



Global Entrepreneurship Monitor Report GEM Belarus 2019/2020



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Foreword



Olga Shcherbina, Head of the International Finance Corporation (IFC) Office in Belarus

In this publication, we are pleased to present the findings of the Global Entrepreneurship Monitor (GEM), a 2019 comprehensive study of various aspects of entrepreneurial activity conducted in Belarus for the first time by the Belarusian Economic Research and Outreach Center (BEROC) and International Finance Corporation (IFC) office in Belarus.

Today, GEM is the world's most influential study of entrepreneurship covering social, cultural, political, and economic contexts of entrepreneurial activity, as well as societal norms, values, and attitudes towards business. GEM is truly unique because, inter alia, allows for reliable international comparisons as data is collected in the same format across the globe. Over 20 years of the project's existence, almost three million people were surveyed in 112 countries. In 2019, 50 national teams from states of all sizes and stages of development participated in the research, Belarus now being one of them.

I hope this report will provide you with insights into the main motivational drivers for entrepreneurship in Belarus as well as the factors that discourage

or hinder business development and further SME growth. In addition to direct entrepreneurial activity, the project studies public opinion about the need for entrepreneurship and how it is perceived by the population, including social perceptions by gender, as attitudes to business and public beliefs in every society forms a certain entrepreneurial culture.

Being a trusted source of data, analysis and expert opinion on entrepreneurship for key international organizations — the United Nations, the World Bank Group, the World Economic Forum — GEM could also be used for taking informed evidence-based policy decisions for governments and is a promising area for future business research and academic publications.

I would like to personally thank everybody who has been involved in the GEM survey and report preparation in 2019–2020. I would like to also thank over two thousand members of the public who participated in the GEM survey, and national expert community who was consulted as part of this research project. I hope the GEM publication will serve its purpose of boosting entrepreneurship development in Belarus.



Pavel Daneyko, Director of Belarusian Economic Research and Outreach Center (BEROC)

The strength of the Belarussian economy is its excellent entrepreneurs who, notwithstanding all the crises and barriers, are gradually changing entrepreneurship-related values of the Belarussian society.

In this regard, research on entrepreneurship and private sector development has become an important component of the work of the Belarusian Economic Research and Outreach Center (BEROC).

In 2019, BEROC, in cooperation with the International Finance Corporation (IFC), joined the international project Global Entrepreneurship Monitor (GEM) launched 20 years ago by London Business School and Babson College. The GEM's main goal is to assess country differences in the entrepreneurial activity

and environmental conditions. The results of the GEM demonstrate that entrepreneurial activity is manifested in different shapes and forms that deserve particular attention of the stakeholders. We believe that data and analyses conducted within the GEM project in Belarus create a solid basis to promote dialog among entrepreneurs, policy makers, and experts in pursuit of stimulating entrepreneurial behavior toward a more sustainable socioeconomic development.

We are glad to introduce the first GEM country report on Belarus that is the output of joint efforts of BEROC's researchers and IFC experts. The report is dedicated to all Belarussian entrepreneurs and those who work hard every day on helping them to make entrepreneurship a driver of societal wealth and an engine of economic growth.

