ICEG EUROPEAN CENTER

NEWS OF THE MONTH

on EU-10 and CIS

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News of the Month, on EU-10 and CIS

The ICEG European Center issues its monthly publication, which includes 2-4 brief analyses on macroeconomic and microeconomic issues. The publication focuses on two groups of countries: *Commonwealth of Independent States - CIS* (Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan) and the ten post-soviet *New Member States of the European Union – EU-10* (Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia).

Editor

Olivér Kovács okovacs@icegec.hu

About us

ICEG European Center is an independent economic research institute based in Budapest, Hungary. The Center was founded by Dr. Pál Gáspár in 2001.

Contact information

ICEG European Center, 5/B Kiralyhago Street Budapest, 1126 Hungary.

Phone: (+36) 1 248 1160. Fax: (+36) 1 319 0628

E-mail: office@icegec.hu. Webpage: www.icegec.org

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From the 1800s to the future – Forecasts and fiscal institutions

Olivér Kovács

Our article attempts to illustrate whether the use of fiscal institutions (e.g. independent fiscal councils) of certain European countries are taken into account by fiscal position-related forecasts reflecting that these institutionalisations positively affect the prognoses.[1]

Background

On 29 November 2010 the *European Economic Forecast – autumn 2010-2012* was published by the European Commission. It states that economic recovery is continuing however, it seems that GDP growth will be more moderate in 2010 and 2011 than expected by the spring forecast. For 2010-2011 the projected growth rate is at about 1.75% and for 2012 is around 2%. As regards fiscal performances, public deficit is expected to decline to about 4.25% of GDP, due to numerous fiscal consolidations.

Gazing at the recent development of fiscal positions of various EU countries, there were certain signs that the current financial and economic juncture summoned in a certain way both the spirit of the 1930s and of the early 1800s. On the one hand, the recent global economic crisis brought a Keynesian renaissance to life, namely countries have decided to intervene by significant fiscal stimulus in order to nourish the impaired demand. Since, monetary policy is not able to stimulate demand, fiscal policy became the major conductor of the process. The prerequisite of this is the recognition that the state, contrary to the citizens, is able to be swelled infinitely when the citizens' capacity to spend proves insufficient. Roosevelt's policy provided solid grounds for recovery by governmental expenditures. It goes without saying that Roosevelt would have been in conjunction with Keynes' suggestion regarding the deficit spending. What is more interesting is the fact that the demand stimulation turned into fiscal consolidation by 1936 causing a significant reduction in governmental expenditures. On the other hand, the contemporary practice of fiscal stimulus does not provide any peace-offering tranquillity, because the countries face an indebtedness-process tempting the basic feature of post-Napoleonic wars period when indebtedness of nations became dominant in the first half of 1800s.[2]

Taking into account that debt-to-GDP ratios started to permanently rise in most of the developed countries since the 1970s (IMF 2001), we can claim with reasonable certainty that curbing indebtedness is inevitable in numerous countries, if for no other reason than for the fact that macroeconomic stability and sustainable development require sustainable public finances. In an effort, lots of countries were about to wane their debt burdens in different ways between 1980s and 2000s (e.g., by implementing fiscal rules, or creating independent fiscal institutions as *Table 1* shows, and fiscal responsibility frameworks).

[1] National fiscal institutions are independent bodies (e.g. councils), other than the central bank, tax office, government or parliament, that prepare macroeconomic forecasts for the budget, monitor fiscal performance and/or advise the government on fiscal policy issues.

[2] Defaults and reschedulings took place right after the Napoleonic Wars throughout Europe, e.g., France (1812); Germany (Hesse in 1914; Prussia in 1813; Westphalia in 1812); Greece (1829); The Netherlands (1814). It was well documented by Reinhart and Rogoff (2009) pp. 91.

Table 1. Development of fiscal institutions in European countries

Country	Name of the institution	Date of creation
AT	Government Debt Committee	2002
BE	High Council of Finance - Section „Public sector borrowing requirement"	1989
BE	National Accounts Institute	1994
DE	Advisory Board to the Federal Ministry of Finance	1950
DE	Joint Economic Forecast project group	1950
DE	Working Party on Tax Revenue Forecasting	1955
DE	German Council of Economic Experts	1963
DK	Danish Economic Council	1962
EE	National Audit Office of Estonia	1990
EL	Centre for Planning and Economic Research	1959
ES	Court of Auditors	1978
ES	National Committee of Local Administration	1985
FR	Court of Accounts	1807
FR	Commission Economique de la Nation	1952
HU	State Audit Office	1989
IT	Institute for Studies and Economic Analyses	1999
LT	National Audit Office of Lithuania	1990
LU	Court of Auditors	1999
NL	Netherlands Bureau for Economic Policy Analysis	1945
PT	Court of Auditors	1990
PT	Unidade Técnica de Apoio Orçamental (UTAO)	2006
SE	National Institute of Economic Research	1937
SE	Swedish Fiscal Policy Council	2007
SI	Institute of Macroeconomic Analysis and Development	1991
UK	National Audit Office	1983

