowerPoint  
Presentation



Figure 9

# Economic Reform



Ratings are based on a 1 to 5 scale, with 5 representing most advanced. EBRD, *Transition Report 2008* (November 2008 and earlier editions).

# Economic Reform in Belarus in 2008

(versus Croatia, Romania & Bulgaria in 2006 and Belarus in 1999)

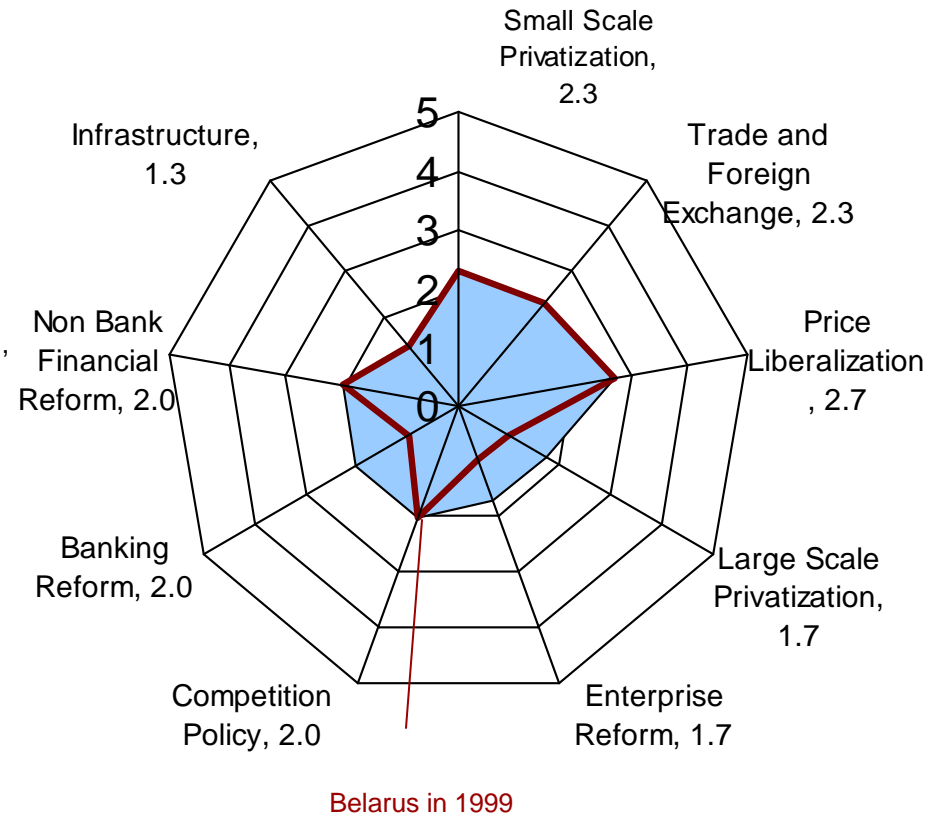
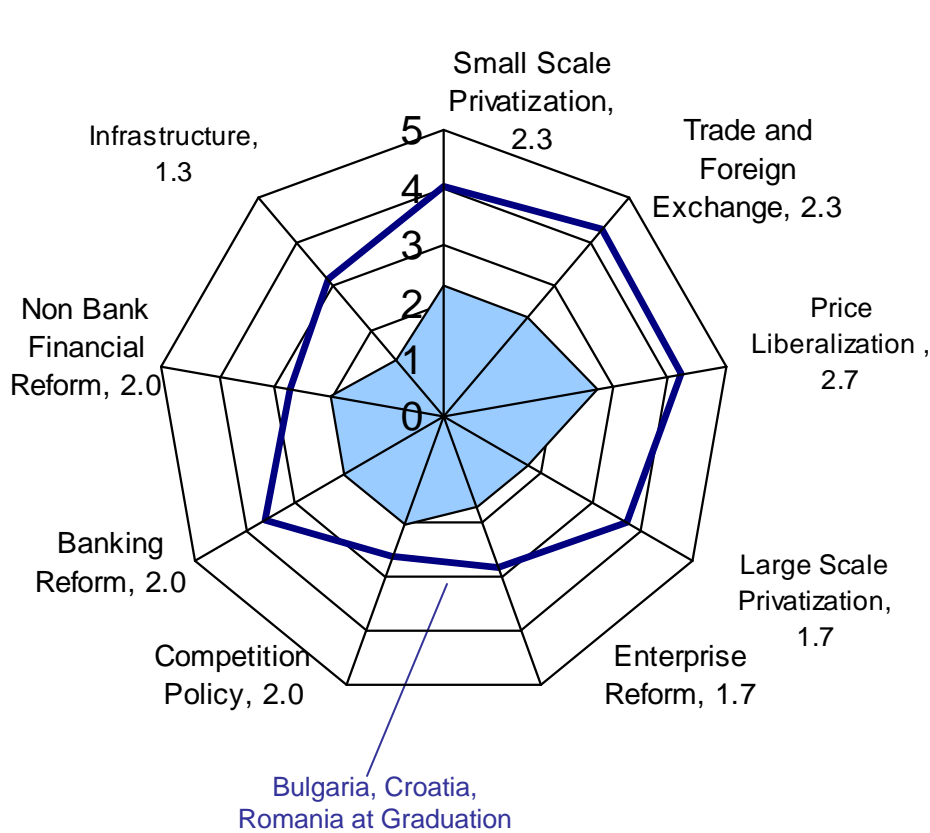
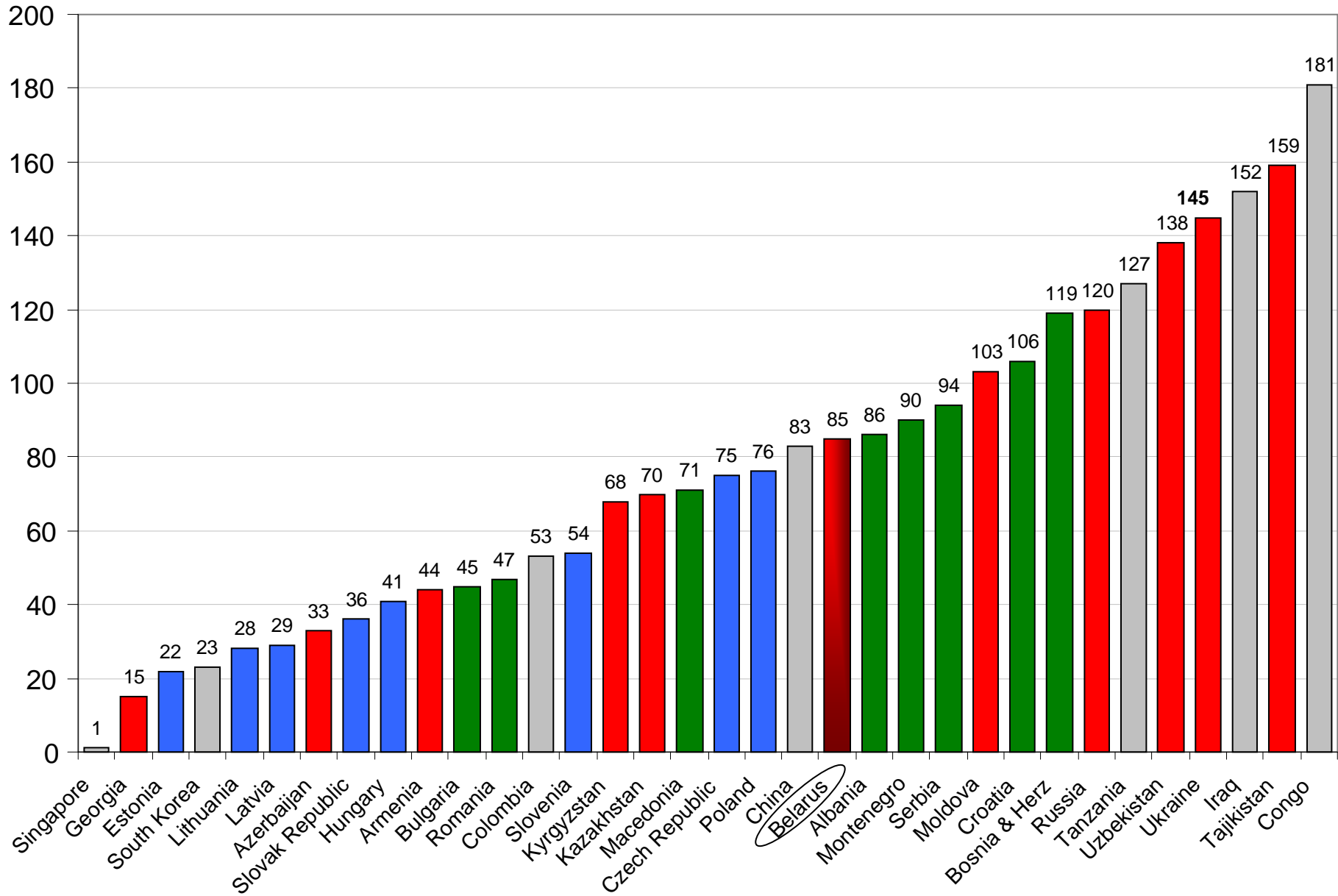


Figure 12

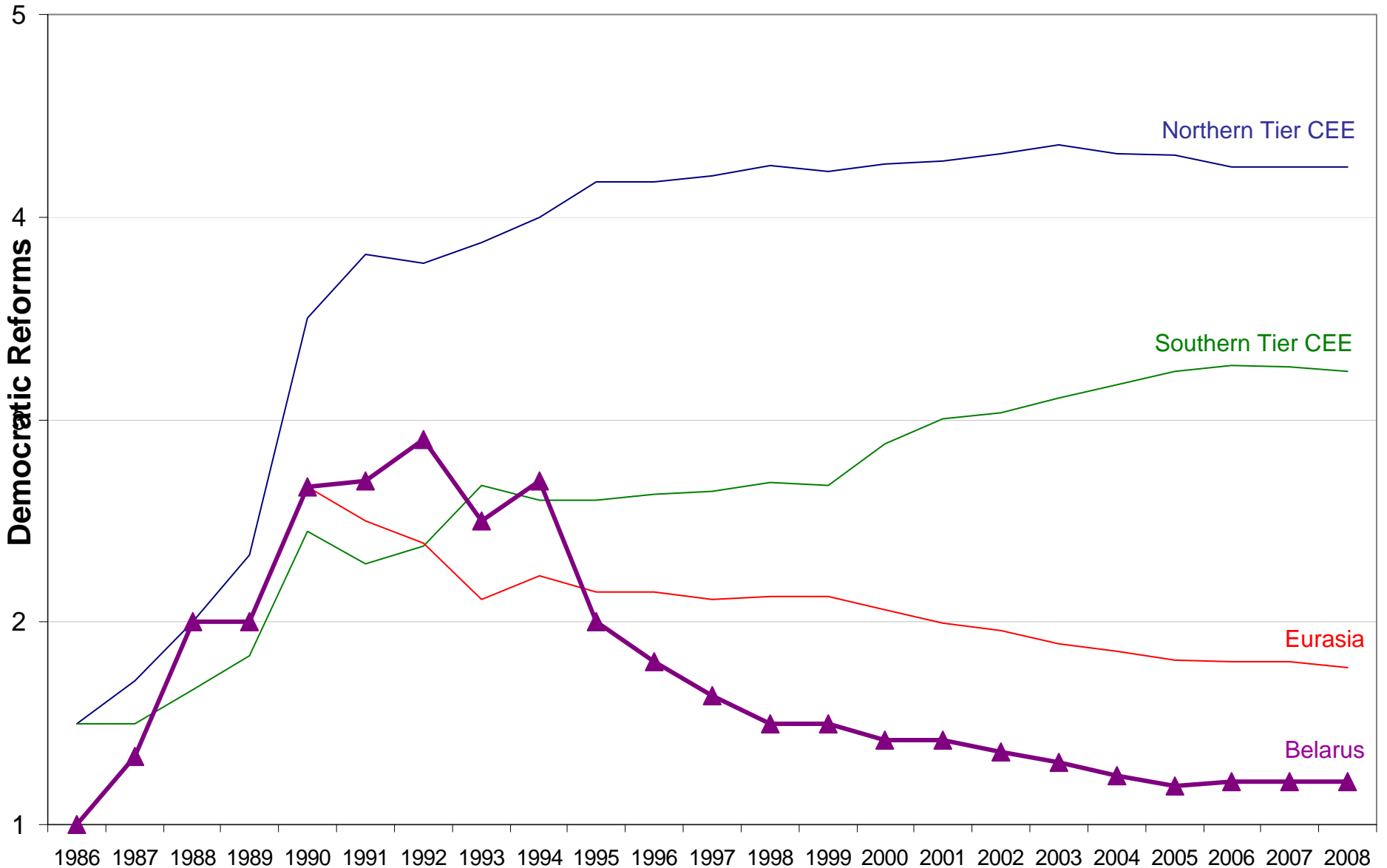
# Business Environment in 2008



World Bank, *Doing Business in 2009* (2008). Worldwide scores range from 1 to 181 and include 10 topics: starting a business, dealing with construction, hiring and firing workers, registering a property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, closing a business.

