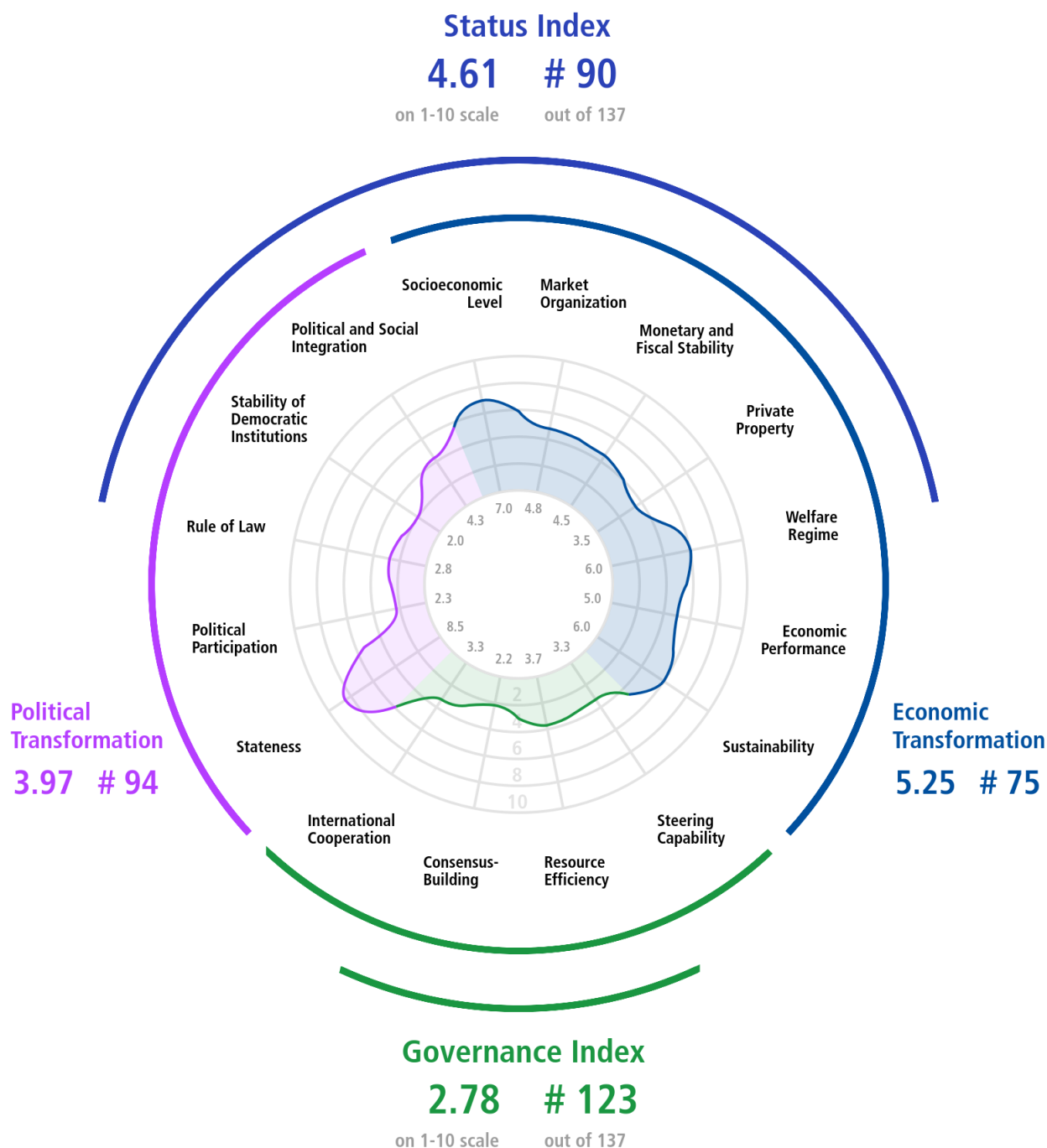


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Belarus



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Key Indicators

Population	M	9.4	HDI	0.823	GDP p.c., PPP \$	20200
Pop. growth ¹	% p.a.	-0.2	HDI rank of 189	53	Gini Index	25.3
Life expectancy	years	74.2	UN Education Index	0.838	Poverty ³	0.0
Urban population	%	79.5	Gender inequality ²	0.118	Aid per capita \$	22.7

Sources (as of December 2021): The World Bank, World Development Indicators 2021 | UNDP, Human Development Report 2020. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

In 2019, the main processes that defined the domestic agenda and set the trends for 2020 were the parliamentary elections campaign, weakening economic recovery and a gradual slide into recession, growing economic and political pressure from Russia, lack of significant results in relations with the West and China, and (insufficient) attempts by the authorities to adapt to the rapidly changing conditions.

In domestic politics, against the background of the November 2019 parliamentary elections and the August 2020 presidential campaign, economic and political reforms were blocked by the leadership and the security apparatus. The expulsion from parliament of independent deputies (Anna Kanopatskaya and Alena Anisim) following the results of the 2019 parliamentary elections signaled that the authorities were preparing to take tough action in the 2020 presidential campaign.

In foreign policy, Belarus continued to exploit the theme of regional security and aggressive regional actors in order to improve its international reputation, intensify cooperation with Western countries and deepen its strategic partnership with China amid increasing geopolitical pressure from Russia, which had been promoting deeper integration within the framework of the Union State of Russian and Belarus. By the end of 2019, it became clear that Belarus's balancing act between the West, China and Russia had exhausted its potential due to objective and subjective limits.

In 2020, the authorities faced the three most serious challenges of the last 20 years: the COVID-19 pandemic, the related deteriorating socioeconomic situation and the mass protests following the skewed presidential elections. The rigid vertical organization of state power, which has been built up in Belarus over the past 20 years, clearly demonstrated its ineffectiveness during the crises. In response, Lukashenko switched to a mobilization-military form of political regime.

As a result of strategic miscalculations related to the almost complete neglect of the COVID-19 pandemic and during the 2020 presidential elections campaign, which included the unprecedented use of state violence against peaceful protests, Belarus was confronted at the beginning of 2021 with the most dramatic political crisis in its history, an economic recession, a failing foreign policy and a human rights catastrophe, all of which have led to international isolation, repeated sanctions imposed by the West and the country's increased vulnerability to Russian interference in domestic affairs. The authorities responded to demands for political reform from significant parts of Belarusian society, the West and Russia by intensifying repression and a temporary simulation of a dialogue on the so-called constitutional reform.

History and Characteristics of Transformation

In striking contrast to most other eastern and central European states, Belarus did not react to the 1991 collapse of the USSR by transforming itself into a market-based economy featuring well-developed, strong democratic institutions and a robust civil society. In 1994, President Alexander Lukashenko came to power in the context of very strong pro-Soviet sentiments within Belarusian society, as 83% of Belarusians voted in favor of preserving the USSR at the All-Union referendum in March 1991.

Lukashenko began his own nation-building experiment by focusing on the country's Soviet heritage and the concept of a unique Belarusian path that opposed the liberalization, democratization and de-Sovietization observed in other post-Soviet states, especially in Russia and Ukraine. He consolidated a hyper-presidential regime with the help of a constitutional referendum in 1996, while another referendum in 2004 permitted him to be re-elected to more than two terms in office. Since the beginning of his tenure, Lukashenko has increasingly monitored and restricted the activities of the opposition, independent media, civil society and the private business sector. He managed to preserve a Soviet-style model that remained state-dominated and socially oriented. The government implicitly proposed a vertical social contract based on the formula "loyalty in exchange for high living standards," which was accepted by the majority. Thanks to redistributive policies and government regulation, the population benefited from economic growth in the 1990s and the 2000s. However, this was also the result of privileged relations with Russia, which provided Belarus cheap energy, access to the Russian market and finances which, however, were almost completely exhausted by 2020. Belarus also managed to maintain a sense of social justice despite the lack of democratic elections, in part by taking tax evasion and the fight against corruption seriously.

The opposition was not at all represented in the legislature between 2004 and 2016, when two independent candidates got into parliament, but failed to preserve their seats after the November 2019 parliamentary elections. Elections have consistently fallen short of OSCE standards. For a brief period between 2008 and 2010, and again between 2014 and 2019, the Belarusian state made some democratic concessions in order to facilitate economic and technical cooperation with the West.

Converging foreign policy considerations in the wake of Russia's war against Georgia in 2008 and its conflict with Ukraine in 2014 led Belarus to a tentative warming of relations with the European Union and the United States. This in turn prompted Europe to lift its sanctions, while the United States waved its economic restrictions. Belarus also strengthened its strategic partnership with China. The country's neutral position in the Russia-Ukraine conflict, along with its provision of a negotiating platform to solve the conflict in Donbass, strengthened Minsk's international standing.

Driven by the deep economic recession of 2014 to 2016 and a weak economic recovery between 2017 and 2020 and the growing pressure from Russia, the Belarusian authorities began more actively to diversify the country's foreign relations and economic ties, and gradually implemented market reforms with the assistance of international financial institutions. In response to the regional tensions, the authorities tried to replace the social contract with a security contract, guaranteeing peace and stability in light of the evident crisis of the so-called Belarusian socioeconomic model.

However, this has not proved very successful. In 2020, Belarus faced three crises – the epidemiological, an economic and the political – that seriously undermined its reputation as a stable and safe country. These crises also seriously called into question Lukashenko's domestic and international legitimacy, as well as his ability to maintain his political regime and socioeconomic model. Although the ruling elite has managed to buy time and delay any transformation with mass repression, this approach has only exacerbated the crisis and created the preconditions for its further aggravation.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

Belarus is a unitary state where the central executive authorities exercise power throughout the entire country and rely on a strong security apparatus as well as rigid vertical power constructs. There is virtually no threat to the state's monopoly on the use of force either horizontally or vertically within the state power structures. National organized crime groups are few in number, while transnational criminal networks do not pose a threat to the state's monopoly on the use of force.

Belarus' independence and sovereignty are generally accepted, with the official discourse emphasizing the protection of both. These sentiments have been heightened in light of the current geopolitical confrontation between Russia and the West. Russia has increased its pressure on Belarus, resulting in the Kremlin's "integration ultimatum." Although Alexander Lukashenko rejected this ultimatum at the end of 2019, Russia is still promoting deeper integration within the Union State, an integration project that dates back to the 1990s.

The presidential election campaign in 2020 brought an unprecedented growth of civic awareness and stimulated nation-building. According to independent polls conducted in November 2020 by the Belarusian Analytical Workroom (BAW), 40% of the respondents were in favor of an alliance with Russia, whereas in September 2020 these were 51.6%. Instead, the pro-European orientation increased in November (33%) as compared with September 2020 (26.7%).

All individuals enjoy the right to acquire citizenship without discrimination, and the constitution formally grants equal rights to all citizens. However, Belarus has not adopted an anti-discrimination law yet. New legislation envisages perspectives of losing Belarusian citizenship due to participation in "terrorist" or "extremist" activities (including unauthorized protests) or causing serious harm to the national interests of Belarus. This norm will apply only to those who acquired citizenship

Question Score

Monopoly on the
use of force

10



State identity

8



not by birth. The refusal to let the head of the Catholic Church of Belarus Tadeusz Kondrusiewicz into the country in August-December of 2020 (allegedly in connection with questions regarding Belarusian citizenship) speaks to the arbitrary nature in which the state discriminates against citizens and public figures who voice criticism of state authorities.

The constitution grants freedom of religion and worship insofar as this is not otherwise prohibited by law. It stipulates that all faiths – Belarus is a multi-confessional society – are equal before the law. Relations between the state and religious organizations are regulated by law, taking into account these groups' role in the formation of the spiritual and cultural traditions of the Belarusian people. Legal regulations prohibit activities of religious organizations that undermine the sovereignty of Belarus, its constitutional order and civil consent; violate the rights and freedoms of citizens; prevent citizens from fulfilling their state, social, family duties; or harm citizens' health and morality.