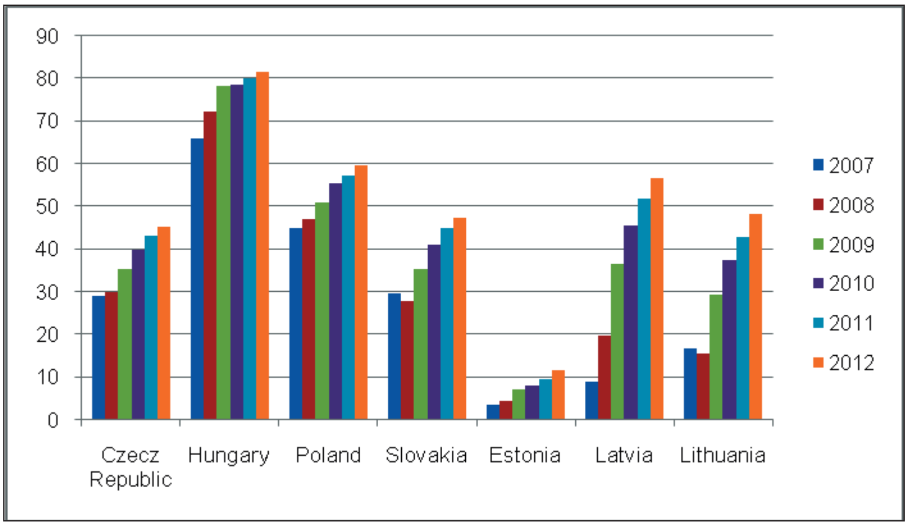
Source: European Commission (2008).

One might live under a delusion believing that all of these institutions would have the same standard characteristics whereby they are able to reduce the likelihood of indebtedness for all time. Instead, some countries have reached better performance with these institutions; others face further challenges. This *per se* confirms the existing differences among these independent institutions and explains in a certain way the various fiscal positions during the 2008 crisis.

Fiscal positions differ across countries in the era of crisis as well

Chart 1 illustrates the development of general government gross debts in Visegrad and Baltic countries in the period of 2007-2009; furthermore, it envisages the projections presented by the European Commission (2010) for 2011-2012.

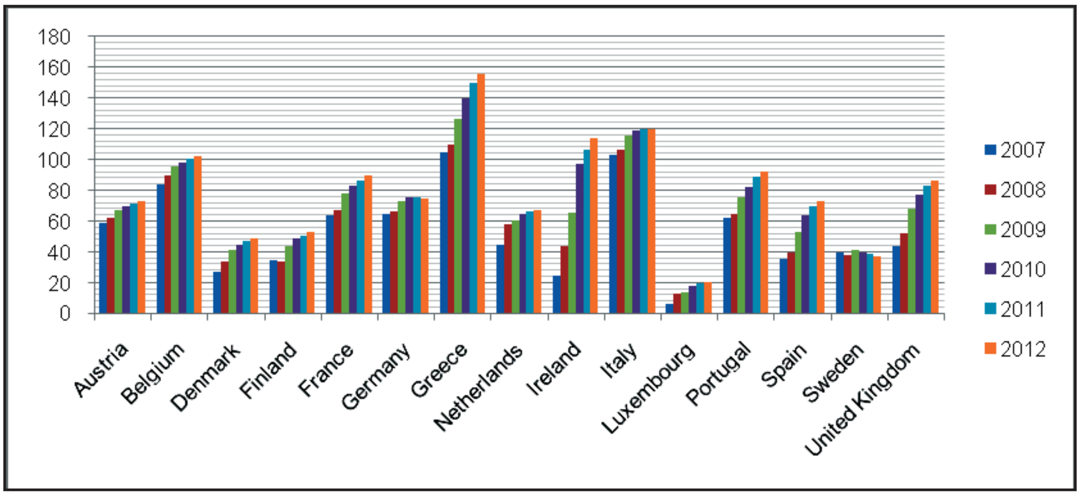
Chart 1. General government gross debt in Visegrad and Baltic countries in 2007-2012 (% of GDP)



Source: European Commission (2010) provided data and estimations for 2010-2012.

Nevertheless, if we broaden the geographical context and take a mere glimpse onto the recent development of debt-to-GDP ratios of EU15 nations we can claim with reasonable certainty that those who have not introduced any independent fiscal institution can be portrayed as countries possessing the highest debt levels among EU15 countries (*Chart 2*).[3]

Chart 2. General government gross debt in EU15 countries in 2007-2012 (% of GDP)



Source: data and estimations for 2010-2012 are provided by the European Commission (2010).