Figure 13

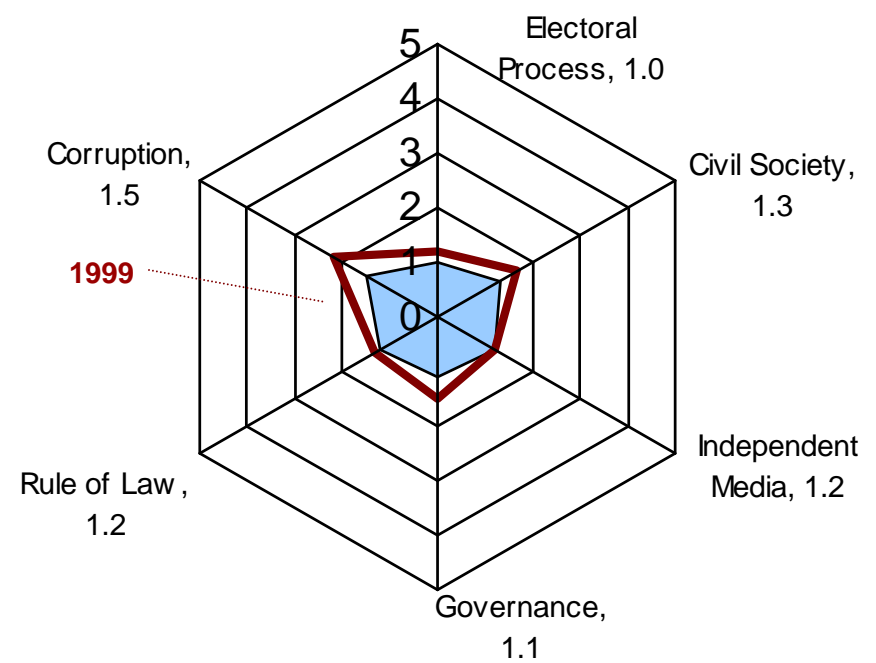
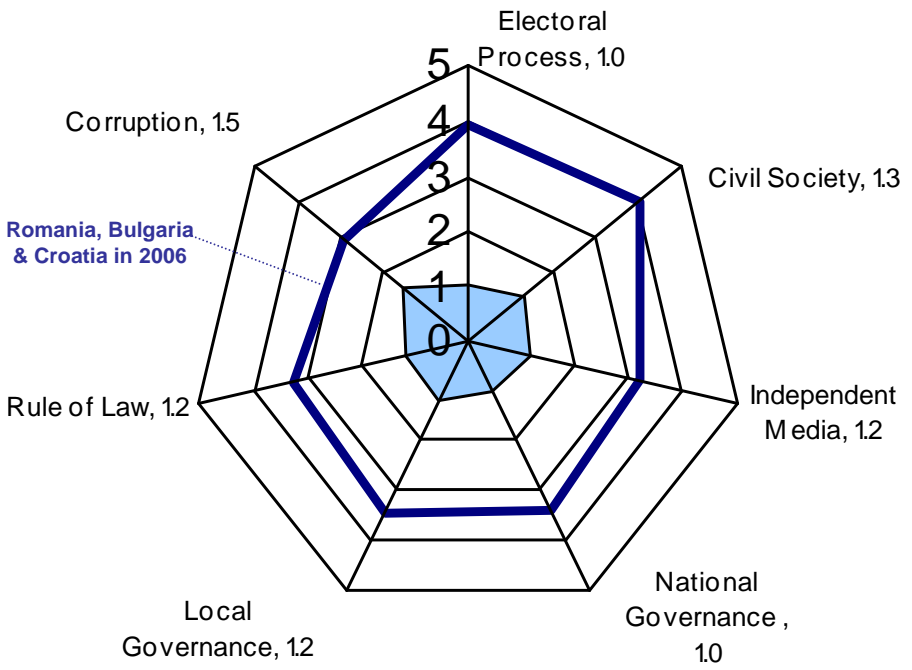
# Democratic Reforms



Ratings from 1 to 5, with 5 representing greatest development of democratic reforms. Freedom House, *Freedom in the World 2009* (January 2009 and previous editions) and *Nations in Transit 2008* (June 2008).

# Democratic Reforms in Belarus in 2007

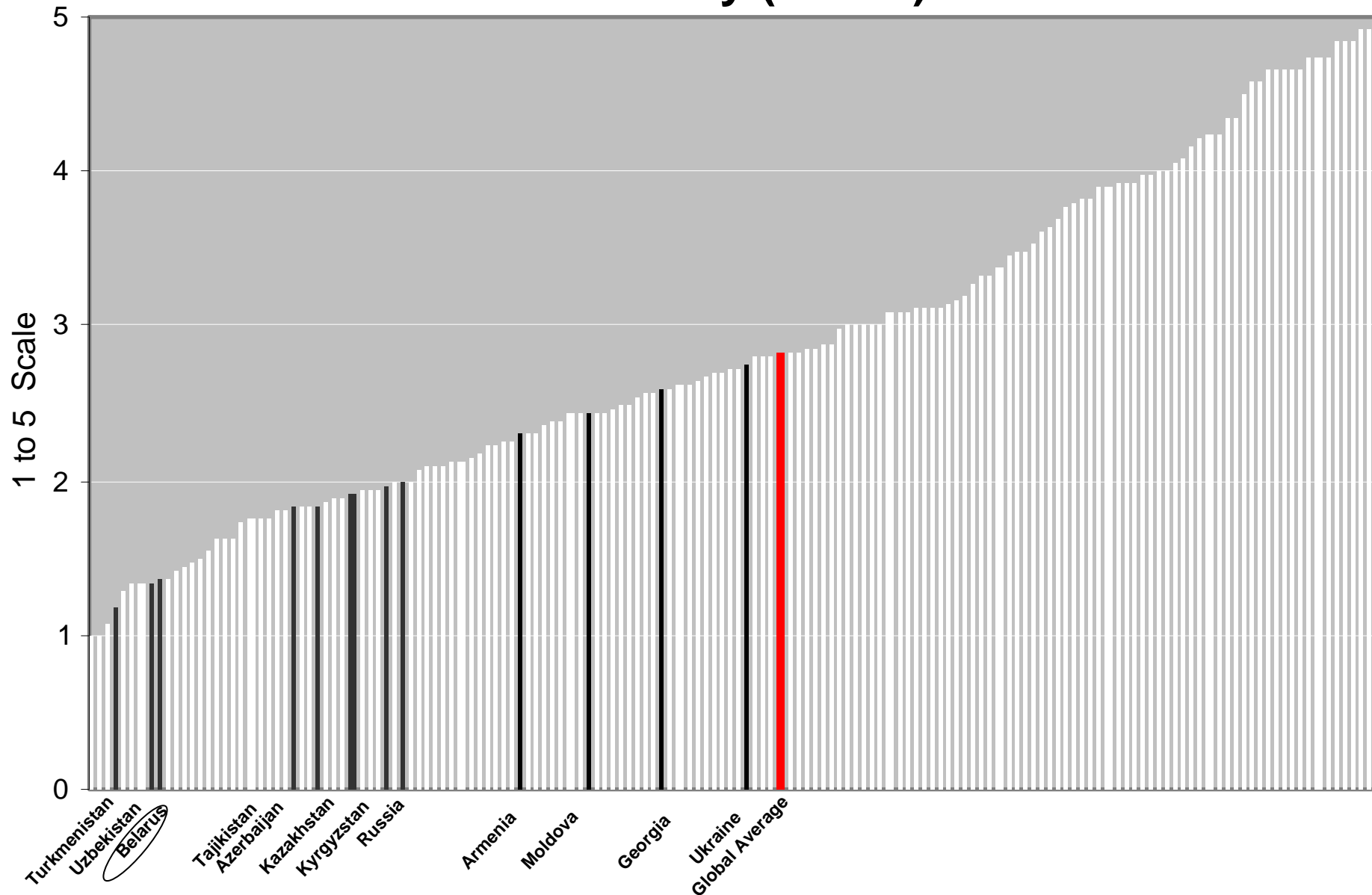
(versus Bulgaria, Croatia Romania in 2006 and Belarus in 1999)



Ratings are based on a scale from 1 to 5, with 5 representing the best score. USAID, *Monitoring Country Progress in CEE & Eurasia #11* (December 2008) drawing from Freedom House, *Nations in Transit 2008*.

Figure 16

# Eurasia vs. Global Dataset for Governing Justly & Democratically (n=153)



Ratings are based on a scale from 0.5 to 5.0, with 5 representing the best score. World Bank Institute, *Governance Matters Indicators* (2007); Freedom House, *Freedom in the World 2008* (December 2007), and *Freedom of the Press 2008* (2007).