Religious organizations have the right to participate in public life and can access the media like other civil society associations. But they are not entitled to participate in the activities of political parties or other civil society associations that pursue political goals or provide them with financial or other support. Places of worship are not allowed to use state symbols and hold events of a political nature. At the same time, the public positioning of church leaders against the idea of adopting the Law on Domestic Violence in 2018 was a clear example of policy participation.

Attempts by the Orthodox and Catholic churches to condemn violence by Belarusian security forces during the political crisis resulted in formal warnings and the threat that their legal activities could be suspended. Other confessions also faced pressure from law enforcement due to the active participation of their followers in the protests.

By law, all registered religious groups must seek permits to hold events outside of their premises, including proselytizing activities, and must obtain prior governmental approval to import and distribute religious literature. The law bans all religious activity by unregistered groups. As a result, legislation overregulates the freedom of conscience.

The state provides all basic services, and the administrative structure is differentiated. The administrative structure includes regional, district and local levels, with corresponding subnational governments (SNGs). There are six regions plus Minsk city, 118 districts plus 12 cities with district rights, and around 1,200 rural units (e.g., the village councils or selsovet).

Regional and district SNGs operate professionally. Rural units have fewer employees, and their basic management skills tend to be minimal. Budgets in Belarus are divided on a territorial basis. SNGs financing is generally conducted

No interference of religious dogmas

9

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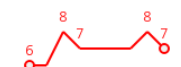


1

Basic administration

7

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1

through tax sharing and transfers from higher levels of government. Belarus' SNGs have no fiscal autonomy. Belarus has not yet signed the European Charter of Local Self-Government, which would limit the positive effect that any reform of the local administration system may have.

In 2019, the Ministry of Economy together with regional executive committees prepared a comprehensive development plan for 31 regions of Belarus that lag behind in socioeconomic development. But the COVID-19 pandemic and the political crisis after the August 2020 presidential elections doomed these plans to fail.

According to national statistics (2019), 96.1% and 94.8% of the population have access to water and sanitation, respectively. Access to health care services is universal and free of charge, according to the constitution. The Belarusian government allocated 4.2% of GDP to the national health care system in 2019. There are 599 hospitals and 2,288 outpatient clinics in the country, with 41.3 medical doctors, 134.4 nurses and 80.1 beds in hospital organizations per 10,000 people. Shortcomings include a lack of sufficient medical staff and significant co-payments, predominantly with regard to dental and optical care costs, and pharmaceuticals. Patients are also informally expected to give health care workers some unofficial payment when receiving medical services.

The country's postal and telecommunication services are provided by Belpochta, which operates 2,814 post offices, 176 points of postal services and 171 mobile post offices. Belpochta performs important functions in that it also processes payment of pensions and offers some retail goods. This is especially important for small towns and rural areas. However, the population decline in these areas has led to the closure of many post offices.

Since the government has not introduced lockdowns during the COVID-19 pandemic, services have not been limited or disrupted. The Health Ministry decided not to entirely reorient all hospitals to the fight against the coronavirus, but to leave some of them to provide routine and specialized medical services. Of the 76,500 hospital beds, more than 20% (18,600) were reserved for coronavirus-infected patients at the beginning of pandemic in spring 2020. By the end of 2020, their number decreased to 13,375. However, by this time, all clinics in Minsk had suspended scheduled appointments for patients due to the aggravated pandemic situation.

Since the beginning of the post-election protests, the authorities have oriented public services away from their primary duties toward the imposition of restrictive measures, and the cleansing of public spaces of protest symbols and activities.

2 | Political Participation

Electoral campaigns are regularly held in Belarus. The president is elected for five-year terms without limitations (the October 2004 referendum lifted the restriction on the number of presidential terms). Parliamentary terms are four years. Elections for local-council deputies also take place every four years.

No election in Belarus since 2001 has been recognized as free and fair by the international community. Criticism by the OSCE's Office for Democratic Institutions and Human Rights (ODIHR) has pointed mainly to non-pluralistic election commissions, strict media regulations, a lack of sufficient transparency during early voting periods, and a lack of transparency during the counting of votes and the tabulation of election results.

In recent years, the Belarusian authorities have reopened dialogue with international organizations on electoral reform. Though general assessments of the electoral process have not changed, ODIHR noted some improvements during the October 2015 presidential elections and the September 2016 parliamentary elections. However, in the November 2019 parliamentary elections no opposition or independent candidates won any seats. These results marked the aggravation of the political atmosphere in the country. According to the OSCE, they showed an overall disregard for fundamental freedoms of assembly, association and expression, and were conducted with limited impartiality and independence.

The 2020 presidential campaign from the very beginning demonstrated that Lukashenko was not going to comply with international obligations and democratic standards, eliminating his main political opponents by disqualifying or imprisoning them before the day of the vote, which had not happened before. This concerned ex-banker Viktor Babariko, ex-diplomat Valery Tsepkalo and popular blogger Sergei Tikhanovsky. The authorities arrested Babariko and Tikhanovsky, denying registration to all three at the first stage of the presidential election campaign. Only Svetlana Tikhanovskaya was granted registration. Via cooperation with the teams of other opposition candidates, she managed to unite and mobilize the entire protest vote.

Due to Lukashenko's position as a "coronavirus dissident," the authorities did not cancel or postpone the presidential election. But referring to the pandemic, unprecedented barriers to election observers were introduced, although voting took place without any pandemic-related restrictions. Hence, ODIHR did not send a monitoring mission because it was invited too late to observe the crucial process of registering candidates, as in previous elections.

According to national independent observers, Lukashenko's victory resulted from blatant manipulation and fraud, as well as threats and violence. For the first time,

Free and fair elections

2

'06 '22 10



voters went en masse to the polling stations on the evening of voting, demanding that election commissions publish the results of the voting. Several dozen commissions in different parts of the country complied and publicly presented protocols in which Tikhonovskaya won with a leading edge. This was confirmed by the independent platform Golos, developed by IT specialists and civil society activists, and in which over 1.2 million voters registered, recording her victory. Following the election, mass protests across Belarus erupted, which were marked by disproportionate police violence, mass arrests, torture and mobile internet shutdowns.

The president is the only political entity with effective power to govern. The government is appointed by the president, who has only to ask parliament for approval of the prime minister. Most political decisions are prepared by the presidential administration. The council of ministers acts as a technocratic government. The bicameral parliament, the National Assembly, plays a decorative role, implementing the will and instructions of Lukashenko and his administration.

In general, the political decision-making process is not transparent. Security agencies such as the Security Council and the KGB (State Security Committee) play an important decision-making role. These security agencies have effective veto power.

The trend toward mobilizing the security apparatus began at the end of 2019 at the latest, when Lukashenko started to form his cabinet from security officials. At that time, Igor Sergeenko, a KGB major general, became head of the presidential administration. In June 2020, two months before the August presidential elections, Roman Golovchenko, a career security official who worked in the Security Council, the General Prosecutor's Office, the presidential administration and the Military-Industrial Committee became new prime minister. With the onset of the political crisis following the presidential elections, security officials, especially officials from the KGB and the Ministry of the Interior, have become the main pillar for the survival of the regime.

In 2019, civil society activists registered some tactical successes, such as their protest against the construction of a battery plant in Brest. The center-right coalition (the United Civic Party, the Belarusian Christian Democracy and the For Freedom movement) and the Social Democrats mobilized new protests, which included members of Mothers 328, eco-activists from Brest and activists from the Youth Bloc.

Proponents of dialogue with the authorities from Tell the Truth continued their strategy of working within the current legislation. The Belarusian People's Front, national-cultural initiatives and parliamentary deputy Alena Anisim also sought to avoid street confrontations.

Effective power to govern

2

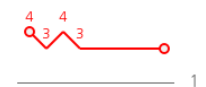
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Association / assembly rights

3

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The record number of nominations from democratic forces in the November 2019 parliamentary elections contributed to the politicization of society. The authorities responded by rejecting candidates, tightening campaign conditions, imposing prohibitive fees for city services during political actions, banning observers and arresting activists. These trends continued in 2020, escalating during the coronavirus pandemic and the political crisis following the August 2020 presidential elections.

Following the fraudulent August 9, 2020, presidential election, and the violence against protesters perpetrated by security forces between August 9 and 11, a sustained peaceful protest movement was launched, which involved at least 300,000–500,000 new activists across the country. By late 2020/early 2021, the protest transformed into community and cultural activism, self-assistance groups, and other forms of activity, but it did not stop. However, mass street actions decreased in numbers due to widespread repression by the security forces, exceeding the typical boundaries of similar authoritarian regimes. Riot police have been using harsh measures to clear public spaces of protests, including those that mimic legal forms – concerts, flash mobs, tea parties and sporting events.

On March 1, 2021, the new Code of Administrative Offenses came into force, toughening the punishment for unsanctioned rallies. For violating the procedures for holding meetings, rallies, street marches, demonstrations and pickets, and for public calls to organize such actions, fines were increased threefold (up to \$1,115), while the term for an administrative arrest was increased from 15 to 30 days. In addition, a provision on parental responsibility for children participating in unauthorized actions was added to the code.

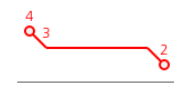
In 2019, the country's media management authority faced a contradictory task. On the one hand, it wanted to create the image of an open and free country, primarily for Western observers and guests of Belarus during the second European Games. Hence, pressure on independent media was reduced. On the other hand, it felt compelled to strengthen its influence in the information space, because of increasing informational pressure from Russia during the intense negotiations over oil and gas prices, and the roadmap for deeper integration.

The latter encouraged the Belarusian authorities to adopt the new Information Security Concept (ISC) in March 2019. Its adoption clearly demonstrated not only Minsk's intentions to establish control over information flows in the country but also concerns over the growing influence of Russia on access to information. A cornerstone of the ISC is the “sovereignty through neutrality” formula. The ISC qualifies information sovereignty as the indispensable and exclusive right of the state to shape the rules of ownership, the use and administration of national information resources, and the conduct of an independent foreign and domestic information policy. This provision completely overshadows other considerations, such as citizens' rights or the country's international commitments.

Freedom of
expression

2

'06 '22 10



1

At the beginning, the authorities did not provide any data about the COVID-19 pandemic to avoid panic. But they were forced to revise this information policy approach amidst the further spread of the coronavirus and its impact on society, and because of pressure from international organizations such as the WHO. Significant pressure was applied to the Belarusian medical staff who first sounded the alarm regarding the dramatic epidemiological situation. There has been a consensus within the Belarusian expert community regarding the falsification and manipulation of COVID-19-related official statistics. Belarusian authorities stopped publishing death rates during the first wave of the pandemic in spring 2020.

The repression of journalists reached an unprecedented level following the August 2020 presidential elections. By the end of 2020, according to the Belarusian Association of Journalists (BAJ), 10 independent media representatives faced criminal investigations and jail, 477 were detained, 97 journalists served administrative arrests, 15 were charged with criminal offenses, and at least 62 journalists experienced violence from security forces. In addition, four newspapers were suspended and access to 50 websites was limited, while fines imposed on journalists and media outlets amounted to €21,800.

3 | Rule of Law

Amendments to the constitution, adopted in 1996 in a controversial referendum, established a strong presidential system with a formal but very limited separation of powers. The president has the right to issue decrees that have the force of law. The large majority of laws are prepared by the presidential administration.

The president appoints and dismisses members of the electoral commission, the cabinet including the prime minister and the heads of the Supreme Court, the Constitutional Court and the Supreme Economic Court. He also appoints six of the 12 judges of the Constitutional Court, as well as all other judges in the country. Only six judges in the Constitutional Court are elected by the Council of the Republic of the National Assembly (the upper house of parliament).