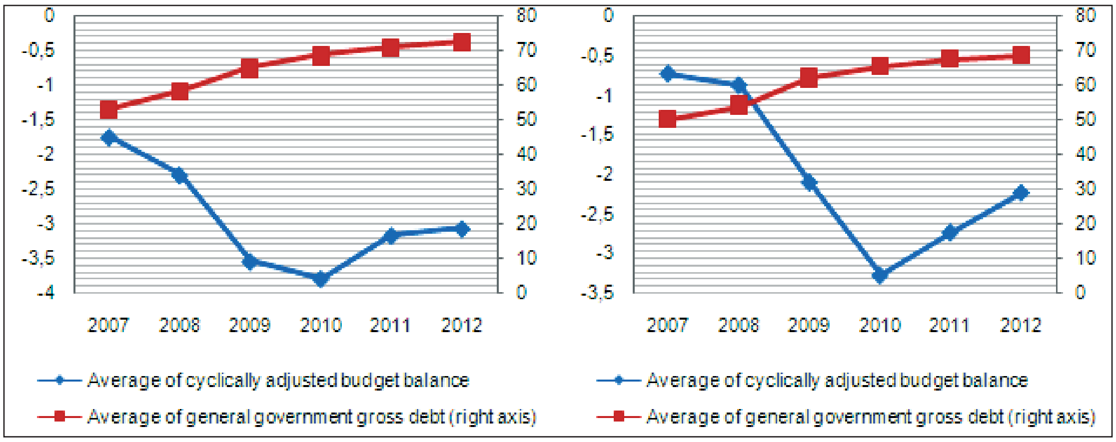
[3]Belgium's debt structure conveys a message that Belgians have a large amount of internal debt, contrary to Greece, Ireland, Italy and Portugal who have not got any independent fiscal institutions, but they are imperatively facing enormous volume of debt-to-GDP ratios.

Independent fiscal institutions

Fiscal rules were more or less inaugurated by most of EU14 countries since the 1980s. The only exceptions are Greece, Ireland, Italy and Portugal. Furthermore, there were some fiscal institutionalisations up until the midst of 2000s as well by designing independent fiscal councils invoked to foster the evolvement and solidification of better fiscal discipline.

While lots of countries have introduced such institutions by nowadays, we can distinguish among these institutions according to their authorities and tasks. Therefore we rank the countries using fiscal councils into 3 groups in order to decipher the councils' potential contribution to the improving fiscal discipline by the end of 2000s: Group 1 where the fiscal council's tasks imply the preparation of binding macro forecasts for budget; Group 2 where the councils are preparing non-binding macro forecasts for the state budget; and Group 3 where the council is responsible for monitoring the budget performance. In an effort to have a more comprehensive picture on the performance of countries establishing councils we also contemplate Group 4 countries without such fiscal institutions.4

Chart 3. Fiscal positions in *Group 1* and *Group 2* countries (% of GDP)



Note: Chart on the left side refers to Group 1; chart on the right side refers to Group 2.

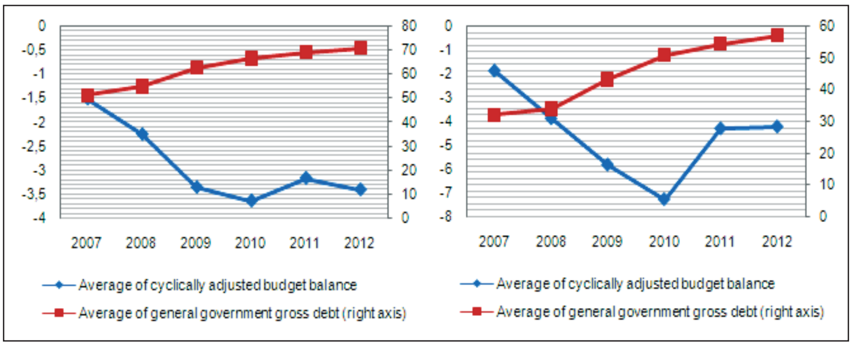
Source: data and estimations for 2010-2012 are provided by the European Commission (2010).

As Chart 3 depicts, Group 1 countries, with independent fiscal institutions which also provide binding macroeconomic forecasts, have been experiencing a slower pace of decline in terms of cyclically adjusted budget balance relative to Group 2 countries where the macroeconomic forecasts of the fiscal councils are not binding.[5]

[4] *Group 1*: Austria, Belgium, The Netherlands and Slovenia. *Group 2*: Denmark, Germany, France, Italy, Luxembourg, Sweden and United Kingdom. *Group 3*: Belgium, Denmark, Germany, Estonia, France, Hungary, Italy, Lithuania, The Netherlands, Portugal and Sweden. *Group 4:* Bulgaria, Cyprus, Czech Republic, Finland, Ireland, Latvia, Malta, Poland, Romania, Slovakia.

[5] However, the dept-to-GDP ratios of *Group 1* countries are higher than in case of *Group 2*, one should not ignore that the Belgian indebtedness can easily smuggle significant distortion into the observation due to its high, but primarily internal debt which seems to be financeable.

Chart 4. Fiscal positions in *Group 3* and *Group 4* countries (% of GDP)



Note: Chart on the left side refers to Group 3, chart on the right side refers to Group 4.
Source: data and estimations for 2010-2012 are provided by the European Commission (2010).