Figure 17

# GDP as % 1989 GDP

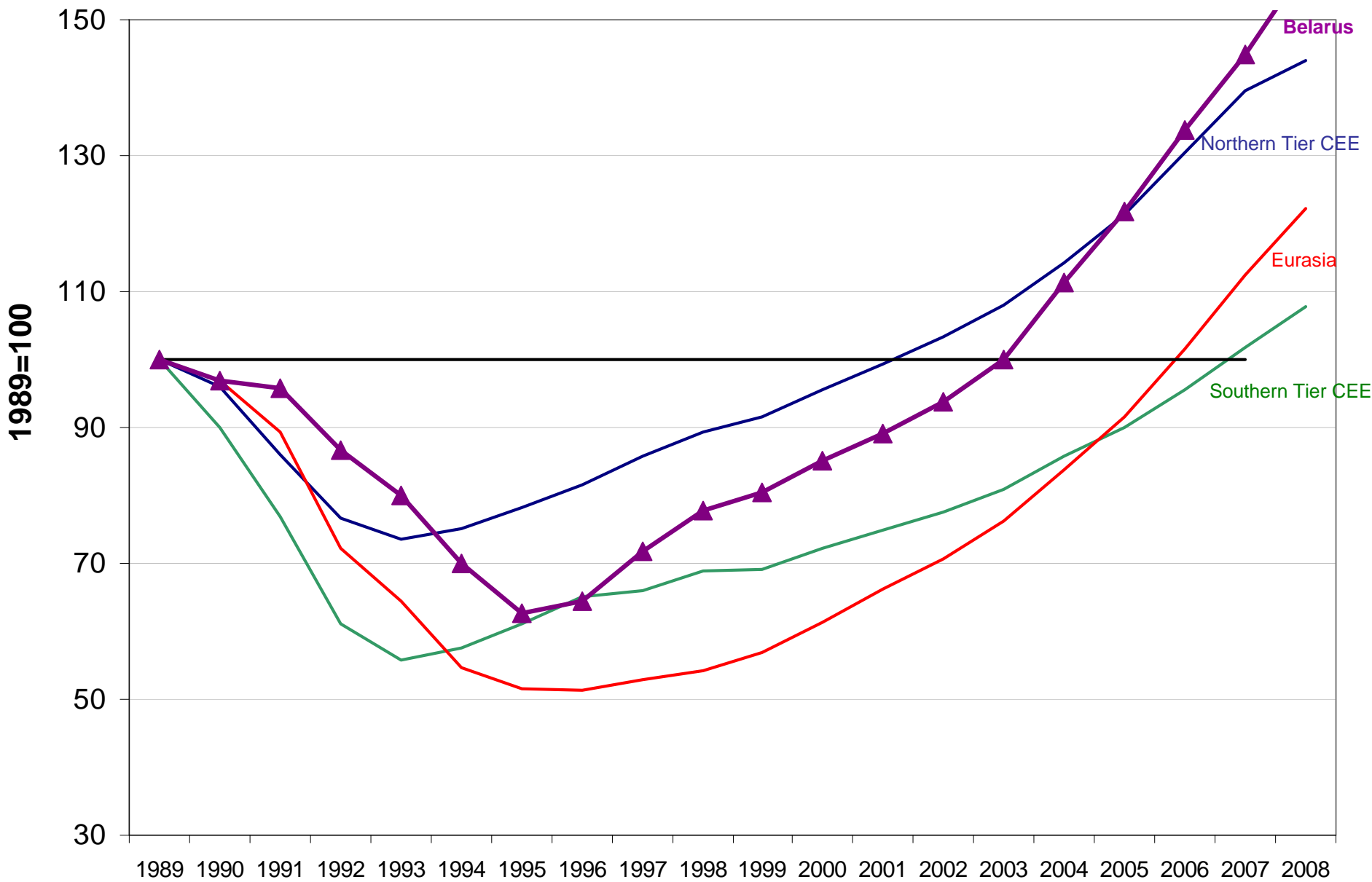


Figure 18

# Real GDP Growth, 2009 Projections

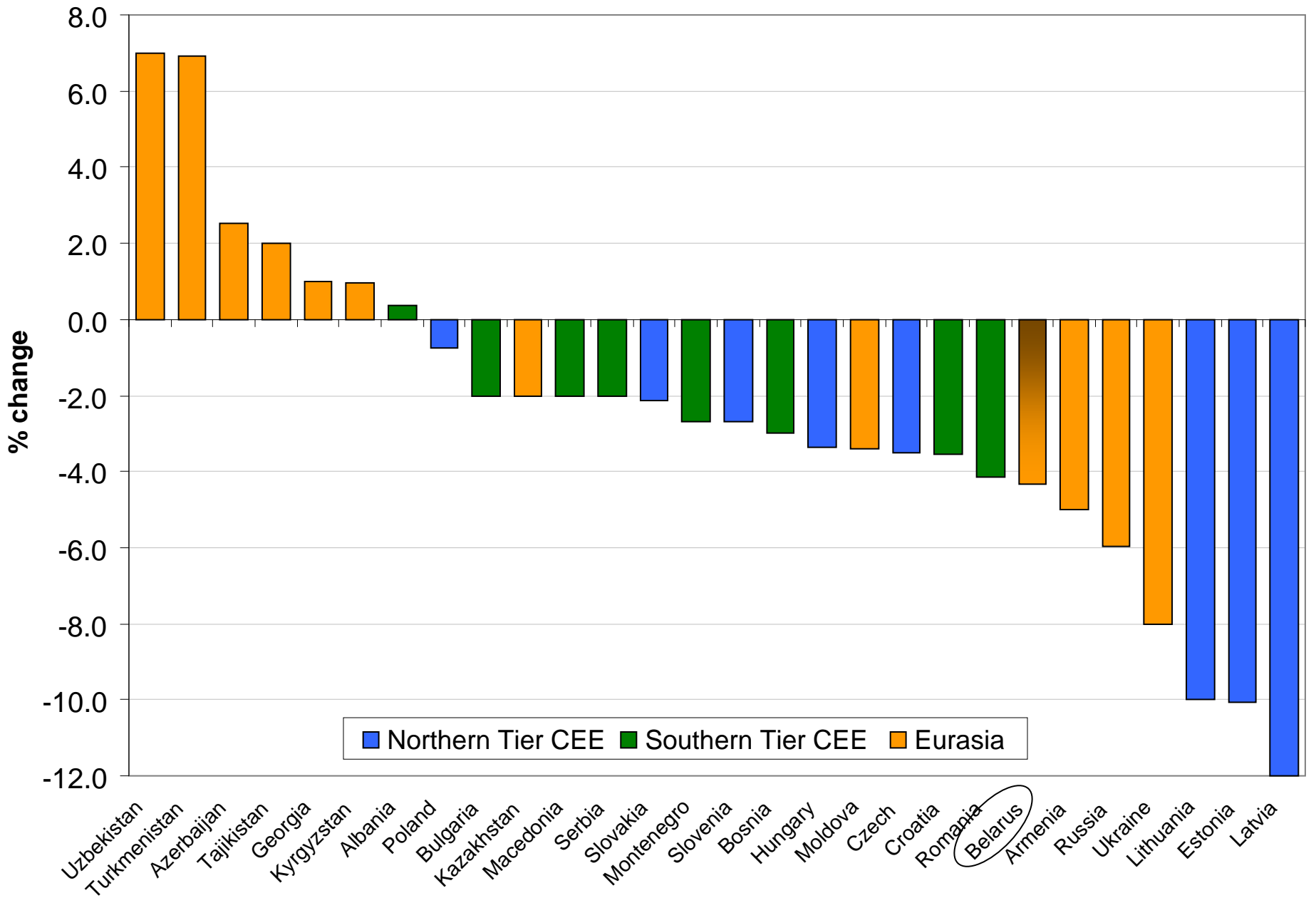


Figure 19

# Economic Growth – 2007-2009

## Real GDP Growth, %

	2007	2008	2009	2009-2007
Latvia	10.0	-4.6	-12.0	-22.0
Azerbaijan	23.4	11.6	2.5	-20.8
Lithuania	8.9	3.0	-10.0	-18.9
Armenia	13.8	6.8	-5.0	-18.8
Estonia	6.3	-3.6	-10.0	-16.4
Ukraine	7.9	2.1	-8.0	-16.0
Russia	8.1	5.6	-6.0	-14.1
Montenegro	10.7	7.5	-2.7	-13.4
Belarus	8.6	10.0	-4.3	-13.0
Slovakia	10.4	6.4	-2.1	-12.6
Georgia	12.4	2.0	1.0	-11.4
Kazakhstan	8.9	3.2	-2.0	-10.9
Romania	6.2	7.1	-4.1	-10.3
Bosnia	6.8	5.5	-3.0	-9.8
Slovenia	6.8	3.5	-2.7	-9.5
Czech	6.0	3.2	-3.5	-9.5
Croatia	5.5	2.4	-3.5	-9.0
Serbia	6.9	5.4	-2.0	-8.9
Bulgaria	6.2	6.0	-2.0	-8.2
Macedonia	5.9	5.0	-2.0	-7.9
Kyrgyzstan	8.5	7.6	0.9	-7.6
Poland	6.7	4.8	-0.7	-7.4
Moldova	4.0	7.2	-3.4	-7.4
Albania	6.3	6.8	0.4	-5.9
Tajikistan	7.8	7.9	2.0	-5.8
Turkmenistan	11.6	9.8	6.9	-4.7
Hungary	1.1	0.6	-3.3	-4.4
Uzbekistan	9.5	9.0	7.0	-2.5

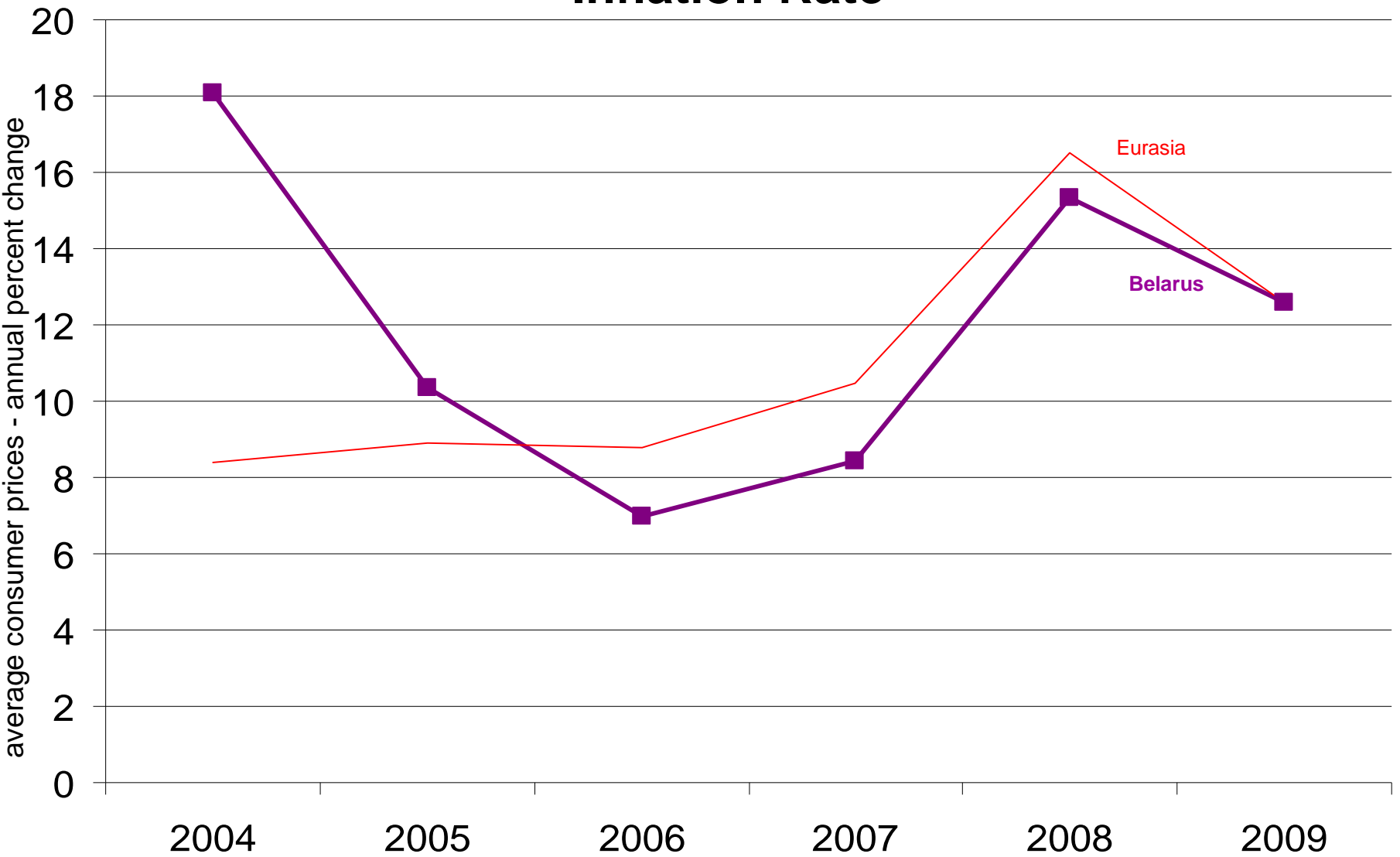
IMF, *World Economic Outlook Update* (April 22, 2009).