Legislative power is exercised by a bicameral parliament, the National Assembly of the Republic of Belarus. The lower chamber is the House of Representatives, which consists of 110 members who are elected within geographic constituencies. The Council of the Republic is the upper chamber, and consists of 56 members, eight from each region (oblast) and another eight from the city of Minsk, who are elected by a secret vote at sessions of local councils of deputies. Eight additional members are appointed by the president.

Executive power in the country is exercised by the government – the Council of Ministers – which is the central body of state administration. In its activity, the government is accountable to the president and responsible to the parliament.

Separation of powers

2

'06 '22 10



Judicial power in Belarus is vested in the courts and is based on the principles of territorial delineation and specialization. All the judges are appointed and dismissed by the president. During the political crisis, the courts obediently carried out the will of the authorities and in virtually all cases convicted participants in street protests.

Hence, the separation of powers does not function in practice. Belarusian citizens have almost no influence on decision-making or elected bodies, local self-administration functions primarily as a local arm of the central government, and presidential power is virtually unlimited and lacks any accountability.

The COVID-19 pandemic did not lead to the declaration of a state of emergency in Belarus, unlike the political crisis following the August 2020 presidential election. Although neither a state of emergency nor martial law were officially introduced, elements were nevertheless put into practice. These elements included raising the readiness of the armed forces and security agencies to the highest level of readiness, selectively closing borders (albeit under the pretext of the COVID-19 pandemic), preventing citizens of Belarus from entering or leaving the country, creating a paramilitary administration consisting of security officials in regional administrations in order to control the civil authorities in some regions, tightening administrative and criminal responsibility for participating in mass events, restricting freedom of expression and assembly, and carrying out purges in residential areas in large cities.

Belarus' judicial system consists of the Constitutional Court and a system of courts of general jurisdiction. The Supreme Court is the leading court of general jurisdiction. The judicial branch operates in a state of near-total dependency. The Constitutional Court can act only if addressed by the president, the houses of parliament, the Council of Ministers or the Supreme Court. Since 2008, the Constitutional Court has been obliged to conduct a preliminary review of the constitutionality of laws adopted by parliament before they are signed by the president. Citizens and civil society organizations do not have the right to address the Constitutional Court directly.

Courts are organized by the executive branch, and the president is directly responsible for appointing, dismissing and determining judges. Representatives of the executive at the regional and national levels intervene in trials and even influence verdicts when the cases are of economic or political importance to the authorities. However, in "non-political" cases it is possible to receive a fair trial in Belarus, at least if there is no state body involved in the suit.

In light of the political crisis after the presidential elections, the judiciary has become one of the main tools of legitimizing the repression of protesters and political opponents of the regime. The arrest and imprisonment of peaceful protesters has become widespread. From the start of the election campaign in May

Independent
judiciary

3

'06 '22 10

4 3 4 3

1

2020 to the end of the year, more than 33,000 individuals were detained, most of whom were later sentenced by courts to terms of administrative detention and heavy fines. The authorities have been actively using criminal charges for politically motivated persecution. According to the Human Rights Center Viasna, there were 324 political prisoners in Belarus at the beginning of April 2021 and their number is expected to increase manifold. The total number of persons targeted exceeds 1,000.

According to various surveys, Belarus is often regarded as one of the least corrupt countries in the Commonwealth of Independent States (CIS), and even among some of the Eastern European states, but implementation of anti-corruption measures remains selective in practice and lacks transparency.

The authorities and the public display a high degree of intolerance for official corruption. Much of the economy is still controlled by the state which creates fertile ground for corruption. Bureaucrats enjoy vast discretionary powers, thus increasing the risk of encountering extortion when dealing with administrative requirements. Usually, anti-corruption campaigns have annual or bi-annual cycles. Anti-corruption persecutions peak during crisis years when the resource potential of the Belarusian state is weakest. Double standards are practiced regarding high-level officials prosecuted for corruption. There have been numerous cases in which they have received relatively mild sentences or even early amnesties thanks to presidential intervention.

After large-scale anti-corruption campaigns in 2017 and 2018, Lukashenko abstained from fighting corruption in order to mobilize the state apparatus during the pre-election periods of 2019 and 2020. Law enforcement agencies received a carte blanche to brutally crackdown on any form of protest, with the authorities refusing to initiate criminal cases against law enforcement officials for using disproportionate violence against protesters, which included mass torture and several murders.

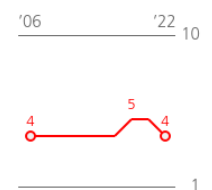
However, at the beginning of 2021, a new anti-corruption and state expropriation campaign gained momentum, marking the beginning of a new anti-corruption cycle.

Minsk has traditionally ignored criticism from international organizations regarding the human rights situation in the country and even insisted that there were no significant problems in this sphere. However, between 2015 and 2019, Belarusian authorities demonstrated readiness to discuss civil rights with the international community in order to preserve the pace of normalization with Western countries. For example, Belarus launched human rights dialogues with the European Union and United States.

According to the Belarusian Human Rights Center Viasna, in 2019, despite a slight decrease in the overall level of repression in the country, there were no significant positive changes in the area of civil and political rights, especially at the legislative

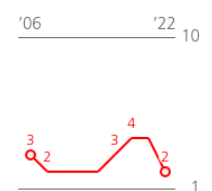
Prosecution of office abuse

4



Civil rights

2



level. The authorities did not abandon the practice of pursuing criminal prosecutions on political grounds. In spite of the ongoing dialogue with the European Union and the Parliamentary Assembly of the Council of Europe (PACE) on the issue of the death penalty and repeated calls for a moratorium on executions, Belarus continued to apply capital punishment in 2019 and 2020.

The August 2020 presidential elections made matters much worse. Despite the predominantly peaceful nature of the post-election protests, they were attacked by Interior Ministry forces, who used disproportionate physical violence to suppress the protests. Hundreds of people were injured, with several demonstrators killed and one detained protester dying due to a lack of medical care. As of year-end, Viasna had documented more than 1,000 testimonies of torture, and concluded that the use of torture was widespread, systemic and well organized.

On September 17, 2020, the Moscow mechanism of the human dimension of OSCE was invoked by 17 participating states with regard to credible reports of human rights violations before, during and after the presidential election. According to the OSCE Rapporteur's report, human rights abuses were found to be massive and systematic, and proven beyond doubt. Well-documented cases of torture and ill-treatment perpetrated by security forces against political dissenters have not, as yet, resulted in anybody being held accountable.

4 | Stability of Democratic Institutions

According to the constitution, Belarus is a unitary, democratic, social state based on the rule of law. In practice, however, most democratic institutions do not function properly, and power is concentrated in the hands of President Lukashenko. He manages various elite groups through divide and rule, carefully balancing interests that range from hardliners to moderate economic technocrats.

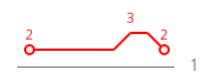
Parliament, being far from a democratic institution due to manipulated elections, lacks the resources and capacity to fulfill its legislative and oversight responsibilities. The party system simulates competition. Since 2006, independent political parties have had virtually no chance of winning seats in parliament or local councils. These local councils are in charge of health care, education, social welfare, trade and transportation issues. But they are subject to central control and lack autonomy. Local council executives are formed and controlled by, and ultimately accountable to, the president and the central government.

Major media sources are under strong state control. The most popular media, such as TV channels, are owned and fully supervised by the government, and air regular smear campaigns against opposition parties, as well as civil society activists, NGOs, journalists and human rights defenders. Since the beginning of the post-election crisis, authorities have launched a large-scale censorship campaign, blocking the

Performance of
democratic
institutions

2

'06 '22 10



webpages of independent media outlets and imposing restrictions on bloggers. The Ministry of Information deprived the status of mass media for the most popular independent online outlet Tut.by and blocked 70 webpages.

President Lukashenko regularly rotates personnel in order to prevent the formation of any influential groups. Influential actors include the so-called siloviki of the military, law-enforcement agencies and secret services, who are kept in check by Lukashenko through a policy of divide and rule. Others include the bureaucracy and the directorates of state-owned enterprises (SOEs). Both groups are represented in the government. The third group can be called technocrats (i.e., government officials who see a need for reforms, primarily in the economic sector).

Throughout 2019, the authorities discussed constitutional changes to partially liberalize and decentralize the political system, and strengthen the role of the government and parliament in economic decision-making. At the same time, the Belarusian authorities have become less open to alternative views, as shown by the results of the November 2019 parliamentary elections in which there were no representatives of the opposition and independent civil society.

The democratic opposition suffered from structural shortcomings and had no influence in decision-making. In 2019, civil society organizations (CSOs) and opposition groups were subject to large fines, and their members were subject to preventive detention and administrative arrest, even while the country hosted the second European Games.

In 2020, Lukashenko's "coronavirus dissidence" rhetoric and over-riding of the pandemic led to serious dysfunction in the Ministry of Education, the Ministry of Health and other agencies, as well as a growing protest sentiment within society. The first weeks of the post-election mass protests led to further cracks. Although Lukashenko has so far managed to retain control of the security apparatus and a vertical hold on power, loyalty has started to erode, which has led to the departure of civil service bureaucrats and security officials. On the other hand, the security apparatus has gained power and reformists in the government have lost substantial influence. After the dismissal of Prime Minister Sergei Rumas, a supporter of market reforms, and his replacement by Roman Golovchenko, a protégé of hardliners, only the National Bank has remained an agency under the control of technocrats, although the bank lacks any visible political clout.

Commitment to
democratic
institutions

2

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2

1

5 | Political and Social Integration

The party system in Belarus is highly fragmented and unstable. The number of parties (15) has expanded over time, but most remain small, often with little more than a leadership team in Minsk. Political parties are usually among the least trusted institutions in the eyes of society.

The November 2019 elections to the lower house of parliament showed a slight increase in party representation and political diversity in parliament, without, however, including representatives of the opposition or alternative views. As a result, the newly elected parliament consists of a politically unstructured majority: mostly 70 deputies from the pro-government organization Belaya Rus, which periodically announces its transformation into a political party. The rest are pro-government parties whose number increased from 15 to 21 (out of 110 deputies): the Communist Party of Belarus (11 deputies), the Republican Party of Labor and Justice (six), the Belarusian Patriotic Party (two), the Liberal Democratic Party (one), and the Belarusian Agrarian Party (one).

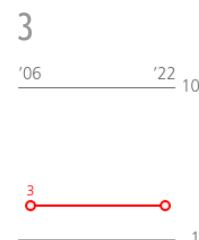
The failure of the state during the COVID-19 pandemic and the presidential election campaign expanded the possibilities for civil society and the political opposition in 2020. At the beginning of the year, political organizations of the old wave – the United Civil Party (UCP), Belarusian People's Front (BPF), Belarusian Christian Democracy (BCD), For Freedom movement and Belarusian Social Democratic Party (Narodnaya Gramada) – tried to mobilize their supporters for the presidential election campaign with the help of primaries. However, the primaries did not lead to the nomination of a single opposition candidate.

Nikolai Statkevich, leader of the Belarusian Social Democratic Party Narodnaya Gramada at the initial stage of the election campaign managed to nominate more than 30 candidates, including the popular blogger Sergei Tikhanovsky. However, Statkevich and Tikhanovsky were arrested early on. But Svetlana Tikhanovskaya, the wife of Sergei Tikhanovsky, was registered – with the help of activists from Statkevich's team. Around her, all opposition forces consolidated against the background of the refusal to register other popular candidates, such as ex-banker Viktor Babariko and former head of the High-Tech Park Valery Tsepkalo.

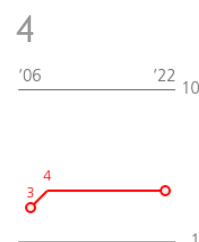
In 2019, civil society organizations (CSOs) and opposition parties continued to pursue their established approaches to mobilize supporters and promote changes – via dialogue (Tell the Truth movement, BPF and Just World), ultimatums and protests (the Belarusian National Committee), and a mixed approach (center-right coalition represented by the UCP, BCD, For Freedom movement and Social Democrats).