Since economics teaches us for moderation both in terms of modesty and self-confidence, we have to be aware of the empirical findings suggested by Kennedy and Robbins (2001), namely of the experience that the determining and influential powers of fiscal rules on fiscal discipline are not very clear. Still, after mature deliberation on the development of the presented two indicators we can get to the conclusion that, *Group 4* countries without independent fiscal institutions seem to be in much worse fiscal conditions both in terms of the trajectory of cyclically adjusted budget balance and general government gross debt ratio.

Group 4 countries face an even higher decline than *Group 3* where the independent fiscal institutions are not entitled to serve as a primary source of binding macroeconomic forecasts for the government in power. The forecasts for the period 2010-2012 provided by the European Commission capture the existence of independent fiscal institutions or their absence, because the improvements of *Group 4*'s indicators conspicuously lag behind the other groups' developments. As a consequence, the Commission envisages that *Group 4* countries will merely approach – even without reaching – the achievements in cyclically adjusted budget balance of *Group 3* countries by 2012.

Conclusion

The fiscal policy accompanied by rules and independent institutions is *per se* not a 'celestial manna'; disciplined fiscal policy also requires a distinct commitment of the government. However, it seems that independent fiscal institutions enhance the acclimatisation of more disciplined public finances *via* serving transparency and more flexibility for the economic policy. Subsequently, the forecasts provided by the Commission also imply the influential power of fiscal councils on fiscal policy behaviour.

Fiscal institutions might be especially important when the fiscal rules do not represent enough coercive power in order to keep the fiscal condition in a manageable position. More precisely, when deficit targets are not realistic, where the consensual commitment to the fiscal discipline is suffering from political unwillingness as it was pinpointed by Schick (2003), Corbacho and Schwartz (2007).

Adopting and strengthening these institutions rather than getting rid of them through 'de-councilisation' are in line with the international trends. Additionally, it would equal to the endeavour to oust the spirit of the indebtedness by providing positive impetus on an impaired fiscal performance and ultimately on sustainable economic development in the long run.

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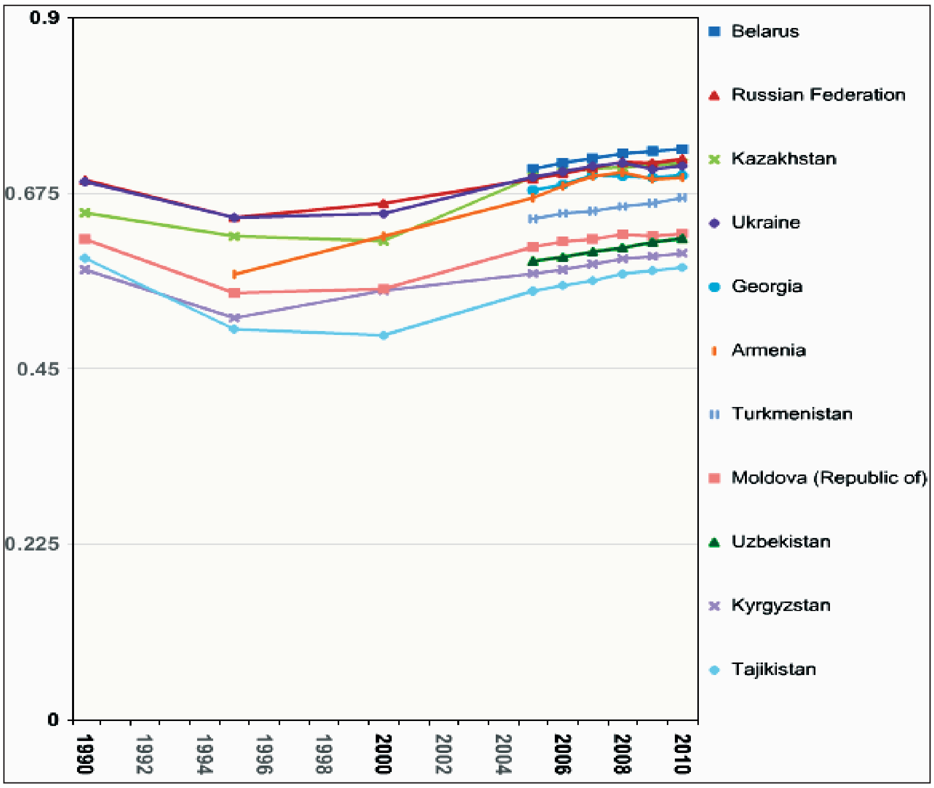
Belarus in the labyrinth of economic development indices

Ágnes Orosz

The 20th anniversary edition of Human Development Report was released 4 November 2010. Looking at the performance of CIS countries we can observe that Belarus outstrips all CIS countries in ranking of human development. By 2010 Belarus has made a leap from the 68th to the 61st place; this improvement means that the index increased from 0.729 to 0.732. Belarus is ahead of Russia which occupies the 65th place, Kazakhstan is the 66th, and Ukraine is at the 69th place. On *Chart 1* we can review the development of HDI in CIS countries.