	2007	2008	2009	2009-2007
Transition Region	7.5	4.9	-4.3	-11.8
Central & Eastern Europe	6.2	4.1	-2.9	-9.1
Eurasia	8.5	5.5	-5.3	-13.9
World	5.2	3.2	-1.3	-6.5
Euro area	2.7	0.9	-4.2	-6.9
EU27	3.1	1.1	-4.0	-7.1
OECD	2.7	1.1	-2.8	-5.5
United States	2.0	1.1	-2.8	-4.8
Latin America & Carib	5.7	4.6	1.1	-4.6
Developing Asia	10.6	7.7	4.8	-5.8
Sub Saharan Africa	6.9	5.5	1.7	-5.3
Advanced economies	2.7	0.9	-3.8	-6.5

IMF, *World Economic Outlook Update* (April 22, 2009).

Figure 20

# Inflation Rate

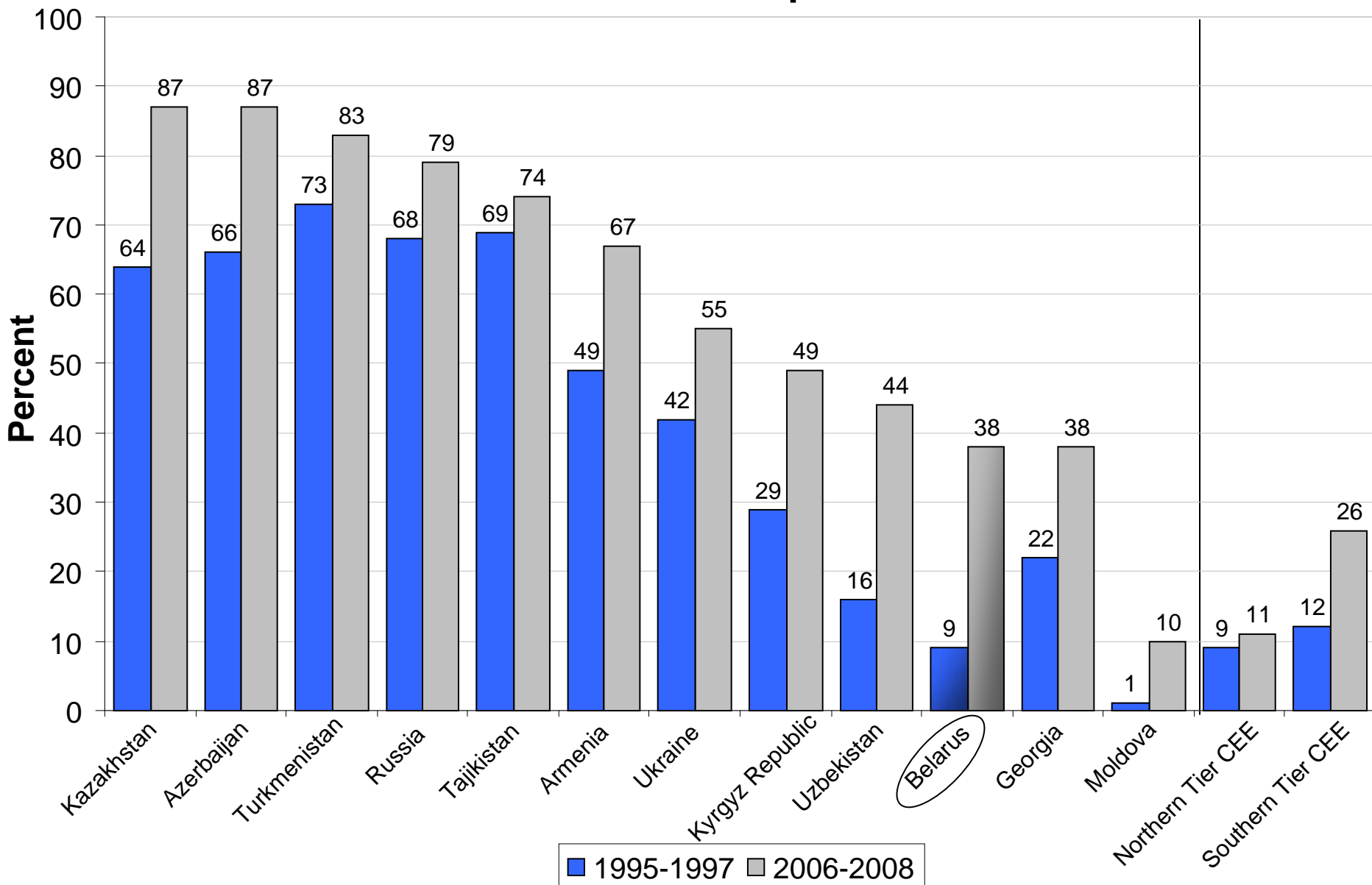


# Summary of Global Crisis Vulnerability

		16%	24%	4%
<b>Financial Markets</b>	<b>HIGH</b>	Slovenia Croatia Moldova Latvia China	Jordan South Africa Thailand <b>Belarus</b> Bulgaria Malaysia Ukraine	Russia Estonia Lithuania Kazakhstan Chile
	<b>MEDIUM</b>	Slovakia Bosnia-Herz Albania Czech Rep Hungary	Poland Argentina India Mali Senegal	Tajikistan Kyrgyz Rep Mozambique
	<b>LOW</b>	Mexico Uganda Pakistan Macedonia Georgia	Romania Peru Armenia	Turkmenistan Azerbaijan Nigeria Venezuela Zambia
		<b>LOW</b>	<b>MEDIUM</b>	<b>HIGH</b>
		<b>Commodity Markets</b>		

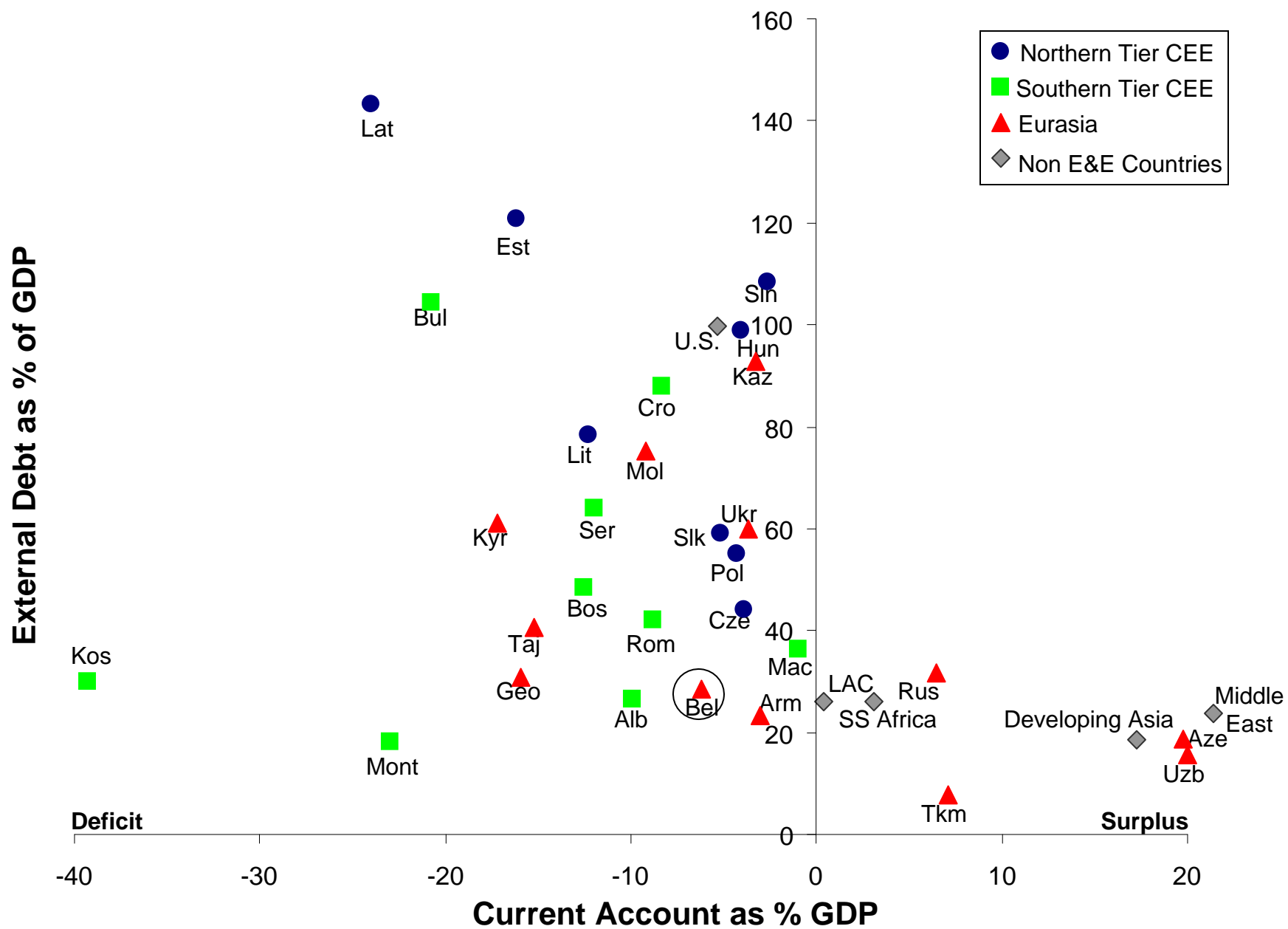
Figure 22

## Fuels, Ores, Metals and Precious Stones Exports as % of Total Exports



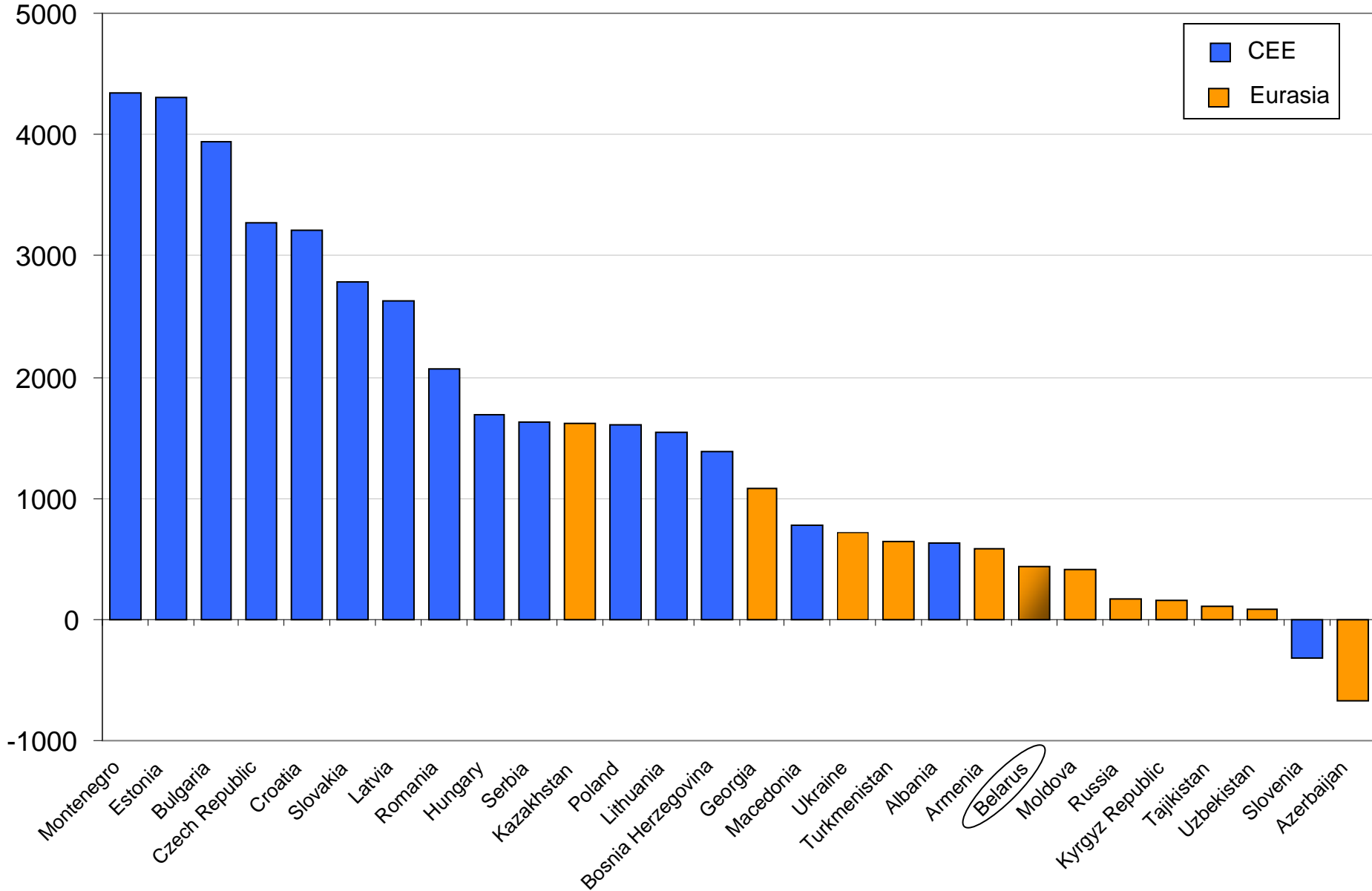
Economist Intelligence Unit, various Country Reports and World Bank, *World Development Indicators 2008* (April 2008). Most recent data for Turkmenistan is 2001; Uzbekistan, 2005.