As part of the attempts to engage in a dialogue with the authorities CSOs and the expert community achieved some success in lobbying in the economic sphere (Kastrynicki Economic Forum) and in foreign policy (Minsk Dialogue Forum).

Party system



Interest groups



Civil society also managed to prevent the inclusion of some restrictive norms in the Law on Parties and Public Associations.

In 2020, the COVID-19 pandemic, the August presidential elections and the subsequent political crisis completely changed the political landscape. Because of the pandemic civil society essentially replaced state services in areas where the state was unwilling or unable to act. For instance, it organized the most successful national fundraising campaign in the history of modern Belarus – BYCOVID-19.

The fraudulent elections on August 9, 2020, and the bloody violence perpetrated against protesters by the security forces between August 9 and 11 marked the formation of a new protest movement that united civil society; the political opposition; education, health care and state-owned enterprise employees; and even some bureaucrats. Fundraising initiatives assisted victims of repression and supported various community initiatives.

Svetlana Tikhonovskaya, the unofficial winner of the elections, who was forced to emigrate to Lithuania on the night of August 9, initiated the Coordination Council (CC) to organize a dialogue with Lukashenko's regime. It included participants of the primaries, intellectuals and representatives of the labor movement, as well as former officials. The Belarusian authorities immediately launched criminal proceedings and gradually arrested or expelled its participants. Together with other emerging opposition centers in exile (the People's Anti-Crisis Management led by ex-diplomat Pavel Latushko, who is based in Warsaw), she has influenced Western policy on Belarus, notably the gradual increase in sanctions on the country's ruling class.

There is no reliable survey data on the population's approval of democracy. Independent sociological centers have to conduct surveys from abroad by telephone or internet, without licenses from the Belarusian authorities and in fear of being persecuted. Trust in the data of pro-government sociological centers is extremely low.

Approval of
democracy

n/a

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According to the International Survey on Coronavirus #covid19study, out of 58 countries surveyed, only in Turkey (91%) was the share of people who believed that the response of their country to the pandemic was insufficient higher than in Belarus (86%).

n/a 1

According to a poll conducted by the Institute of Sociology of the National Academy of Sciences of Belarus, which has never been fully published, in April 2020 during the first wave of the pandemic, the level of trust in Alexander Lukashenko was only 24% in Minsk and 33% nationwide.

In January 2021, Chatham House Sociological Research conducted interviews with a sample of 926 urban Belarusian residents to analyze public trust in institutions. The survey found that (for the combined answers of "completely trust" or "rather

trust”) 50% of respondents trusted non-state media, which was the highest proportion, followed by the Orthodox Church (45%), Victor Babariko’s team (43%) and Svetlana Tikhanovskaya’s team (39%). Meanwhile, 39% of respondents trusted independent trade unions, 37% the army, 24% the president, 22% the government, 20% the judiciary, 20% official trade unions, and at the bottom 18% the parliament, 16% state media and 15% the Central Electoral Commission.

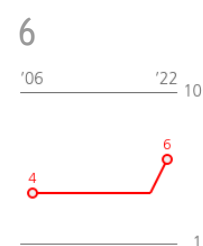
In 2019, the trend toward the partial liberalization of the CSO environment continued. An outstanding feature during that time were the changes made to financial support strategies. According to CSO Meter Belarus Reports, new approaches included crowdfunding internet platforms (Ulej, MolaMola and Petitions.by) and social enterprises (project Dbayu, a restaurant whose profits go to non-profit urban initiatives, and the NORM café-club, which creates jobs for female victims of domestic violence, and donates 50% of profits to shelters for women and children affected by domestic violence). CSOs also had some success in public interest advocacy, often through protest actions. For instance, the initiative Fair Sentence was formed to unite relatives of people convicted under economic articles and is similar to Mothers 328, and advocates for the liberalization of drug legislation. The Youth Bloc emerged from CSO activists, and vividly advocates for issues relating to education, military conscription and the relaxation of anti-drug laws.

In 2020, the main drivers of civil society actions were the impact of COVID-19 on public life and the economy, and the political crisis following the August 2020 presidential elections. This time was characterized by a significant growth in social trust and self-organization. A good example is the ProBono initiative that united professionals and people in need of support. Social fragmentation was to a large extent overcome and exists now largely along the cleavage between supporters and opponents of Lukashenko.

The internet played a key role in mobilizing civil society and facilitated the inclusion of CSOs in the response to COVID-19 (especially via the use of electronic communication platforms for the collection of donations). As soon as the Belarusian society realized the lack of protective equipment for hospital personnel, Minsk Hackerspace, NGO Imena, web design agency Global Travel and many Belarusian bloggers launched an impressive campaign (#ByCovid19), providing direct assistance to hospitals. NGO Imena and the Belarusian Red Cross established a telephone hotline for elderly people in self-isolation to access social and psychological support.

Later, the messenger application Telegram in particular became a means for protesters to coordinate their actions after the August 2020 presidential election. The effectiveness of this form of self-organization led to repression from the authorities not only against channel administrators, but also against participants of chat rooms. Simultaneously, CSOs previously engaged in combating the COVID-19

Social capital



pandemic, merged with a new initiative #BYSOL (Belarus Solidarity Fund) to support Belarusians who were repressed, prosecuted or lost their jobs due to participating in strikes or protests.

II. Economic Transformation

6 | Level of Socioeconomic Development

Belarus ranked 53rd according to the 2020 UNDP Human Development Report, scoring 0.823, down three ranks but still among the 66 very high human development countries. The main reason for the drop was the country's low gross national income (GNI) per capita. Although the level is higher than that of some countries in Europe and Central Asia (\$17,939), it is significantly lower than in other very high human development countries. Belarus noticeably lags behind most of its neighbors: Russia (\$26,157), Lithuania (\$35,799) and Poland (\$31,623).

According to the World Bank, Belarus has the lowest poverty rate in the CIS and one of the lowest Gini coefficients in the world (0.272). Redistributive policies and government regulations, such as guaranteed employment, as well as state subsidies for manufacturing and agricultural sectors, made this possible. Less than 1% of the population lives in extreme poverty (i.e., with an income of less than \$2 per day). Yet, a significant number of citizens fall into a low-income category, although the share of people below the poverty line fell from 41.9% in 2000 to 5% in 2019, according to official statistics. Belstat surveys showed that in the third quarter of 2020, 42.1% of the population had less than BYN 500 (\$200) a month at their disposal and only 11.1% had over BYN 1,000 (\$500).

The gap between the regions has increased in recent years, encouraging people to migrate to the capital Minsk or abroad. In 2019, Minsk (27.4%) and the Minsk region (15.5%) accounted for 43.9% of the country's GDP, while the share of other regions was several times smaller: Gomel (9.9%), Brest (9.4%), Grodno (8.1%), Vitebsk (7.4%) and Mogilev (6.6%).

Question
Score

Socioeconomic
barriers

7

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1

Economic indicators		2017	2018	2019	2020
GDP	\$ M	54726.6	60031.3	64409.6	60258.2
GDP growth	%	2.5	3.1	1.4	-0.9
Inflation (CPI)	%	6.0	4.9	5.6	5.5
Unemployment	%	5.7	4.8	4.7	5.3
Foreign direct investment	% of GDP	2.3	2.4	2.0	-
Export growth	%	7.5	3.8	1.0	-3.1
Import growth	%	11.1	7.3	5.1	-7.2
Current account balance	\$ M	-952.4	22.9	-1245.8	-240.8
Public debt	% of GDP	53.2	47.5	41.0	48.0
External debt	\$ M	39584.2	38767.6	40734.1	42491.2
Total debt service	\$ M	4408.7	5787.2	4509.3	4269.1
Net lending/borrowing	% of GDP	2.3	4.1	2.4	-
Tax revenue	% of GDP	13.0	14.7	13.3	-
Government consumption	% of GDP	15.7	15.7	16.8	16.9
Public education spending	% of GDP	4.8	5.4	5.0	5.0
Public health spending	% of GDP	4.0	4.0	-	-
R&D expenditure	% of GDP	0.6	0.6	-	-
Military expenditure	% of GDP	1.1	1.2	1.2	1.3

Sources (as of December 2021): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Market competition operates within a weak institutional framework. However, due to the evident structural crisis of the Belarusian socioeconomic model, as well as unfavorable external conditions, the government in 2019 intended to continue its business reforms.

According to the World Bank's 2020 Doing Business ranking, Belarus ranked 49 out of 190 economies. The country scored 74.3 points out of 100 for the ease of doing business (30th for starting a business, 14th for registering property, 104th for accessing credit, 79th for protecting minority investors, 99th for paying taxes, 24th for trade across borders, 40th for enforcing contracts and 74th for resolving insolvency).

According to the 2020 Heritage Foundation Index of Economic Freedom, Belarus scored 61.7 (rank: 88th). Its overall score increased by 3.8 points, driven by higher scores for fiscal health and financial freedom.

However, the progress made over recent years has been completely undermined by the post-election crisis, with the state repressing private businesses that were most active during the first wave of the pandemic, the election campaign and the post-election mass protests. In order to punish them and limit their political activism, the State Control Committee of Belarus proposed to raise taxes on individual entrepreneurs at the end of January 2021. Yet, the top leadership confirmed an informal pact with large loyal businesses without political ambitions.

There is no reliable data on informal employment. According to expert assessments, the informal sector accounts for around 35–40% of GDP and employs up to 20% of the workforce. At the end of 2020, the authorities revitalized the idea of updating the “social parasites” database, which included 500,000 Belarusians that were not formally involved in economic activities in 2018. But this idea was again frozen due to the widespread negative reaction.

The legal basis for regulating competition is the Law on Counteracting Monopolistic Activity and Developing Competition. The law aims at ensuring the necessary conditions for functioning commodity markets, fair competition and the protection of consumers' rights.

In 2016, a new single antitrust authority was put in place, in the form of the Ministry of Antimonopoly Regulation and Trade (MART) due to requirements by the Eurasian Economic Union.

The Belarusian economy is characterized by a high monopolization of commodity markets. The Ministry of Economy regulates natural monopolies by gradually reducing the number of commodity markets in which natural monopolies persist.

Market
organization

4

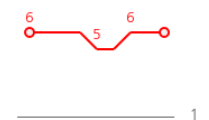
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Competition policy

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Another relevant problem, recognized by the government, is the high level of concentration in the field of financial-industrial groups and holding companies.

According to MART, as part of state control over economic concentration, out of 291 applications considered, 200 were approved and nine were denied in 2020. In 2020, 135 economic entities were included in the State Register of Economic Entities and hold a dominant position in commodity markets in Belarus, while seven more entities were included in the State Register of Natural Monopolies.

In 2020, MART recorded a decrease in the number of appeals and antitrust cases reviewed, this indicated the effectiveness of the “soft response” tools (warnings, cautions to restore competition) introduced since August 2018.

Economic ties with Russia remain strong, including through membership in the Eurasian Economic Union (EAEU). The EAEU Treaty provides for joint tariffs and harmonized non-tariff trade regulations. However, as of early 2021, there were 58 administrative barriers to market access in trade even between EAEU member states.

Since 2015, Belarus has faced a number of trade conflicts (oil, gas, oil, milk) with Russia, which intensified in 2019 against the background of the Kremlin’s integration ultimatum. The decision by Russia to impose an import ban as a countersanction on certain Western goods in the food sector resulted in a temporary ban on Belarusian re-exports of meat and other foodstuffs, and the reimposition of custom controls between the two states. Relations with Russia are particularly vital in the sphere of energy, with Belarus almost completely dependent on Russia.

The vast majority of Belarusian exports to the European Union are in the form of oil products refined in Belarus using cheap Russian imports. In 2020, trade turnover with EU member states decreased by 12.2% (19.4% of the total trade turnover) compared to 2019 (Russia’s share of exports was 45.2% and of imports 50.2% in 2020).