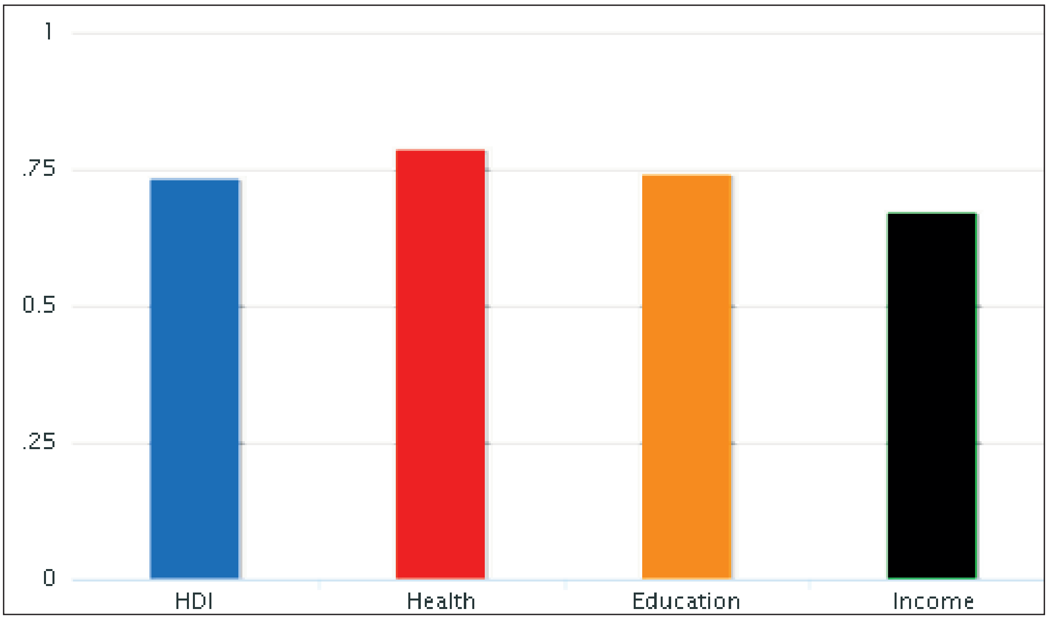
Chart 1. HDI values in CIS countries 1990-2010



Source: UNDP (2010a)

Examining the components of HDI we can conclude that health is a driving force of the good performance, but it must be stated that life expectancy worsened dramatically during the 1990s and has not improved significantly since 2000 when it reached its turning point.

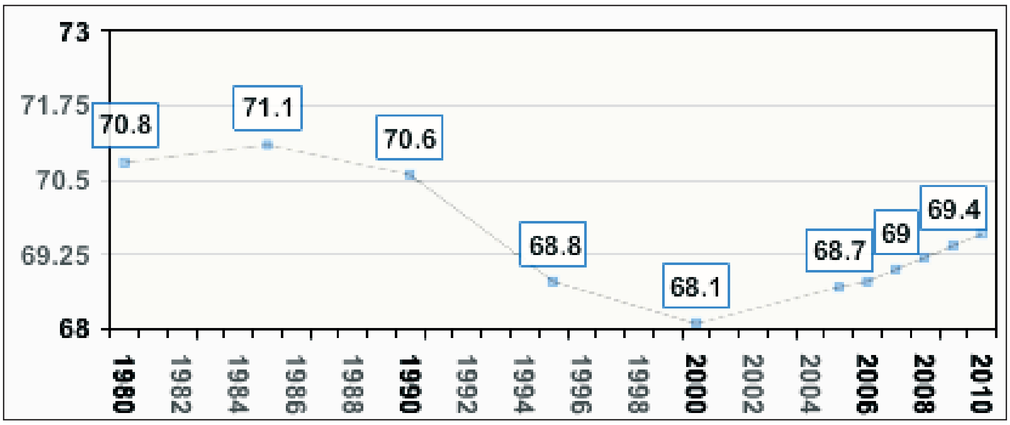
Chart 2. HDI components for Belarus in 2010



Source: UNDP (2010b)

Chart 3 shows the development of life expectancy at birth in Belarus. Belarus's infant mortality rate is below the international average, but it has improved in some degree since 2000. The proportion of the undernourished population is less than 4% in Belarus which means top 10 ranking. In terms of number of hospital beds per capita is the second highest, but just 93% of the total population has access to good sanitation facilities, which is just above the global average (Legatum Prosperity Index 2010). There are several on-going UNDP projects in order to improve the health care system (e.g. „Tuberculosis" Programme or the HIV Prevention Programme), because the number affected by tuberculosis was above the international average. In order to improve health care services a new financing system based on health care expenditures per capita has been introduced.[6]

Chart 3. Life expectancy at birth in Belarus 1980-2010



Source: UNDP (2010a)

It is important to mention that Belarus' ranking is the best but all the other CIS countries have reached outstanding improvement in their HDI ranking. *Table 1* shows HDI improvement in CIS countries, Turkmenistan, Azerbaijan and Moldova have undergone significant improvement, at about 20 rankings.

[6]Medical aid has been restructured and the redistribution of resources has been improved to a more economical pattern.