# Current Account Balance & External Debt in 2007

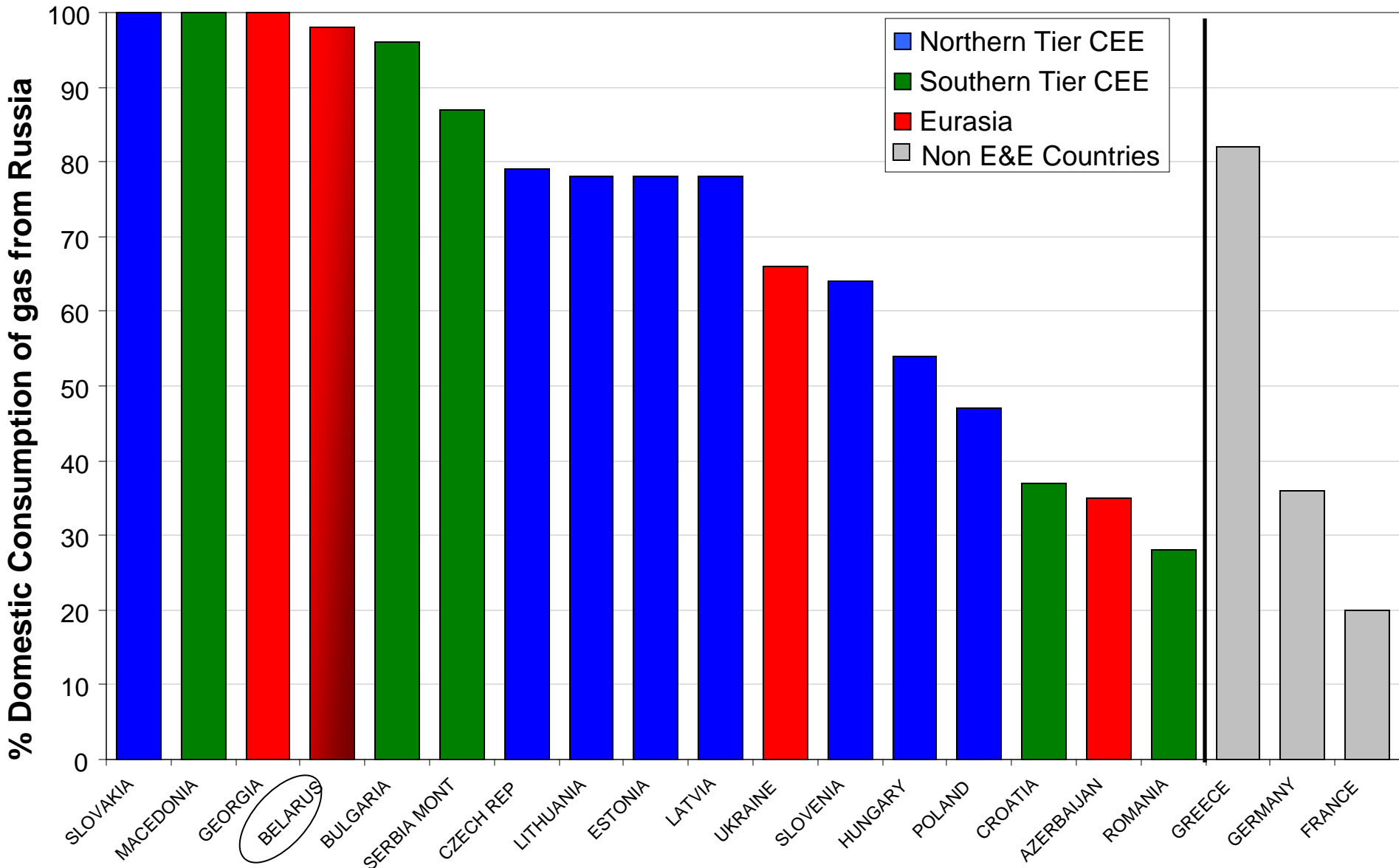


# Foreign Direct Investment

## 5 year cumulative per capita, 2004-2008



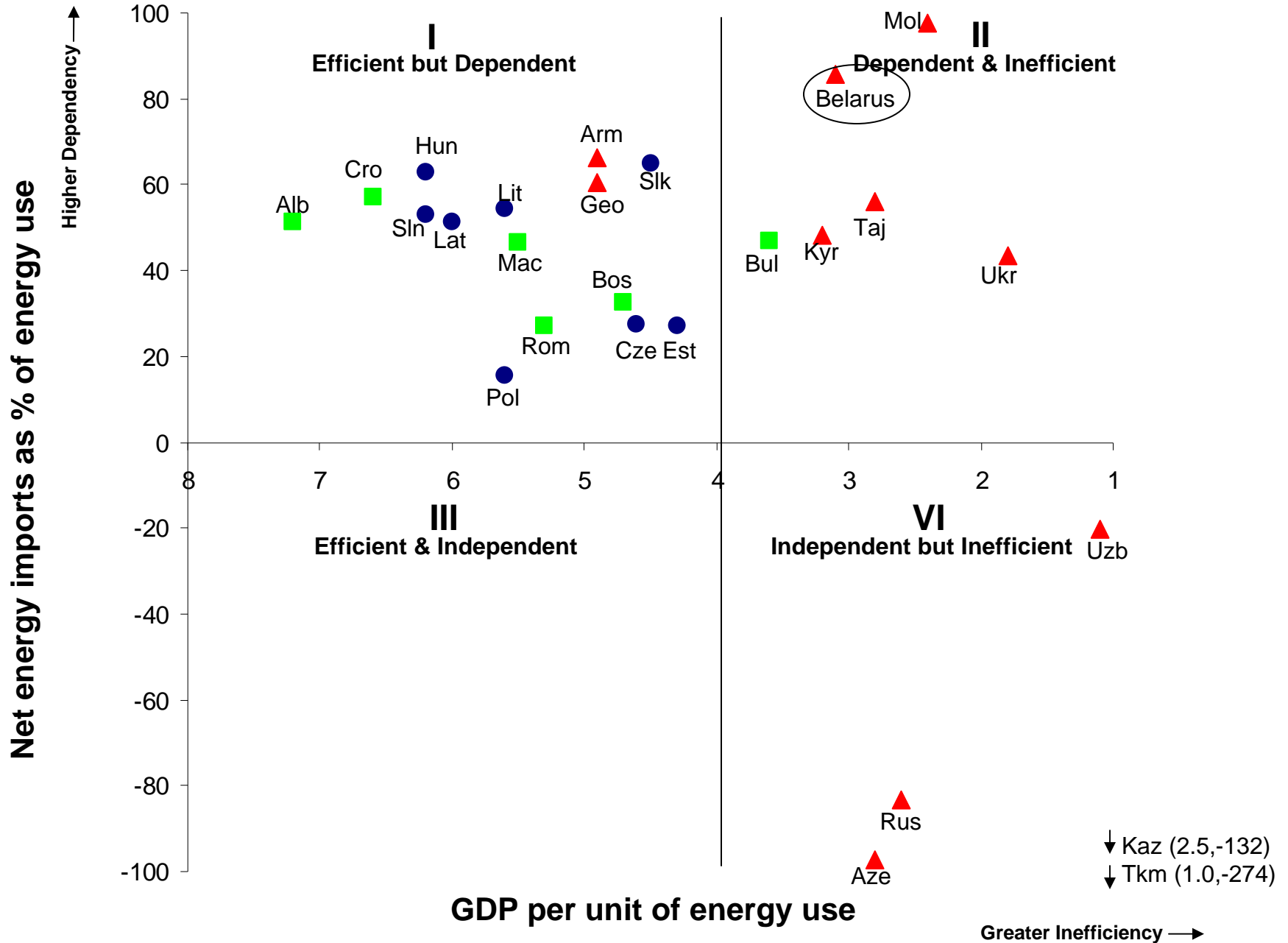
# Dependency on Russian Energy (2006)



Department of Energy, *EIA Russia* (May 2008); Z. Baran testimony (July 2007); A Cohen, *Europe's Strategic Dependence on Russian Energy* (November 2007). Oil from Saudi Arabia and Venezuela combined comprises 25% of American total imports.

Figure 26

# Energy Dependency and Efficiency



# Mood of the Country

“Over the last three months, the economic situation in Belarus has...”