According to the IMF, Russia’s new hydrocarbon tax system will have significant implications for Belarus at least through 2025. Under the terms of the current bilateral agreement, Belarus annually imports 18 million tons of crude oil from Russia free of export duty. This is refined, and much of the resulting oil products are re-exported. The country also receives the equivalent of the export duty on six million tons of crude oil as a budget transfer. However, these inflows will be affected by Russia’s introduction of a mineral-extraction tax that will replace the export duty on oil and oil products over a five-year period. In addition, under the terms of its bilateral agreement with Russia, Belarus will be required to reduce its own oil export duty rate. Absent a new agreement, at current oil prices, the annual direct impact on Belarus’ current account and fiscal balance once the transition in Russia is complete by 2024 is respectively estimated by the IMF at some 3.9% and 1.3% of GDP.

Liberalization of
foreign trade

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The new reality of relations with Russia pushed Belarus to diversify its external economic relations, in particular to conclude an agreement with the European Union and access the WTO by 2020. However, Belarusian authorities failed to complete these tasks due to a lack of qualified officials and the post-election crisis. The EAEU obliges Belarus to reduce tariffs consistent with Russia's and Kazakhstan's commitments to the WTO. Currently, the simple average of most-favored nation tariffs is 6.8% (in 2018).

Belarus and China have developed close economic ties since 2015. Until recently, Belarus has been considered a key element of China's Belt and Road Initiative, and a gateway between Chinese and European markets. In order to promote cooperation further, the Chinese-Belarusian Great Stone Industrial Park was given the status of a special economic zone. However, due to the political crisis that has led to the Belarus's isolation from the West and an aggravation of the business environment, the Great Stone Industrial Park project has been called into question.

Reflecting these new conditions, Belarusian authorities have revised the strategy for diversifying foreign trade, from the current "1/3–1/3–1/3" principle between the EAEU, EU member states and distant countries (e.g., China) to a "50– 25–25" formula.

The National Bank is Belarus' banking supervisory authority. As of January 1, 2020, banking activities in the Republic of Belarus were carried out by 24 banks, three non-bank financial institutions and the JSC Development Bank of the Republic of Belarus. Being the core channel of financial intermediation, the banking system was characterized by a high level of concentration, with large state-owned banks dominating. As of January 1, 2020, large state-owned banks accounted for 63% of total assets, 33.7% of foreign capital and 3.3% of private capital.

As of January 2020, the share of non-performing bank assets in the processing industry totaled 11.13%, while for legal persons as a whole this indicator was 6.82%. This reflects the unsatisfactory conditions of a number of industrial enterprises. In 2019, the amount of the banking sector's risk-weighted assets increased by BYN 2.4 billion or by 4.0%. In contrast, in 2018, the increase amounted to BYN 7.0 billion or 13%.

In 2020, the sustainability of banking sector operations was ensured and the main requirements were met. As of January 1, 2021, regulatory capital adequacy in the banking sector amounted to 17.2%, significantly exceeding the minimum requirement.

In light of the negative economic consequences of COVID-19 and following official requests, banks and the JSC Development Bank of the Republic of Belarus

Banking system

3

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concluded about 13,800 additional agreements on debt restructuring, including 8,900 agreements on credits granted to natural persons. It was decided that the accrual of interest on loans would be suspended and penalties on borrowers who found themselves in a difficult economic situation would not be imposed.

8 | Monetary and fiscal stability

The main objective of the National Bank's monetary policy in 2019 and 2020 was to reduce inflationary pressure (CPI) to no more than 5%. Although this task was successfully achieved in 2019 (4.7%), in December 2020, the annualized increase exceeded the target and amounted to 7.4% due to the weakening of the Belarusian ruble, the deterioration of the economic climate and supply shocks for certain food products.

The benchmark interest rate was steadily cut from 10% in 2019 to 7.75% by July 2020. In 2019, the Belarusian ruble's real effective exchange rate calculated using the Consumer Price Index (REER) in Q4 2019 declined by 1.5% compared with the previous quarter. However, the Belarusian ruble finished the year 2020 22% down against the U.S. dollar and 34% down against the euro. According to the German Economic Team in Belarus, the COVID-19 pandemic and political developments clearly demonstrated the weaknesses of the heavily dollarized economy (65% of deposits and 50% of loans are in foreign exchange).

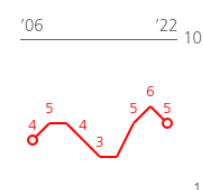
In recent years, the authorities have been tackling various market distortions in a manner consistent with the transition toward inflation targeting. The foreign exchange market was liberalized, as witnessed by the elimination of the foreign exchange surrender requirement for exporters and the elimination of the requirement that buyers explain their reasons for foreign currency purchases.

As part of the monitoring and handling of systemic risks, the Financial Stability Council was set up to coordinate financial sector issues between the government and the central bank.

However, the political crisis also led to increased political pressure on the National Bank to support growth. Recent statements by government officials suggesting tolerance for higher inflation created uncertainty regarding policy direction and risks for macroeconomic stability.

Monetary stability

5



During 2020, Belarus's fiscal situation deteriorated significantly. The Russian tax maneuver, COVID-19 and higher wage expenditures throughout 2020 were the main drivers behind the increase in the budget deficit to -4.7% of GDP (after a surplus of 1.6% in 2019). Two things happened at once in 2020 – a BYN 2 billion drop in government revenue and a BYN 3.6 billion increase in government expenditure.

Accordingly, public debt increased from 46.8% in 2019 to 50.9% of GDP in 2020. The high share of foreign exchange debt (currently 98%) remained a significant risk factor, especially against the backdrop of lower foreign exchange revenues and foreign exchange reserves. In addition, the tense political situation has significantly limited refinancing options. This also hit foreign exchange reserves, which fell significantly due to exchange rate interventions and debt repayments from \$9.4 billion to \$7.5 billion between the end of 2019 and 2020. As of January 1, 2021, import cover amounted to only 2.7 months.

Financing in 2020 included a \$1.25 billion euro bond in June 2020, domestic debt issuance, the repayment of government loans by state-owned enterprises, and a \$500 million loan disbursement from the Eurasian Fund for Stabilization and Development (EFSD). Meanwhile, additional local issuance and a \$500 million loan from Russia helped pre-finance part of 2021. Russia also agreed to provide an additional \$500 million in 2021.

9 | Private Property

Property rights are guaranteed by the Civil Code. Mortgages are available, and the property registry system is reliable. Investors and duly established commercial entities with the participation of foreign capital have the right to rent plots of land for up to 99 years. The Belarusian Land Code denies land ownership to foreign legal persons and individuals.

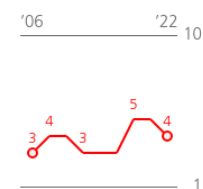
After having been among the top-five reformers worldwide with respect to property registration, according to the 2019 World Bank's Doing Business report, Belarus ranked 14th in the 2020 report. It is necessary to complete only two procedures and spend three days to register a property. The country has created a one-stop shop for property registration, introduced a broad administrative simplification program with strict time limits for the registration process, and computerized its records.

Despite this improvement, private property is not fully protected by the legal system in reality. Occasionally, companies and organizations have found that even if they have signed leases on land and property, their properties can still be seized by state bodies for their own use.

Expropriation of private property sometimes occurs in the form of de-privatization. Hence, the government sometimes seeks to secure a majority share in joint stock companies under various pretexts (e.g., securing the interests of workers or

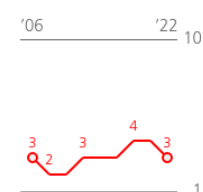
Fiscal stability

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Property rights

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addressing a long loss-making record). In the recent past, there have also been instances in which business property has been confiscated as a penalty for violations of the law, especially in cases of tax evasion.

During the political crisis, the authorities attacked private businesses to weaken their position, accusing them of political disloyalty, thus facilitating expropriations (e.g., the RAPA group of companies). Nearly one-third of IT startups have made plans to relocate their companies to a different country due to the political climate, as of October 2020. An approximately equal share of startups was unwilling to relocate, while almost 10% of companies had already moved their operations abroad.

In 2019, there were no significant changes in the operating environment of the private sector. Surveys of private small and medium-sized enterprises (SME) indicated that in 2019 the vast majority (about 80%) of companies assessed their situation as satisfactory or good.

The IT sector, mainly the High-Tech Park (HTP), experienced quite a rapid development. The volume of IT service exports grew by about 30%, to \$2.4 billion, and the share of the information and communication sector reached about 6.2% of GDP. The IT sector's rapid growth was still largely due to the 2017 Decree on the Development of the Digital Economy.

Although private businesses make a significant contribution to the Belarusian economy, the country does not utilize its full potential by world standards. Belarus has one of the lowest shares of the private sector among European countries, and the share of small and medium-sized enterprises in gross value added is below 30%. However, according to the 2016–2020 Socioeconomic Development Program, the share of SMEs was supposed to increase to 40% by 2020, but this did not happen. Rather, at the end of January 2021, the State Control Committee submitted proposals to the Ministry of Finance for an increase in the tax burden on private businesses, including 270,000 entrepreneurs.

Private enterprise

4

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10 | Welfare Regime

Belarus has pursued a policy focused on centralized decision-making, full employment and real wage growth with the aim of maintaining living standards and stability.

According to the World Bank, while the range of social-assistance programs in Belarus is extensive, the rate of income replacement from social assistance is low when compared to other countries in Europe. Cash and in-kind benefits make up 4% of disposable income for the bottom 10% of households, and only 1% for the second income decile. These low rates suggest that the current social assistance provides little in the way of direct poverty relief or protection from adverse economic shocks.

Social safety nets

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The population has fallen from 10.2 million in 1990 to 9.4 million in 2019. The proportion of the population under the age of 14 is expected to decline from 18.3% in 2000 to 14.1% in 2025, while the proportion of those over 60 years will increase from 19.2% to 25%. The aging population has placed strains on the pension and health care systems. In 2020, life expectancy at birth increased to 74.5 years. It is 10.1 years higher for women (79.4 years) than for men (69.3 years), mainly as a result of the growing incidence of noncommunicable diseases. The authorities have recognized this problem and have initiated a pension reform to ensure the sustainability of the Social Protection Fund (SPF). As a result, by 2022, the retirement age will be 63 for men and 58 for women (up from the current ages of 62 and 57, as of December 2020, respectively). In January 2021, the average monthly pension level was BYN 482.6 (\$187.8).

Health care services are equitable and affordable but underperform in terms of efficiency and outcomes. In 2020, public sector spending on health care amounted to more than 4% of GDP. The share of spending in the consolidated budget was 16%. There are still shortcomings such as unequal access to and quality of medical services in rural and urban areas, and restrictions on free prescriptions for some medications (especially when they are produced abroad).

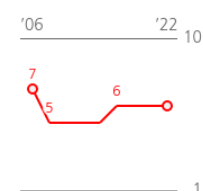
In order to minimize the negative economic consequences from the COVID-19 pandemic, in spring 2020, the government increased financial assistance for people with low incomes who were receiving social assistance (first of all, to families with children). The allowance for each family member was increased to bring their income to the level of the minimum subsistence budget (BYN 275.5 or \$113 per month). The government also planned to support the employees of enterprises that were forced to halt production and employees that had been transferred to part-time employment during the crisis. These workers were to receive additional pay up to the level of the minimum wage, which was BYN 375 or \$154 per month.

In the Gender Inequality Index in 2019, Belarus scored 0.118 and ranked 31 out of 162 countries. Women hold 34.9% of parliamentary seats and 87.2% of women have at least a secondary education. The literacy rate is 99.6%. However, there is still a gap in gross income per capita between men (\$22,721) and women (\$14,911). The gender wage gap increased from 19.0% in 2001 to 27.3% in 2019 and is explained by two factors. First, women are mostly employed in sectors where the pay is lower, as in public sector jobs in education, health care and social security; trade and public catering; and culture and art. Second, women are under-represented in higher-paid positions in other sectors. There is also a typical difference between the life expectancy of women (79.6 years) and men (69.7 years).