Table 1. HDI ranking improvement from 2009 to 2010

Country	HDI rank (2009)	HDI rank (2010)	Improvement in the ranking
Armenia	84	76	8
Azerbaijan	86	67	19
Belarus	68	61	7
Georgia	89	74	15
Kazakhstan	82	66	16
Kyrgyz Republic	120	109	11
Moldova	117	99	18
Russian Federation	71	65	6
Tajikistan	127	112	15
Turkmenistan	109	87	22
Ukraine	85	69	16
Uzbekistan	119	102	17

Source: UNDP (2010a)

The premise of HDI is simple: national development should be measured not simply by national income, as had long been the practice, but also by life expectancy and literacy (Human Development Report 2010), because economic growth as a measure fails to account for some important social and economic factors. There are many criticisms and possible drawbacks of HDI, for example the gross enrolment overstates the amount of schooling, giving equal weights to the components can be problematic, or the lack of quality measurement.

Table 2. GNI per capita, income level and poverty headcount ratio in CIS countries

Country	GNI per capita (2009) (in US dollars)	Income level (2009)	Poverty headcount ratio at national poverty line (% of population) - latest data
Armenia	3100	Lower middle income	50.9% (2001)
Azerbaijan	4840	Upper middle income	49.6% (2001)
Belarus	5540	Upper middle income	17.4% (2004)
Georgia	2530	Lower middle income	54.5% (2003)
Kazakhstan	6740	Upper middle income	15.4% (2002)
Kyrgyz Republic	870	Low income	43.1% (2005)
Moldova	1590	Lower middle income	48.5% (2002)
Russian Federation	9370	Upper middle income	19.6% (2002)
Tajikistan	700	Low income	53.5% (2007)
Turkmenistan	3420	Lower middle income	n.a.
Ukraine	2800	Lower middle income	19.5% (2003)
Uzbekistan	1100	Lower middle income	27.2% (2003)

Source: World Bank (2010)

Regarding HDI ranking we can observe remarkable differences; now let us observe the standard indices for economic development. The most common measure of economic development is gross national income per capita in accordance with the World Bank's income-based country classification. In calculating gross national income (GNI) and GNI per capita in U.S. dollars for certain operational purposes, the World Bank uses the Atlas conversion factor (adjusting exchange rate fluctuations).

Examining GNI per capita we can conclude that in Belarus the income level is upper middle income with relative low poverty headcount ratio at national poverty line according to the World Bank classification, but GNI per capita is one of the lowest among upper middle income level CIS countries. Tajikistan and the Kyrgyz Republic are low income level countries in which GNI per capita is less than 1000 $ and the poverty headcount ratio at national poverty line is extremely high. The poverty headcount ratio is the highest in Georgia, more than 54 per cent.

Per capita GNI comparisons are exaggerated by the use of official exchange rates to convert the countries' national currency figures into U.S. dollars. This conversion does not measure the relative domestic purchasing power of different currencies (Todaro – Smith 2009), it needs some rectification. To this end, we observe the ranking of CIS countries by using GDP per capita at purchasing power parity.

Table 3. GDP per capita (PPP) estimated for 2009 in CIS countries

Country	GDP per capita (PPP)	Ranking
Armenia	5900	109
Azerbaijan	9900	88
Belarus	11600	78
Georgia	4500	118
Kazakhstan	11400	80
Kyrgyz Republic	2100	135
Moldova	2400	132
Russian Federation	15200	63
Tajikistan	1800	137
Turkmenistan	6700	103
Ukraine	6400	105
Uzbekistan	2800	129

Source: CIA World Factbook (2010)

Comparing the different ranking methods we can see obvious disparities e.g., in terms of HDI ranking or GDP per capita (PPP) ranking. Consequently HDI in conjunction with traditional economic measures of development greatly increases our understanding of the CIS countries' real development.

It is salient that only in the case of the Russian Federation is ranking of GNI per capita better than HDI ranking. In the case of Belarus there is no difference between the different rankings. More surprising is the fact that Georgia's GNI per capita ranking proved much worse (by 26 places) than its HDI ranking.

Table 4. Comparison of GNI per capita (PPP) and HDI ranking in CIS countries

Country	GNI per capita (PPP 2008, US dollars)	GNI per capita rank minus HDI rank (2010)
Armenia	5495	19
Azerbaijan	8747	8
Belarus	12926	1
Georgia	4902	26
Kazakhstan	10234	6
Kyrgyz Republic	2291	17
Moldova	3149	19
Russian Federation	15258	-15
Tajikistan	2020	22
Turkmenistan	7052	1
Ukraine	6535	20
Uzbekistan	3085	17

Source: Human Development Report (2010)

Other measures of development

To measure development the UN has introduced GDI (gender-related development index). The aim of the index is to show inequalities between men and women in the following areas: long and healthy life, knowledge, and a decent standard of living. To understand development in a broader sense, GDI (a supplementary index to the Human Development Index) can be meant as a starting point, to address the issue of health and overall well-being.