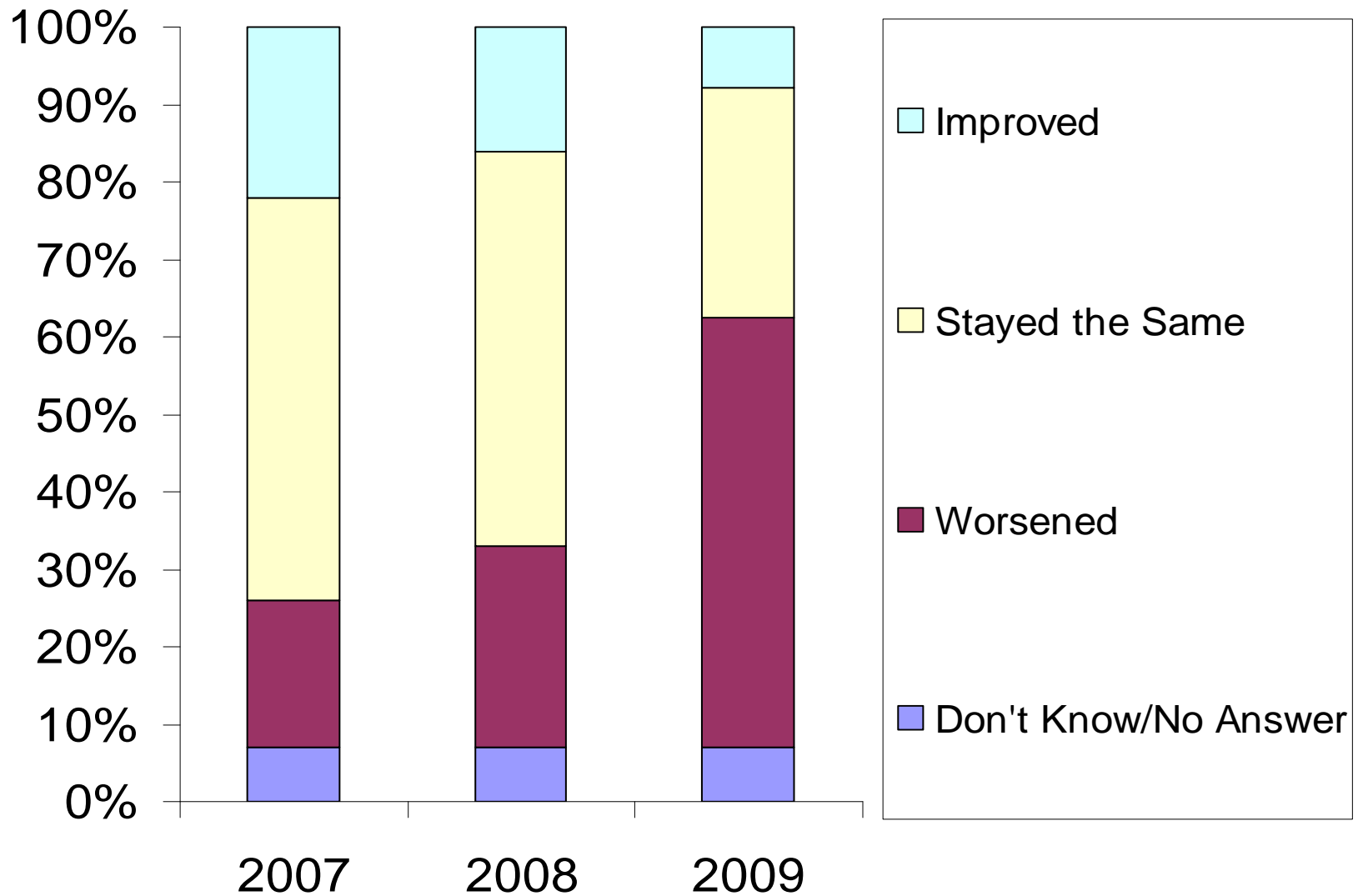


Figure 28

# Life Expectancy at Birth

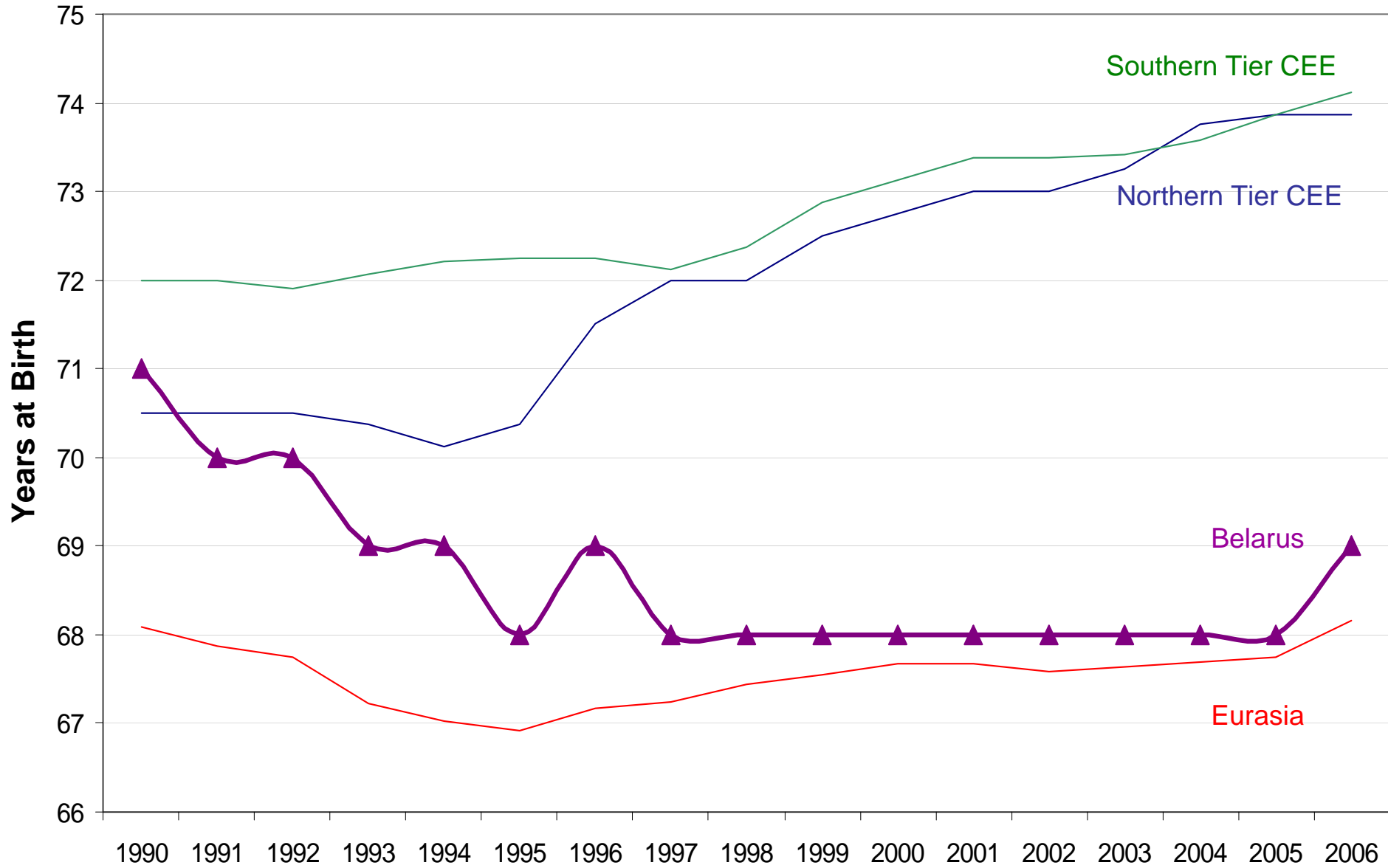
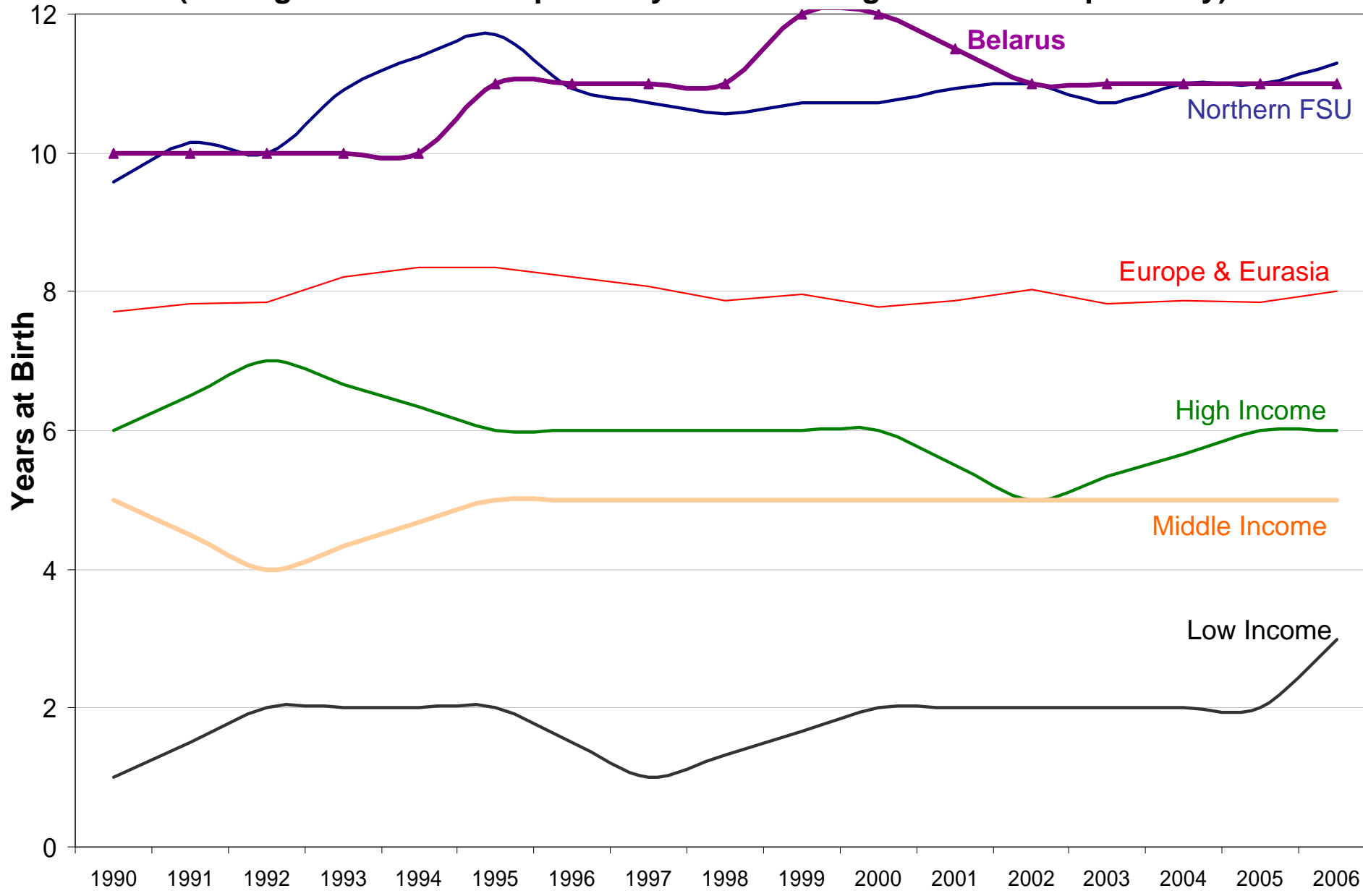


Figure 29

# Life Expectancy Gender Gap

(Average Female Life Expectancy minus Average Male Life Expectancy)



World Bank, *World Development Indicators 2008* (April 2008). The life expectancy gender gap is female life expectancy minus male life expectancy.