In addition, some groups still face economic and social barriers. Roma, people with disabilities, persons from the LGBTQ+ community, migrants and some religious groups face discrimination in accessing employment or social services.

Equal opportunity

6



During both the election campaign and post-election protests, female activists were subjected to gender-specific silencing measures and intimidation tactics, through threats of sexual violence and the denial of basic sanitary needs for those who were detained. Hundreds of peaceful protesters, many of whom were women, were arrested for 15 days (administrative detention).

11 | Economic Performance

In 2019, economic growth slowed down (+1.2%) after solid growth in 2018 (+3.1%) due to negative trends in external trade (especially petroleum and potash products), marking the end of the country's economic recovery. GDP was around BYN 132 billion or \$61 billion, while GDP per capita (PPP) was \$21,348.

By the end of 2020, the GDP of Belarus fell by 0.9% to BYN 147 billion in current prices (\$57.7 billion) due to a decline in industrial production, wholesale and retail trade, and transportation.

The volume of agricultural production increased by 4.9% to reach BYN 22.9 billion. Only a few branches registered growth, among them pharmaceuticals (+10.1%) and agriculture (+4.9%).

Fixed capital investment fell by 6.8%, down to BYN 28.7 billion. Foreign direct investment was below the target of \$1.7 billion, reaching \$1.415 billion in 2020.

Foreign trade declined in 2020 due to weak global demand, the energy disputes with Russia and low energy prices. As a result, both exports (-11.9%) and imports (-17.4%) were very weak in 2020.

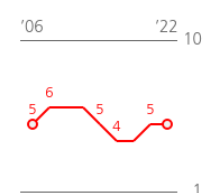
Real wages continued to rise at a rate of 8.2%, despite the pandemic and the political crisis, outpacing productivity growth and fueling household consumption. But average nominal monthly wages, due to the depreciation of the ruble against the U.S. dollar, declined from \$576.60 in December 2020 to \$502.60 in January 2021.

Inflation accelerated to 7.4% above the target rate (5%) due to the currency depreciation. 2020 also saw a marked increase in the budget deficit (-4.7% of GDP), raising public debt to 50.9% of GDP. The current account deficit amounted to -3.3% of GDP in 2020.

In 2020, the government and the National Bank repaid \$3.9 billion of external and internal liabilities in foreign currency, which was partly externally financed. In 2020, the country sold gold and foreign exchange reserves equivalent to \$1.9 billion to support the exchange rate of the national currency. By January 2021, these reserves had decreased by \$265 million (3.5%) to \$7.203 billion.

Output strength

5



12 | Sustainability

In 2020, Belarus improved its standing in the global Sustainable Development Goals Index (SDG Index). The country moved from 23 to 18 out of 166 countries, an above-average rating for Eastern Europe. Belarus is committed to implementing the 2030 SDG Agenda and has already taken relevant steps, including establishing the post of National SDG coordinator and the Council for Sustainable Development.

According to the 2020 UNDP Human Development Report's new experimental indicators of carbon emissions and the material footprint (the amount of natural resources used to produce goods and services), each Belarusian accounts for 0.4 tons of the state's total natural resources and 6.9 tons of CO₂ emissions.

The Astravets nuclear power plant in Belarus, built by Russia's Rosatom, officially began operating in November 2020 but nonetheless remains the subject of environmental concerns. Belarus voluntarily agreed to conduct EU nuclear safety stress tests and got the results peer-reviewed by the EU nuclear safety body, the ENSREG. Concerns over Astravets prompted EU member states, in particular Lithuania, to ask the European Commission in December 2020 to assess ways to prevent commercial power imports from nuclear plants that do not meet EU safety standards. At the beginning of 2021, Belarusian authorities also invited experts from the ENSREG to inspect the plant.

According to the 2020 Human Development Report, Belarus maintains high positions in education. Although the years of schooling slightly declined from 15.6 in 2018 to 15.4 in 2019, the country was on par with Japan (15.2) and France (15.6), the best result in the CIS.

Belarus is also on par with the world's most advanced countries in terms of primary and secondary school enrollment ratios. Gross enrollment ratios were respectively 101%, 102% and 87% for the primary, secondary and tertiary levels, according to 2020 Human Development Report. According to the World Bank, the educational system has a strong reputation in the areas of literacy, numeracy, technology and engineering. However, input-based management approaches and a lack of diversity with regard to education methods are jeopardizing the delivery of market-relevant skills.

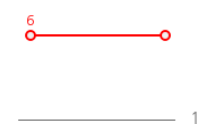
Public expenditure on education totaled 5.1% of GDP in 2019 but decreased to 4.3% in 2020. Government expenditures on R&D amounted 0.6% of GDP in 2019 and 2020 and were significantly below the international average and the lowest such level in Europe.

In 2019, Belarus climbed 14 positions to the 72nd place in the Global Innovation Ranking. Belarus was ranked high for the development of mobile apps, and the

Environmental policy

6

'06 '22 10



Education policy / R&D

6

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training of specialists in science and technology (sixth), public financing of general education (eighth), higher education (ninth), the export of information and communication technologies (19th). Besides, in 2019, the export of science-intensive and high-tech products accounted for 35.6% of the total exports.

In 2015, Belarus joined the Bologna Process and was provided with a three-year roadmap for implementation. But little progress has been made since. The political crisis pushed the authorities to increase administrative control over universities, and repress both students and lecturers, since students were one of the driving forces behind the mass protests following the presidential elections.

Governance

I. Level of Difficulty

Belarus is one of Europe's few landlocked states. Its geographical location on the crossroads of two pan-European multimodal corridors (II and IX) favors the deployment of logistics centers along the routes used to transport cargo between Europe and Asia. The country is also landlocked in terms of geopolitics, at the juncture of Europe and Russia, and is, therefore, a subject of geopolitical tensions. The Belarusian authorities have tried to capitalize on their geopolitical position by playing the role of regional security provider and offering a neutral venue for negotiations regarding the Russia-Ukraine conflict.

Belarus has a high degree of ethnic and religious homogeneity. The country's labor force is comparatively well-educated, but this is an ambiguous legacy of the Soviet system. The main problem is the decreasing quality of education, which has been sacrificed for higher enrollment numbers.

Russia's intention to cut so-called integration subsidies in the oil sector as well as the chronic inefficiency of Belarusian state-owned enterprises have exacerbated existing and latent problems with and imbalances in the socioeconomic model.

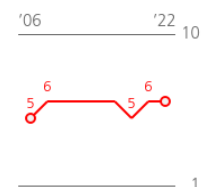
The failure of the Belarusian authorities to recognize the presence and consequences of the COVID-19 pandemic has led to a deterioration in management standards in the state system, with responsibility for the consequences of the pandemic shifted onto the shoulders of ordinary citizens. This, in turn, increased uneasiness within society toward the state. The post-election crisis in 2020 has reversed all progress made over recent years related to international positioning, economic reforms and political liberalization.

As of January 1, 2020, there were 2,995 public associations registered in Belarus, including 227 international, 785 nationwide and 1,983 local ones, as well as 43,545 organizational structures of public associations. There are also 25 trade unions, 40 public associations and 217 foundations. The figures are low for the region and demonstrate the state's lack of recognition for civil society.

The largest associations are represented by pro-government CSOs (GONGOs), which usually lack initiative and play a decorative role. The Federation of Trade Unions of Belarus is a nationwide association with about four million members. The Belaya Rus public association has more than 190,000 members, over 8,000

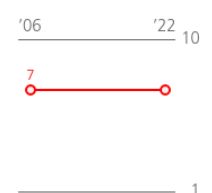
Structural
constraints

6



Civil society
traditions

7



grassroot organizations and offices in all administrative districts. The largest youth organizations are the BRSM Youth Union and the Belarusian National Pioneer Organization with over 400,000 young people and 660,000 children, respectively. There are about 400 charity organizations in Belarus.

Independent civil society groups include both officially registered CSOs as well as a large number of non-registered informal initiatives. According to the latest Civil Society of Belarus study (2018) by the Belarusian EaP CSF National Platform, the largest organizations and initiatives are CSOs that deal with culture and social services, followed by youth CSOs, faith-based organizations, CSOs involved in education and business associations. Meanwhile, the smallest organizations include independent trade unions, CSOs involved in civil society development, and CSOs working in “new” spheres such as media and urbanism.

The August 2020 presidential elections and the subsequent mass protests have fueled civil society activism, solidarity and self-organization all over Belarus. Students, women, retired citizens, athletes and celebrities, health care workers, people with disabilities, IT specialists, and private businesses all participated in various forms of activism, including street marches and solidarity chains, public appeals, quitting government services, strikes, sit-ins, street murals, protest songs, cyber activism, non-payment of utilities, blacklisting companies that support the regime, blocking railways, de-anonymization of the police, and establishing people’s embassies abroad.

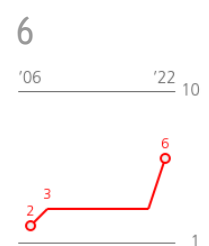
A particularly impressive example of civil society self-organization at the grassroots level was the Yard Revolution. In response to the aggressive actions of the authorities, people started to get to know their neighbors in order to solve local problems themselves and support each other actively, using communication services such as Telegram and Viber to coordinate their activities.

However, as the 2020 Belarus CSO Meter Report emphasizes, as a result of mass repression and the climate of fear, a significant number of CSOs lost the ability to conduct activities. Some CSOs had to cease their activities either fully or partially, withdrew from cooperation with the state, or moved parts of their activity to other jurisdictions due to threats to the personal safety of CSO leaders and employees.

The Belarusian authorities have responded to the mass protests after the August 2020 presidential elections with an unprecedented level of repression, including arrests and the imprisonment of peaceful protesters. From the start of the presidential election campaign in May 2020 to the end of the year, more than 33,000 individuals were detained, most of whom were later sentenced by courts to terms of administrative detention and heavy fines.

The brutal crackdown on civil society and political opponents has been accompanied by hate speech and intimidation campaigns in official propaganda.

Conflict intensity



The authorities portrayed the mass protests in terms of a civil war or hybrid conflict to be suppressed by any means. This has provoked an extreme rejection from ordinary people. Hence, the main tension is concentrated around the authoritarian political model, which is forcibly imposed by the incumbent regime.

II. Governance Performance

14 | Steering Capability

The political leadership claims that it pursues long-term goals usually determined by the five-year national socioeconomic development programs, but these are regularly supplanted by short-term interests. Reforms and greater international engagement, especially with the West, tend to be compelled by circumstances and usually coincide with a crisis in relations with Russia. Conversely, conflicts with the West usually push Belarus closer to Russia in search of political, economic and even military support.

There are no strategic planning bodies and independent expertise is not used in policymaking, although authorities established the Belarusian Institute for Strategic Research in 2019. Three institutions effectively manage all spheres of life of Belarusian society and the state – the presidential administration (political matters), the government (economic matters) and the security apparatus (security-related matters).

Hardliners, particularly those in law enforcement agencies and the security services, tend to support closer ties with Russia, while seeking to block any market reforms or liberalization. By contrast, some technocrats support limited modernization and the strengthening of economic ties with the West.

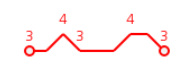
The reform agenda set in 2018 was only partially implemented during 2019, with the assistance of the World Bank and the IMF. This program included measures aimed at strengthening SOE oversight and financial discipline; lowering state support for the public sector; reducing cross-subsidies for housing, utilities and electricity tariffs; improving corporate governance; enhancing the business climate and attracting FDI; initiating a structural transformation of the economy toward the service sector and IT industries; and diversifying the country's trade flows. On the one hand, the government headed by the technocrat Sergei Rumas attempted to reform the management of the public sector, separate the functions of the state as regulator and owner, and develop a systematic approach to regional policy with a focus on economic development and private business, but Rumas faced resistance from the security apparatus.