Table 5. Comparing HDI and GDI components

Index	Longevity	Knowledge	Decent standard of living
HDI	Life expectancy at birth	Adult literacy rate Combined primary, secondary and tertiary enrolment ratio	GDP per capita
GDI	Female and male life expectancy at birth	Female and male adult literacy rates Female and male combined enrolment ratios	Estimated income earned by females and males, reflecting women's and men's command over resources

Source: Paul (2006) pp. 24

In Human Development Report 2009 Gender empowerment measure (GEM) is not ranked and valued for every CIS countries. It is conspicuous that the highest difference between HDI and GEM is in the Kyrgyz Republic, where the share of the seats in parliament held by women is one of the highest, but the ratio of estimated female to male earned income is relatively low. Another CIS country where we can observe a high difference between HDI and GEM is Moldova where the ratio of estimated female to male earned income is the highest between the CIS. In Belarus GEM is not ranked which has the highest HDI ranking, it is salient that the seats in parliament held by women is the highest among the CIS countries, but the ratio of estimated female to male earned income is medial.

Table 6. Comparing HDI and GDI components in 2009

Country	HDI rank (2009)	GEM rank	Seats in parliament held by women (% of total)	Ratio of estimated female to male earned income	Women received right to		Women in ministerial position (% of total)
					vote	stand for election	
Armenia	84	93	8	0.57	1918	1918	6
Azerbaijan	86	100	11	0.44	1918	1918	7
Belarus	68	n.a	33	0.63	1918	1918	6
Georgia	89	105	6	0.38	1918, 1921	1918, 1921	18
Kazakhstan	82	73	12	0.68	1924, 1993	1924, 1993	6
Kyrgyz Republic	120	56	26	0.55	1918	1918	19
Moldova	117	66	22	0.73	1924, 1993	1924, 1993	11
Russian Federation	71	60	11	0.64	1918	1918	10
Tajikistan	127	n.a	20	0.65	1924	1924	6
Turkmenistan	109	n.a	n.a	0.65	1927	1927	7
Ukraine	85	86	8	0.59	1919	1919	4
Uzbekistan	119	n.a	16	0.64	1938	1938	5

Source: Human Development Report (2009): Gender empowerment measure and its components

Human Development Report 2010 provides new indices, Inequality-adjusted HDI, Gender Inequality Index and Multidimensional Poverty Index, building on innovations in the field and advances in theory and data. Gender Inequality Index (GII)[7] and Multidimensional Poverty Index are not valued for Belarus. Inequality-adjusted HDI is a measure of the average level of human development of people in a society once inequality is taken into account. It is possible to measure inequality as the difference between HDI and IHDI: the greater the difference between HDI and IHDI, the greater the inequality.

Table 7. Measuring inequality in CIS countries (HDI-IHDI) in 2010

Country	HDI value (2010)	IHDI value (2010)	Measure of inequality (HDI-IHDI)
Armenia	0.695	0.619	0.076
Azerbaijan	0.713	0.614	0.099
Belarus	0.732	0.664	0.068
Georgia	0.698	0.579	0.119
Kazakhstan	0.714	0.617	0.097
Kyrgyz Republic	0.598	0.508	0.090
Moldova	0.623	0.539	0.084
Russian Federation	0.719	0.636	0.083
Tajikistan	0.580	0.469	0.111
Turkmenistan	0.669	0.493	0.176
Ukraine	0.710	0.652	0.058
Uzbekistan	0.617	0.521	0.096

Source: Human Development Report (2010)

[7] GII is estimated for 138 countries, reveals gender disparities in reproductive health, empowerment and labour market participation. The importance of the index is that gender inequality remains a major barrier to human development.

Belarus is one of the most developed CIS countries according to HDI and the inequality is relatively low, on the contrary in Turkmenistan and Georgia HDI ranks medial, but inequality is extremely high.

Business environment can be measured – among others – by the credit ratings of independent institutions. Credit ratings institutions play a key role in financial market. Moody's, Standard and Poor's and Fitch differ in terms of the expected timing of default and by the Recovery Rate (UN 2008). Previously in July 2010 Moody's assigned B1 rating to Belarus, because in Moody's' view it has made some improvement in building institutional capacity (Moody's 2010). Fitch international ratings agency increased ratings for three Belarusian banks in October 2010 and changed the outlook for four banks with a share of foreign capital to stable. The long-term issuer default rating of Belarusbank, Belagroprombank and Belinvestbank were raised from B- to B. The outlook of Belarusbank and Belinvestbank has been changed from negative to stable. Contrary to Fitch, S&P's outlook for Belarus is negative (Standard and Poor's, 2010), more precisely S&P's consider the banking industry as one of the most risky (BICRA Group 9[8] and Gross Problematic Assets range between 35-50 per cent).

The ratings improvements are based on the World Bank's Doing Business 2010 in which Belarus has moved up from 82th position in 2009 to 58th this year in terms of the ease of doing business in the country.

According to this report Belarus is ranked as the 7th country where the business start-up is the easiest. Belarus was one of the runner-up reformers, it simplified its registration formalities and start-up time was shortened by nearly 4 weeks.

TABLE 8. WHERE IS BUSINESS START-UP EASY – AND WHERE NOT?