Figure 30

# Tuberculosis Incidence

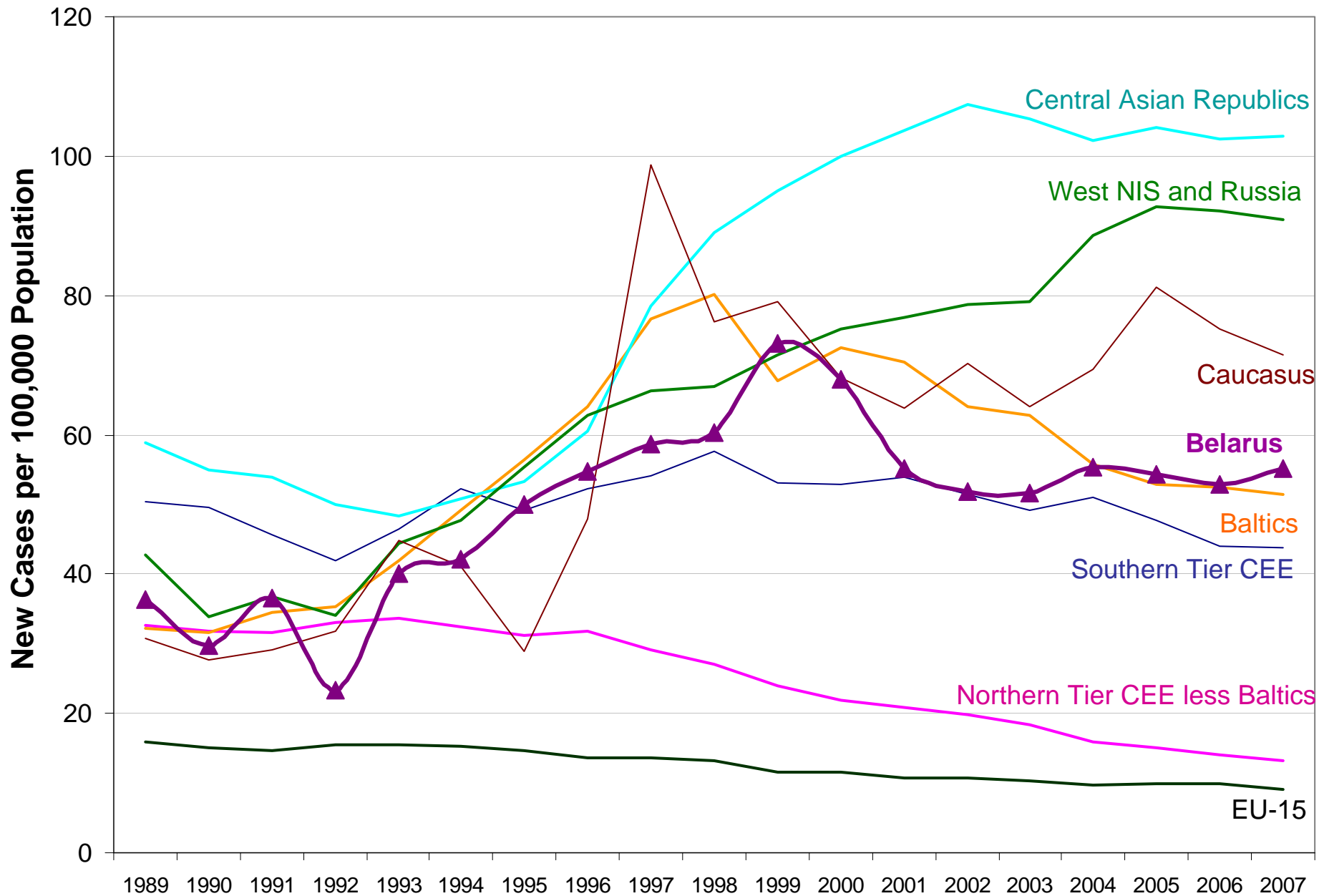


Figure 31

# TB Incidence in 2007

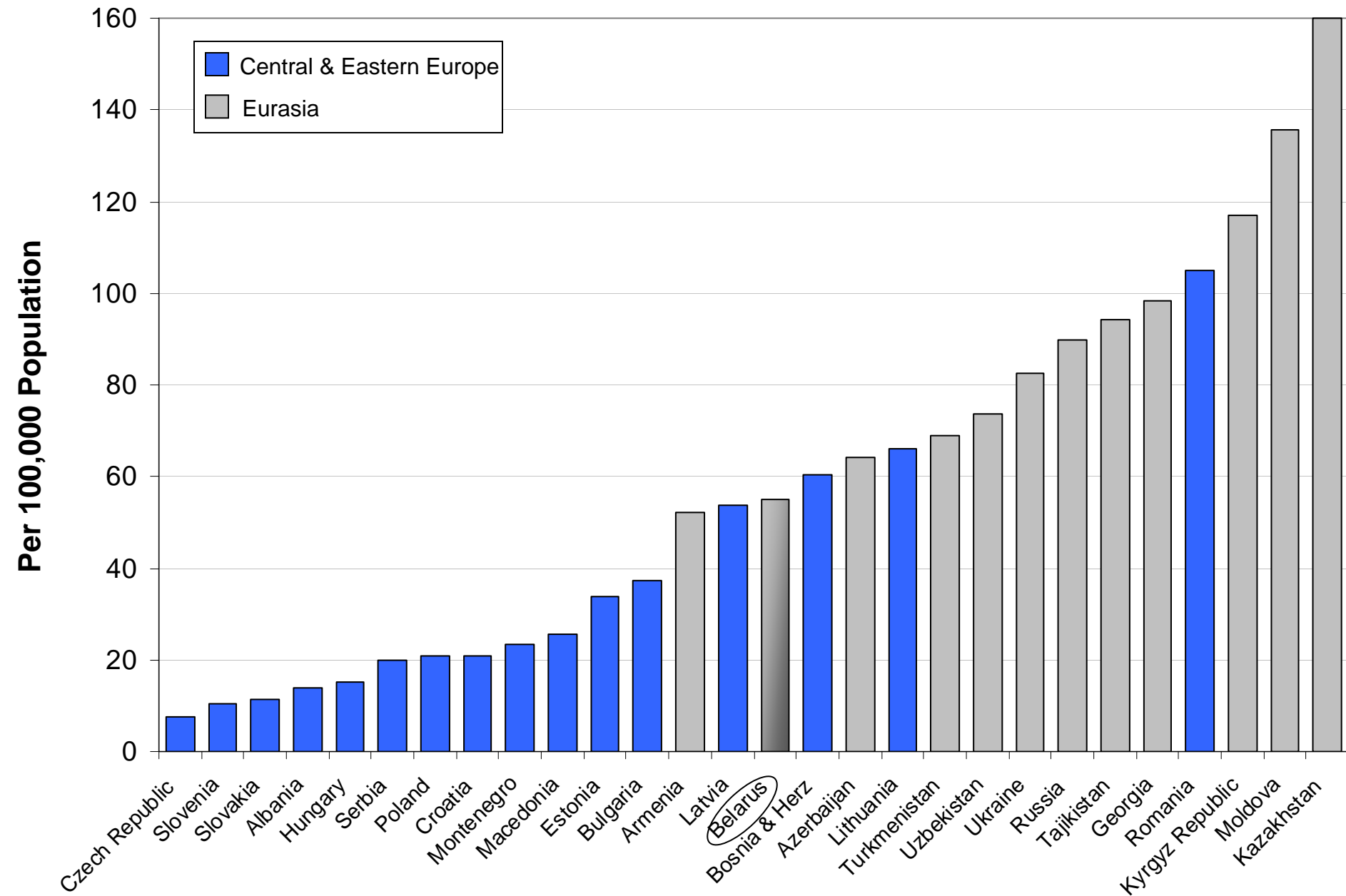
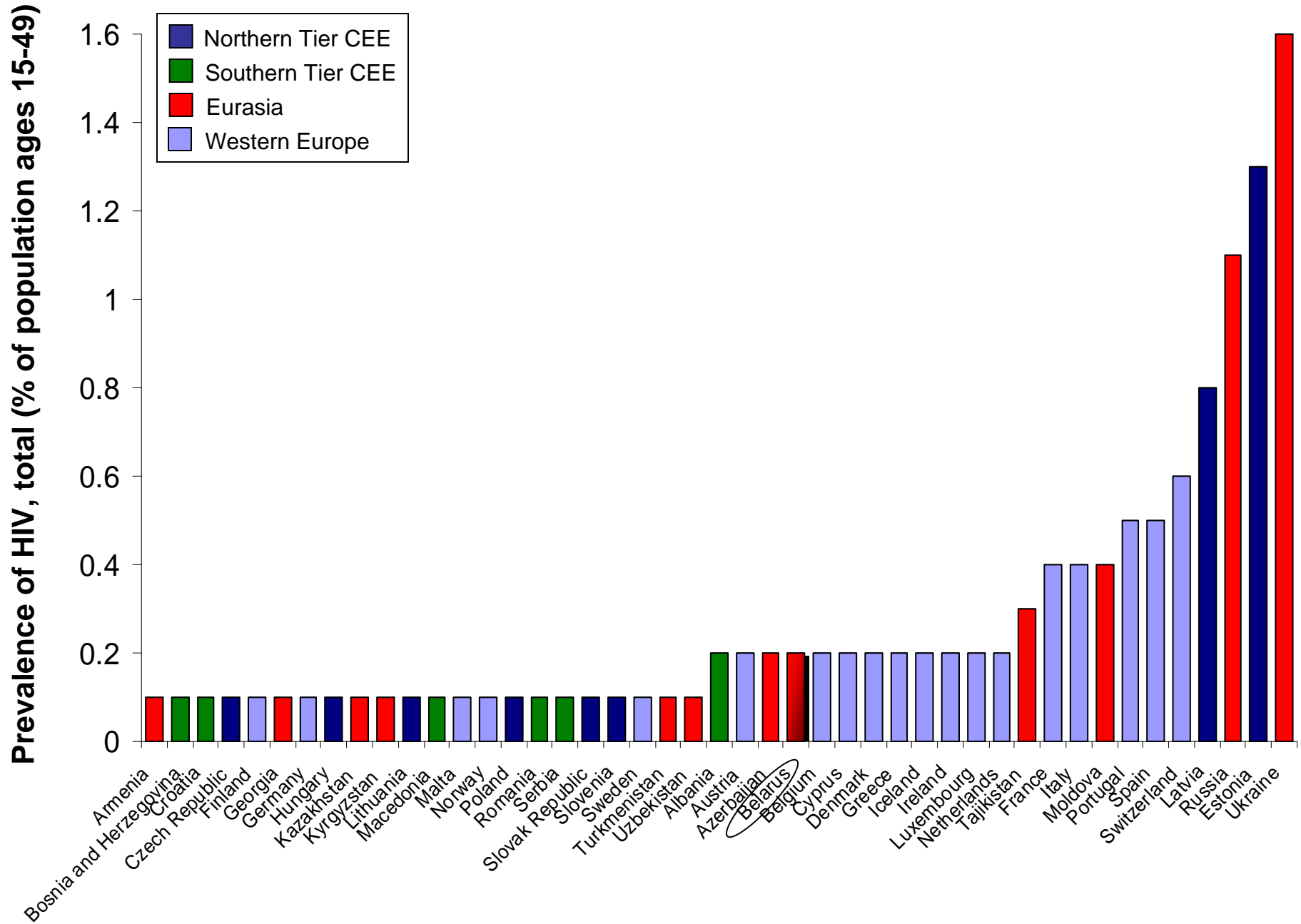