Question
Score

Prioritization

3

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After the 2020 presidential elections the weight of the security apparatus peaked, and the technocrats lost control over the government. The public sector has succeeded in lobbying for the return of budgetary injections, including for inefficient SOEs, in order to preserve jobs and ensure political control over the labor movement.

The government set ambitious tasks in the 2016–2020 socioeconomic development program but failed to comply with its main parameters and goals. This is reflected in the World Bank's 2020 Doing Business report in which Belarus ranked 49 out of 190 economies, below its rank of 44th in 2016 – and this was before the current political crisis.

Belarus has only managed to retain its industrial potential and major globally recognizable brands. In the Industrial Competitiveness Index, Belarus ranked 47 out of 152 countries, accounting for 80% of the total output of tractors in the EAEU and providing about one-third of the world market of heavy-duty dump trucks (Belaz). Passenger car production was achieved for the first time during the period under review (Geely). Belarus has become one of the three largest exporters of potash fertilizer, providing one-seventh of global production. The country is fully self-sufficient with regard to foodstuffs.

According to the government, due only to unfavorable external factors, the growth of GDP, exports and investment were lower than planned. At the same time, however, because of the decision made by President Lukashenko not to impose lockdowns, the government managed to mitigate the consequences of the COVID-19 pandemic for enterprises and the economy as a whole. Its decline was less than that of Belarus's main partners.

The main causes of the current crisis – which threatens not only the Lukashenko regime but the very existence of the Belarusian state – include inconsistencies in domestic policy in 2019–2020; imbalances in both the economy and politics; a series of gross mistakes immediately before the 2020 presidential elections, especially the inadequate response to the COVID-19 pandemic; and the unprecedentedly harsh repression of popular protests.

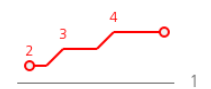
Thus, the political crisis of 2020 is an example of the failure of authoritarian borrowing (borrowing the best practices of imitative democracy and learning from its own mistakes to strengthen the regime) and pre-emptive authoritarianism (the ability to anticipate future changes and take pre-emptive steps to strengthen the regime). The disregard for risks that the Belarusian leadership demonstrated in 2019–2020, contrary to its traditional modus operandi between 2014 and 2018 (strengthening the international position, reform and openness policy, partial political liberalization), indicates that the regime has stopped learning.

The government aims to facilitate the relaunch of a new investment cycle, according to the 2021–2025 national socioeconomic development program. But without political reform, this task is unlikely to be accomplished. Lukashenko has

Implementation

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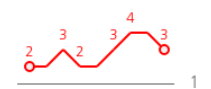
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Policy learning

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conceded the need for political reform through constitutional changes, including the redistribution of powers between the president, government and parliament, as well as his own resignation by 2025, but he has not provided any specific details. However, even these terms may be further delayed, depending on domestic and external circumstances.

15 | Resource Efficiency

Already by 2019, staffing problems had become chronic, as evidenced by the large number of vacant official executive positions. Despite the availability of a reserve of 209 people, 47 vacancies in regional and district executive committees remained unoccupied. Another indirect indicator of imbalances in personnel policy has been the high turnover in presidential staff. For example, during 2019, approximately 40 new chairmen of district executive committees, city executive committees and heads of city administrations were appointed.

The political crisis of 2020 has intensified this problem. In the first weeks after the August 2020 presidential election, the monolithic nature of the ruling elite was disrupted. Erosion of loyalty started with officials and law enforcement officers leaving the state service. The top leadership has lost the support of most social groups but retained the monolithic nature of the ruling elites.

2020 was the first in a number of years in which government expenditures exceeded revenues. By the end of 2020, the consolidated budget deficit amounted to BYN 2.689 billion. By comparison, the 2019 budget surplus was BYN 5.225 billion. At the end of January 2021, officials revised the budget with a hole of BYN 5.610 billion for 2021.

In 2020, the authorities intended to spend BYN 5–6 billion (\$2–2.5 billion) to minimize the fallout from the COVID-19 pandemic on the economy and social sphere. The increase in financing for the health care sector alone amounted to about BYN 850 million (\$350 million). To this end, the government planned to attract foreign loans totaling \$2–2.5 billion but failed due to the political crisis following the August 2020 presidential elections and subsequent sanctions imposed by the West. Thus, the economic crisis and the response strategy chosen by the authorities increased the burden on the private sector. The authorities' strategy allowed them to save strategically important SOEs but dramatically increased expenditures, threatening to destabilize the financial system.

Efficient use of assets

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The Belarusian political system is highly centralized, with President Lukashenko acting as strategic referee between state institutions and informal elite groups. The presidential administration sits at the apex of the power vertical. Subordinate structures are expected to implement commands and there is no horizontal oversight between different branches of government. This has led to a situation in which there is a lack of accountability, and even high-ranking authorities try to avoid responsibility where possible.

In light of the political crisis, the authorities launched a policy of asset consolidation, which included the creation of holdings and state corporations. These measures have enabled SOEs to restructure debt and lay-off staff. In addition to an increase in the tax burden on the private sector, government plans involve squeezing private companies out of profitable sectors of the economy (including wholesale and retail trade), with financial flows intercepted by entrepreneurs close to the authorities or by state companies (e.g., the Presidential Property Management Department). The resources mobilized this way are supposed to be invested either in SOEs or projects run by entrepreneurs connected to the authorities.

As a result, a fundamentally different incentive system and principles of governance have been created. Any activities not sanctioned by the authorities can be repressed and decisions sanctioned by the authorities do not guarantee security, even when agreed with all government agencies including the security agencies.

Belarus has well-developed anti-corruption legislation, which includes provisions of the Criminal Code and Administrative Code, as well as the Law on Public Service and the Law on Combating Corruption. The country's regulations require that any potential conflict of interest in government procurement be addressed. This is an important area, since public procurement is considered one of the most corrupt sectors in the country.

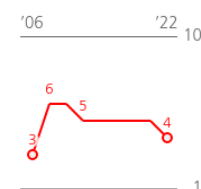
However, anti-corruption regulations are vague and require improvement. They have also been poorly enforced, and officials continue to engage in corruption. Moreover, President Lukashenko frequently instrumentalizes the fight against corruption to increase his popularity and discipline members of the elite. By contrast, petty corruption is relatively limited.

In an unprecedented move on March 19, 2019, the Group of States against Corruption (GRECO) publicly declared that Belarus does not comply with the anti-corruption standards of the Council of Europe. Of the 24 recommendations that GRECO addressed to Belarus in 2012, 20 have not been followed and the rest were only followed to a “generally unsatisfactory” level. The majority of the recommendations concerned basic anti-corruption requirements, such as strengthening the independence of the judiciary and limiting immunity protection.

Belarus has never authorized the publication of any evaluation or compliance reports by GRECO. CSOs and independent media outlets struggle to participate in anti-corruption efforts or hold the government to account, since they are unable to access to data on corruption and journalists are often jailed for reporting corruption.

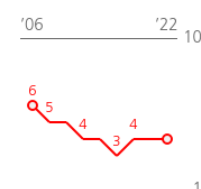
Policy coordination

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Anti-corruption policy

4



16 | Consensus-Building

Consensus on policies and their objectives is enforced from above, with the president at the apex of the power pyramid. The president has only an instrumental relationship with democracy. The 2020 presidential elections were unique from the very beginning due to unexpected candidates and an unprecedented level of electoral mobilization, as well as severe government repression that fueled civil society activism and solidarity. From August 9, 2020, non-stop mass peaceful protests and solidarity actions took place across Belarus, demanding the rule of law, the accountability of the authorities, and democratic and economic reforms. According to the Mobilize project, which surveyed 21,000 Belarusians who participated in protests between August 2018 and August 2020, the three demands that were most popular among protesters were: Lukashenko's departure; large-scale democratic changes; and free and fair elections, even if they would imply Lukashenko's victory. Issues related to corruption, foreign policy and geopolitical orientation (relations with Russia) were not important.

According to the Program of Activities of the Government for the period up to 2025, which was adopted at the end of 2020, creating a favorable business environment for the development of a competitive and adaptive entrepreneurial sector was among the priorities.

However, the post-election crisis has led to an erosion of the institutional environment and the destruction of economic confidence, including trust in the national currency as a means of saving wealth. This has also come about as a result of the repression of the business community. Therefore, it is very likely that this program will suffer the same fate as its predecessors, namely that the most important and ambitious goals will remain only declarations.

Apart from the president, the main anti-democratic actors in Belarus are the law-enforcement and security agencies, the so-called siloviki. This sector is traditionally oriented toward Russia, because in their minds, economic reforms and improved relations with the West will lead to political liberalization and social protests, ultimately threatening their influence.

Another strong anti-democratic actor is the presidential administration, which is the main power broker in Belarus. It has frequently stopped progressive reforms in fields such as youth policy, secondary and higher education, and domestic violence. The administration's main interest is in retaining the status quo; any initiative for change that comes from civil society or the ministries must pass this filter. The presidential administration also drafts most laws, which are later adopted by parliament.

The appointment of Major General Igor Sergeenko, a former KGB officer, as head of the presidential administration on December 5, 2019, came as a surprise to many. Since 2008, no security official of such a high level had been appointed to head this

Consensus on goals

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Anti-democratic actors

2

'06 '22 10



structure. Experts interpreted his appointment as an indicator that the authorities were ready to apply all necessary means to ensure victory for the incumbent president in the upcoming elections.

The post-election crisis marked an enormous increase in the influence of the siloviki on domestic and foreign policy. Their brutal and disproportionate use of force against protesters made the siloviki the ultimate guarantors of Lukashenko's political survival. The prominence of the Internal Affairs Ministry coupled with the rhetoric of civil war may soon come to determine the evolution of Belarus's political system and restrict the country's leadership's freedom of action both domestically and internationally.

In 2019, the first signs emerged that President Lukashenko might reform the political system by holding a constitutional reform in response to the crisis of the socioeconomic model and the external geopolitical pressure from Russia. Several authorized public discussions of political reforms took place to discuss its key parameters, including a roundtable dedicated to the 25th Anniversary of the Belarusian constitution.

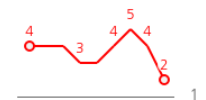
In 2020, the political reform disappeared from Lukashenko's agenda not least due to his declining popularity because of the negative economic, health and political impacts of COVID-19. However, he was forced to discuss it again after the August 2020 presidential elections and the subsequent crisis.

Initially, Lukashenko's roadmap to solve the political crisis implied a constitutional reform that would partially empower the parliament and government, enable local self-governance and political parties, and facilitate a possible change in electoral legislation. He promised the reform no later than 2022 and new presidential elections (in which he would not compete) no later than 2023–2024. By the end of December 2020, when the street protests significantly slowed down as result of mass repression, Lukashenko's statements regarding the constitutional reform had become more cautious. The draft of a new constitution envisages the preservation of the current political system with a strong role for the president but with some decorative amendments mentioned above. By the end of January 2021, the authorities created so-called dialogue platforms in all regions of the country, during which about 4,500 "proposals" from citizens, public organizations and collectives were submitted. In reality, however, independent civil society and the opposition were not allowed to participate in these discussions, which were perceived as an imitation process.

Cleavage /
conflict
management

2

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In 2019, the authorities periodically invited individual experts to meetings and working groups (the Ministry of Labor and the coalition For Dignified Longevity, the Ministry of Economy and the Kastychnitski Economei Forum, the Ministry of Foreign Affairs and the Minsk Dialogue). But this was a selective practice. According to CSO Meter 2019, although public councils with the participation of CSOs were listed under almost every government agency, they did not have a unified standard, and the criteria for selecting CSOs were unclear and often biased. The authority of advisory councils is extremely limited and past discussions had no influence over decisions. As a result, while some CSOs (30%) participated in such councils, the rest did not even try to get there.