Easiest	RANK	Most difficult	RANK
New Zealand	1	Cameroon	174
Canada	2	Iraq	175
Australia	3	West Bank and Gaza	176
Singapore	4	Djibouti	177
Georgia	5	Equatorial Guinea	178
Macedonia, FYR	6	Guinea	179
Belarus	7	Haiti	180
United States	8	Eritrea	181
Ireland	9	Chad	182
Mauritius	10	Guinea-Bissau	183

Source: Doing Business (2010) pp. 10

Examining the Doing Business 2010 report it is salient that between the top 10 reformers there are 4 CIS countries, namely the Kyrgyz Republic, Belarus, Moldova and Tajikistan.

[8]BICRAs classify countries into 10 groups ranging from the lowest-risk banking industries (Group 1) to the highest risk (Group 10) from a bank credit perspective.

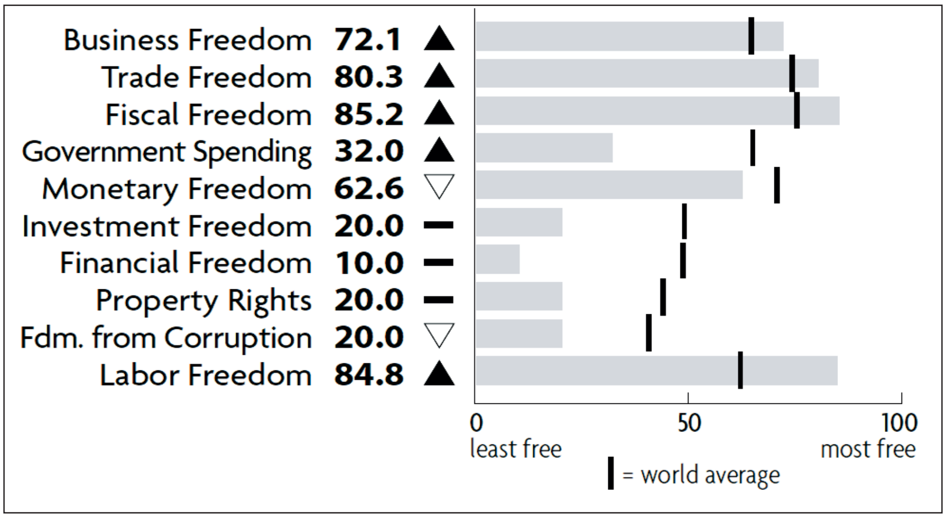
Table 9. The top 10 reformers in 2008/09

Economy	Starting a business	Dealing with construction permits	Employing workers	Registering property	Getting credit	Protecting investors	Paying taxes	Trading across borders	Enforcing contracts	Closing a business
Rwanda	✔		✔	✔	✔	✔		✔		✔
Kyrgyz Republic	✔	✔	✔	✔	✔		✔	✔		
Macedonia, FYR	✔	✔	✔	✔	✔	✔	✔			
Belarus	✔	✔	✔	✔			✔	✔		
United Arab Emirates	✔	✔						✔		
Moldova	✔			✔			✔			
Colombia	✔	✔		✔	✔	✔	✔	✔		✔
Tajikistan	✔	✔			✔	✔				✔
Egypt, Arab Rep.	✔	✔			✔				✔	
Liberia	✔	✔						✔		

Source: Doing Business (2010) pp. 2

If we assess the business environment of Belarus on the sheer basis of the World Bank Doing Business report (2010), it informs us about a compelling performance. Therefore it would be instructive to broaden the horizon of investigation by taking into account other business environment related indices such as the economic freedom index (by economic freedom the Heritage Foundation means the fundamental right of people to control their own labour and property). Examining HDI and business environment Belarus presents a really good appearance, but it is totally different in the case of economic freedom. In the 2010 Index Belarus ranks just as the150th freest economy (freedom score is 48.7) mostly as a consequence of the Soviet-era policies and practices.

Chart 4. Belarus' 10 economic freedom



Source: Heritage Foundation (2010).

As a part of business environment it is a great disadvantage that corruption is extremely high and has deteriorated, and property rights, as well as financial and investment freedom have remained among the least free dimensions. In terms of business, trade, fiscal and labour freedom Belarus performs above world average.

Conclusion

One should not neglect the fact that the assessment of development of a given country could be misleading if it is based merely on one particular index. This phenomenon has also been justified in the case of Belarus which shows striking differences by contemplating various indices.

Accepting the imperfections of all indices leads us to examine a country's development in a broader sense by using different indices which are able to compensate the failures of each other. As far as Belarus is concerned, its HDI development is surpassing that of the other the CIS countries, however, it performs about the average in the field of GNI per capita. In terms of business environment the ease of business start-ups can be a good measure, but one has to take into account the effects of economic freedom, as well.

In the case of Belarus it is controversial that the improvement of institutional capacity has undergone simultaneously with the worsening of corruption. There is much to be done in order to improve the business environment in Belarus, because it needs the fundamental advancement of property rights, financial and investment freedom, as well.

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