Figure 32

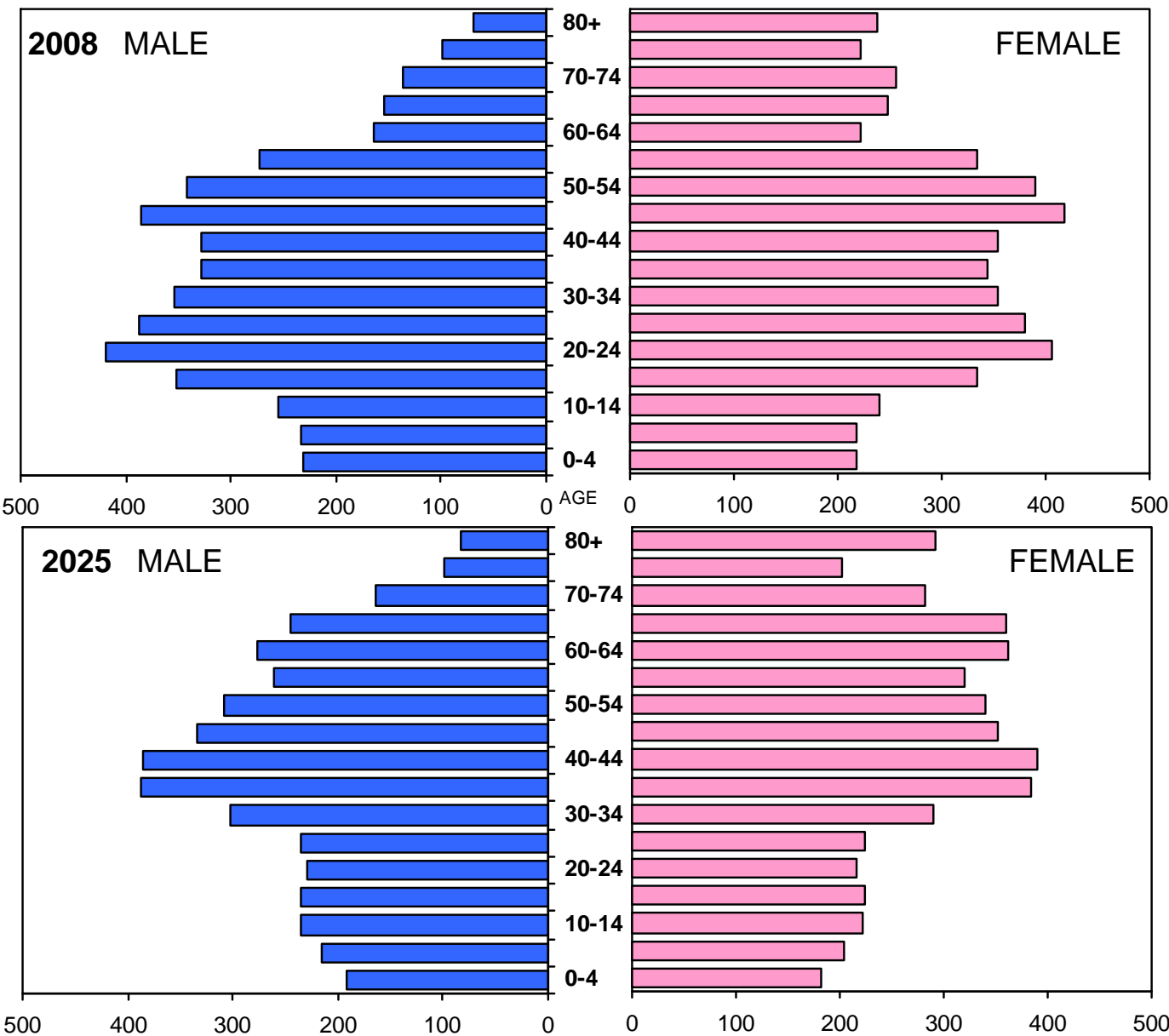
# HIV Prevalence in 2007



World Bank, *World Development Indicators 2008* (April 2008).

# Population Pyramids for Belarus

(in Thousands)



Net Change in Population 2008 vs. 2025			
Age	% Males	% Females	% Total
0-9	-13.6	-13.6	-13.6
10-19	-29.2	-29.2	-29.2
20-39	-28.9	-32.9	-30.9
40-64	4.6	2.8	3.6
65+	22.4	14.9	17.5

	Demographic Data		Net
	2008	2025	Change
Elderly Females % Pop	11.7	15.5	3.8
Infant Mortality Rate	6.5	5.2	-1.3
Male	7.6	6.0	-1.6
Female	5.4	4.3	-1.1
Life Expectancy	70.3	74.8	4.5
Male	64.6	69.6	5.0
Female	76.4	80.3	3.9
Births per 1,000	9.6	7.9	-1.7
Deaths per 1,000	13.9	13.3	-0.6
Migrants per 1,000	0.4	0.4	0.0
Fertility Rate	1.2	1.4	0.2

# Peace and Security in Belarus

Figure 34

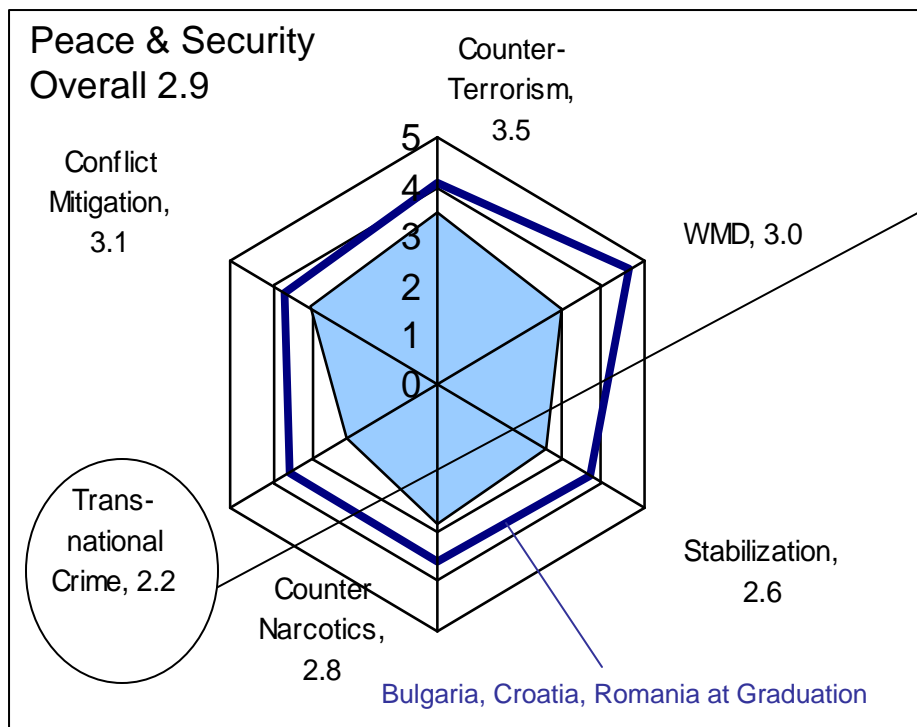


Figure 35

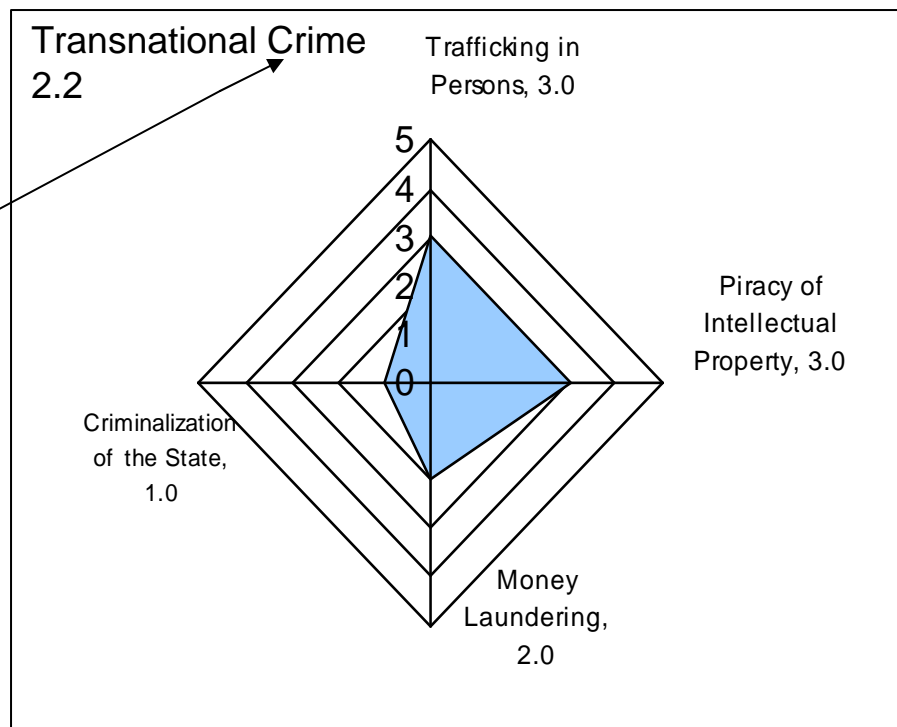
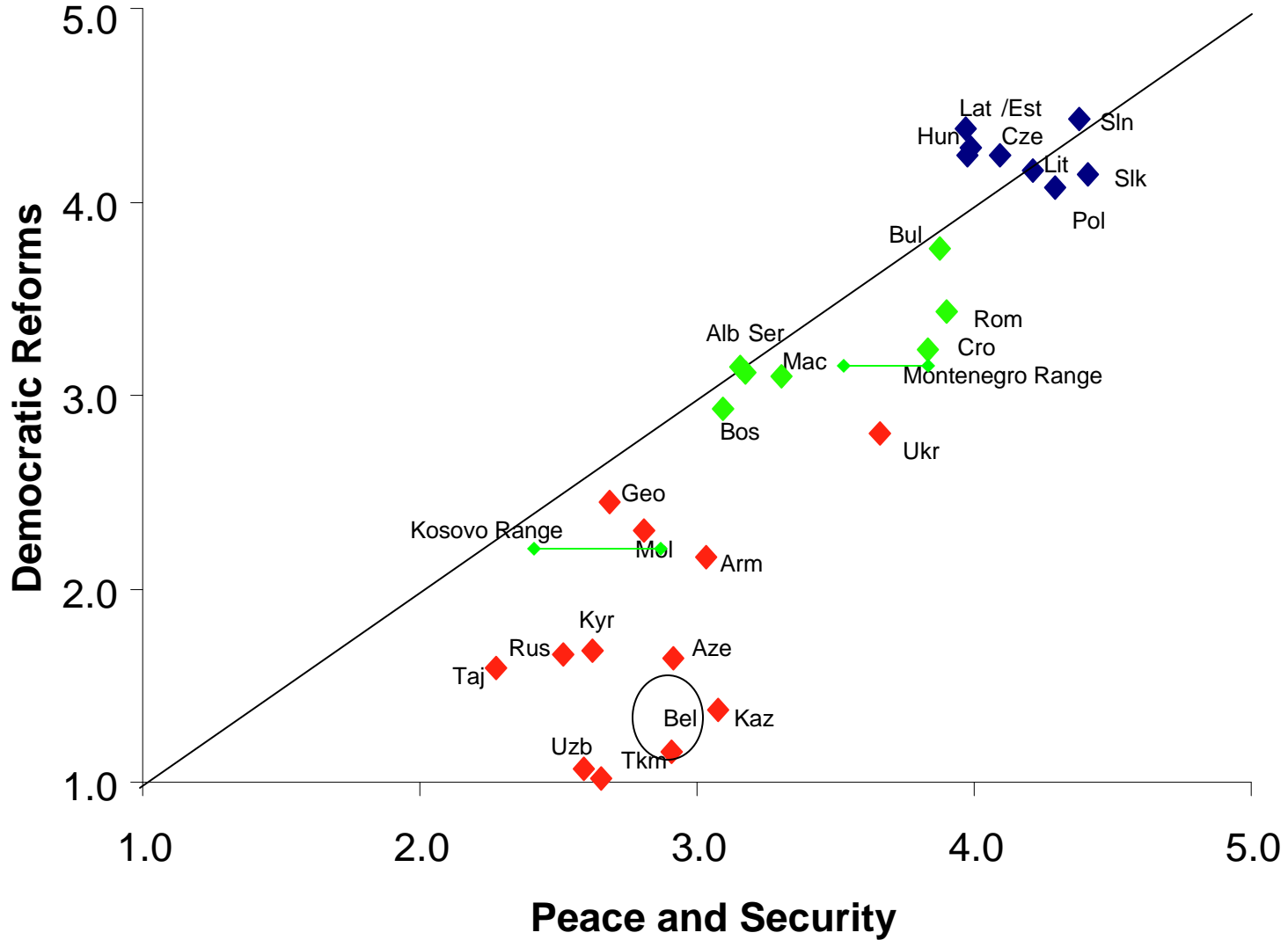


Figure 36

# Peace and Security vs. Democratic Reforms



US State Department; Foreign Policy Magazine and the Fund for Peace; World Bank; US Commerce Department; Binghamton University; UNICEF; A.T. Kearney/Foreign Policy Magazine; UNODC; USTR; George Mason University; Freedom House, Nations in Transit (2008); Freedom in the World (2009)