The general decline in economic activity during the first wave of the COVID-19 pandemic (spring 2020) negatively impacted CSOs' opportunities for obtaining financial resources. However, civil society and volunteer campaigns urged pro-government CSOs (Belaya Rus, Belarusian Republican Youth Union, Belarusian Women's Union and Belarusian Trade Unions Federation) to join public campaigns in support of the national health care system. They monitored the epidemiological situation and provided assistance to doctors.

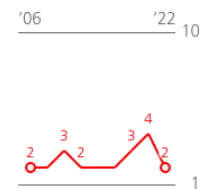
Confrontation between the authorities and the opposition after the 2020 presidential elections led to the repression of CSOs whose leaders and members were engaged in opposition campaigns or were participants in peaceful protests. Many CSOs moved their activities abroad due to threats made against their leaders and key activists. The advocacy activities of CSOs significantly decreased as a result. Indeed, numerous CSOs, including the Coordination Council, National Anti-Crisis Management, Belarusian Students' Association (BSA), Hrodna Children's Hospice, Press Club, Human Rights Center Viasna, NGO Zviano and other CSOs, were subjected to harsh penalties.

Efforts in recent years toward a soft Belarusization and recognition of the need to find common ground in order to forge a national consensus (thus, diminishing ideological divisions between different parts of society) were curtailed in 2019 by the authorities. Against this background, activity shifted from the capital to the regions, as well as outside of Belarus. The pilgrimage to Vilnius, the capital of Lithuania, for the ceremonial reburial of the remains of participants in the 1863–1864 uprising against the Russian Empire and the elevation one of the uprising's leaders, Kastus Kalinovsky, to the pantheon of national heroes was the most striking manifestation of this trend.

The brutal and disproportionate application of force against the post-election mass protests of 2020 has divided society into supporters and opponents of Lukashenko. During Lukashenko's "secret inauguration" on September 23, 2020, he mentioned among his domestic policy priorities the need to build a "new society." He also reiterated the need to reform the constitution. Finally, he expressed his confidence that Belarusians would soon be able to reconcile with each other, and ensure the

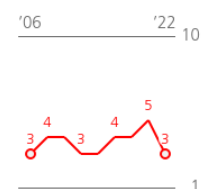
Civil society participation

2



Reconciliation

3



rule of law and respect for all strata of society. Despite the almost conciliatory words, subsequent deeds have pointed in a different direction, with an intensification in repression, the continued use of unmarked security forces and the brutal use of force in street operations against civilians, and aggressive propaganda directed against protesters. It fits the picture that the Belarusian authorities have not opened a single criminal case into violence perpetrated against participants during the mass protests as of early 2021.

In response, civil society and human rights activists launched an international advocacy campaign urging Western states and international organizations to investigate crimes by the Belarusian security forces against the Belarusian people under universal jurisdiction. In late November 2020, the Coordination Council in exile, which is headed by ex-presidential candidate Svetlana Tikhanovskaya, published a draft document debating the creation of a truth and reconciliation commission for the purposes of transitional justice.

17 | International Cooperation

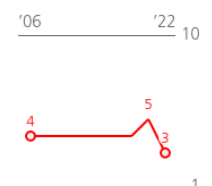
In 2019, amid strained relations with Russia over the deeper integration ultimatum, Belarus continued to intensify its engagement with other major partners – the United States, the European Union and China – with a view to receiving technical assistance and financial support. Russia continued reconsidering the terms of the Union State of Russian and Belarus framework, cutting the level of “integration subsidies,” and demanding deeper political, military and economic integration from Belarus. The volume of total support via discounts on Russian energy and loans declined from 20% of Belarusian GDP in 2000 to 4% in 2019 and was completely exhausted by 2020 following Lukashenko’s refusal to accept the Kremlin’s integration ultimatum.

Thus, by 2020, the key foreign policy goals were to achieve a breakthrough in relations with the European Union by concluding a partnership and cooperation agreement; normalize relations with the United States, with the United States restoring full diplomatic relations and lifting all economic sanctions; and strengthen Belarus’s strategic partnership with China within the framework of the Belt and Road Initiative, especially through the flagship China-Belarus Great Stone Industrial Park near Minsk.

Although the authorities did not introduce a lockdown, they took steps toward opening new IMF loan programs totaling \$1 billion within the framework of combating the COVID-19 pandemic and medium-term support for structural economic reform. The government also expected to receive \$1 billion in financial aid from the European Bank for Reconstruction and Development (EBRD) to provide loans to state enterprises that faced difficulties. Belarus requested €60 million in aid to support the health care system, as well as to tackle the

Effective use of support

3



macroeconomic and macro-financial implications of the COVID-19 pandemic. However, the authorities failed to receive this support due to the lack of professionalism shown by Belarusian negotiators, the authorities' inconsistent response to the pandemic and the political crisis following the August 2020 presidential elections.

The political crisis has completely eradicated all foreign policy achievements with Western countries. As a result, international financial institutions (e.g., the EBRD, EIB, World Bank and IMF) have frozen their cooperation with the Belarusian authorities, focusing on cooperation with private businesses. This substantially increased Belarus's dependence on Russia's political, diplomatic and economic support (\$1.5 billion for 2020 and 2021). Moscow has sought to capitalize on the crisis and impose its vision for the transfer of power and constitutional reform in Belarus.

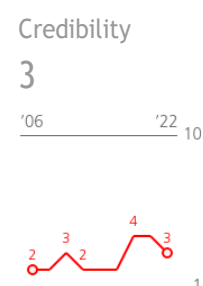
Due to the politically high risks, China also reduced its investments to a minimum. The political crisis has called into question Belarus's role as a gateway to European markets for Chinese companies.

Until the beginning of 2020, Belarus had been widely commended for hosting a neutral platform for negotiations on the Russian-Ukrainian war. Its major contribution to regional stability was related to the so-called security guarantees Minsk had formulated toward all neighboring states in the wake of the Russia-Ukraine conflict and Russia's subsequent geopolitical standoff with the West. Belarus tried to leverage the contribution it had made to regional stability to build stronger relations with the West and avoid being pulled into Russia's confrontation with the West.

This strategy led to some tangible results in 2015–2016, when the European Union lifted its sanctions on Belarus and the United States froze some economic restrictions. Yet, this strategy had exhausted its potential by 2019 and Minsk did not achieve any major breakthroughs in overcoming institutional constraints (e.g., lacking cooperation agreements) in its relations with the West.

In 2020, Belarus faced three crises – an epidemiological crisis, an economic crisis and a political crisis – that seriously undermined its reputation. According to the Center for European Transformation (CET), there was distrust in official mortality statistics, falling trust in the state media, and an almost total lack of confidence in the president and the government to take care of the citizens during the coronavirus crisis. This laid the foundation for a dramatic crisis of legitimacy even before the August 2020 presidential elections.

The mass repressions and aggressive anti-Western rhetoric used in official communications by Minsk nullified previous successes in building dialogue with the West and Ukraine on regional security. The fact that Lukashenko turned to



Russia for help in suppressing the protests by force and a number of joint military initiatives further contributed to this. As of the beginning of 2021, Belarus fell 98 positions in the security ranking of the international database Numbeo to two positions below Zimbabwe, ranking 114 out of 135 countries. In 2020, Belarus had ranked 16 out of 129.

According to the 2010 Foreign Policy Concept, Belarus considers itself a responsible and predictable partner, as well as a contributor to international and regional security. As a successful, independent and sovereign European state, Belarus does not belong to any of the world's power centers and intends to maintain a neutral status. Furthermore, Belarus seeks to develop a “belt of good neighborliness” along its border.

Against the backdrop of the deteriorating international situation, Belarus has consistently advocated the need to promote a unifying agenda aimed at restoring confidence and strengthening international and regional security. It promoted a multilateral political declaration on non-deployment of short- and intermediate-range missiles, and the formation of the Digital Neighborhood Belt.

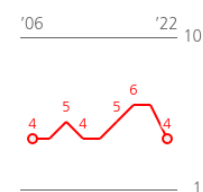
Throughout 2019 and the first half of 2020, Belarus pursued this approach, building pragmatic relations with its neighbors – Ukraine, Poland, Latvia and Lithuania. Amid strained relations with Russia, the authorities tried to diversify economic relations with the West, for example, by organizing alternative supplies of energy resources from the United States through Baltic seaports.

Although Minsk expressed a desire to start negotiations to develop a framework agreement on cooperation and partnership with the European Union, Belarus has not taken any practical steps in this direction. Because of the controversy with Lithuania over the construction of the nuclear power plant in Astravets, Minsk failed to fully join the EU Eastern Partnership Priorities and the EaP 20 Deliverables for 2020 agendas. The Poland-Belarus-Ukraine and Latvia-Lithuania-Belarus cross-border cooperation programs continued, and work began on developing new programs in the new EU financial cycle for 2021–2027. But sanctions by the European Union may have frozen these projects.

In 2020, Belarus chaired the Eurasian Economic Union (EAEU). It focused on the implementation of long-term initiatives aimed at creating equal economic conditions and competition in cross-border markets; eliminating barriers to mutual trade and distortions in technical regulations; improving sanitary, veterinary and phytosanitary measures; and accelerating the formation of common industry markets, including energy resources and transport services. Deepening economic integration within the EAEU allowed Belarus to block Russia's attempts to push Belarus into deeper military-political and economic integration within the framework of another geopolitical project – the Union State of Russia and Belarus.

Regional cooperation

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After the non-recognition of the results of the presidential election and harsh criticism from Western countries of the widespread use of repression, Minsk accused Poland, the Baltic States, Ukraine and the United States of organizing a color revolution. This, in turn, led to the almost complete freezing of relations with these countries.

Strategic Outlook

The political crisis following the August 9, 2020, presidential election has marked the beginning of a tectonic shift in the political and socioeconomic model of Belarus. The country is unlikely to ever return to the situation before August 2020.

Lukashenko has managed to gain temporary control of the situation and stay in power because of the consolidation of his loyal security apparatus and part of the administrative elite. However, the main challenges to the stability of his political regime lie in the medium term. In domestic policy, these challenges include the exhaustion of the distributive socioeconomic model, the inability of the government to fulfill the terms of the social contract, and the failure of the government to guarantee the security of and acceptable living standards for a major proportion of the population. In foreign policy, these challenges include the country's irrevocable loss of legitimacy in the international arena, increasing sanctions from the West, increasing dependence on Russia, and attempts by the Kremlin to impose constitutional reforms and a transfer of power away from Lukashenko.

Lukashenko's plan assumes a constitutional reform, and new presidential elections between 2023 and 2025. However, due to his obvious desire not to change anything in the country which might endanger his real power, the process of political transformation is unlikely to be smooth.

The opposition sees a way out of the crisis in negotiations between the Lukashenko regime and opposition leaders/civil society, with the participation of international mediators such as the OSCE, a number of Western countries and Russia. The aim of the negotiations is to prepare for the transfer of power and form an economic aid package for the transition period following Lukashenko's departure. However, the success of this initiative will largely depend on the willingness of Western countries to apply serious pressure on Minsk, to engage Russia in a dialogue on the "Belarusian issue" in order to avoid a repeat of Russian intervention in the "Ukrainian crisis" and to offer Lukashenko a deal, providing security guarantees both for himself and his family members.

However, the possibility of the ruling regime collapsing even in the short term remains, because of the accumulating socioeconomic problems and pressure from the West, as well as Russia's attempts to use the political crisis to promote its own agenda in Belarus, aware of the domestic and international toxicity of Lukashenko.

An attempt to preserve the status quo, which has taken shape following the August 2020 presidential election, might launch a "Venezuela scenario" in and around Belarus, turning it into a failed state, and an arena of geopolitical rivalry between Russia and the West. In such a confrontational scenario, the European Union and the United States might strengthen their assistance to the opposition, while Russia, having no alternative option, would feel forced to support the unpopular Lukashenko, demanding strategic concessions as part of the deepening of military-political and economic integration between the two countries.