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Executive summary

1. Around 70% of both entrepreneurs and non-entrepreneurs believe that going into business is a good career choice and agree with the statement that successful entrepreneurs are enjoying higher social status in Belarus compared with the wage-employment segment.
2. Belarus belongs to the group of countries with the lowest level of entrepreneurial self-confidence. Only 38% of non-entrepreneurs believe they have knowledge and skills needed for entrepreneurial activities, while 91% of Belarusian entrepreneurs are self-confident in their entrepreneurial capabilities.
3. Belarus is among TOP-3 most pessimistic countries in terms of the perception of entrepreneurial opportunities. Only 28.5% of non-entrepreneurs see good opportunities for starting a business in Belarus. Entrepreneurs look more optimistic and around 39% identified favorable opportunities for starting a business activity.
4. The main motivating factor influencing the decision to go into business in Belarus is desired to become rich (75.3%) followed by the lack of jobs (50.7%) in the labor market. At the same time, the most frequent answer to the question — What prevents you from starting a business? — is “lack of funds,” followed by an “unfavorable business environment” (19.5%) and “no confidence in my capabilities” (18.3%).
5. The TOP-3 most common reasons for business exit are lack of profitability (37.1%), family or personal reasons (18.4%), and bureaucracy (15.1%). It should be also noted that in Belarus ‘retirement’ or ‘chance to sell’ were not mentioned at all by the respondents.
6. Both early-stage and established Belarusian businesses expect a higher employment growth rate than the average rate in middle-income and high-income countries.
7. Belarus is marked not by the number of entrepreneurs, but the quality: the share of Belarusian medium-and high-tech start-ups in all early-stage businesses is higher even than the average in high-income countries and 22% of early-stage receive more than 25% of revenue from outside the country.
8. In Belarus, a low ratio of established businesses to early-stage businesses may signify, on the one hand, unfavorable conditions for businesses to grow in the long run and, on the other hand, business orientation and business dynamism and illustrates the attractiveness of new business creation. In these terms, Belarus is quite close to such “start-up nations” as Israel and Ireland.
9. Belarus has the 15th position in the world in terms of accessibility and quality of physical infrastructure and services signals that this could be a competitive advantage of the country and should be publicly argued. Simultaneously, entrepreneurial education at schools seems to be the most problematic area in Belarus (41st position in the world) among entrepreneurial framework conditions.
10. The most important area for entrepreneurship development in the country is entrepreneurial education at universities, colleges, business schools, followed by financial environment and tax and bureaucracy issues. The main GEM indicators of Belarus vis-a-vis the global average are presented in Annex 1.

Introduction¹

The Global Entrepreneurship Monitor (GEM) is a large-scale global collaborative research initiative that consistently analyzes entrepreneurship in all shapes and forms and its associated characteristics in a time- and space-consistent manner.

As far back as in 1999, in its first report, the GEM project operationalized the definition of entrepreneurship, as “any attempt at a new venture or new business creation, such as self-employment, a new business organization or the expansion of an existing business, by an individual, a team of individuals, or an established business” (Reynolds, Hay, and Camp 1999).

Postulating the crucial role of entrepreneurship in innovation, increased productivity, and employment generation, the GEM has been studying the state of the entrepreneurial mindset, motivations, activities and ambition, and the national framework conditions required to allow entrepreneurship to flourish in an economy. This effort is accomplished through the collaborative work of a nonprofit organization Global Entrepreneurship Research Association, founding institutions London Business School and Babson College, and a consortium of national teams consisting of dedicated entrepreneurship researchers from around the world. As a result, to date, the GEM is one of the few academic initiatives providing harmonized internationally comparable data on entrepreneurship systematically and annually. This provides an opportunity to conduct a direct comparison between economies, as well as to trace the evolution of different forms of entrepreneurial activities and environmental conditions within the same economy over time. Also, the GEM data give rise to dozens of academic peer-reviewed publications every year since the GEM has a robust theoretical framework behind it.

In this regard, the GEM data and both global and country reports have attracted full attention from governments, think tanks, and non-governmental and international organizations as an input for developing and evaluating evidence-based policy and initiatives in the area of entrepreneurship. Having a comprehensive picture of the entrepreneurial landscape, forms, and motives of entrepreneurship, policy makers, and other stakeholders have started treating it as a solution to reducing poverty and social inequity, promoting women’s empowerment, and dealing with environmental challenges.

The GEM consortium consists of national teams each using the same precise research methodology, sample design, and survey tools to collect nationally representative data on entrepreneurship.

Annually, each national team oversees an annual survey called the Adult Population Survey (APS), which is completed by a representative sample of at least 2,000 adults in each economy. Complementary, the national teams consult with national experts on ‘entrepreneurial framework conditions,’ factors that can explain the nature and level of entrepreneurship in their economies through the National Expert Survey (NES).

The main findings of the GEM are presented annually in the global report². It contains extensive data on entrepreneurship, which is analyzed through the prism of various stages of entrepreneurial activity; entrepreneurial profiles, including demographic indicators; entrepreneurial motives and aspirations; and business characteristics such as the level of innovation and technology. Besides, the research teams of each participating country publish national reports that provide a more detailed analysis of entrepreneurship at the national level, taking into account local changes, characteristics, conditions, and initiatives that affect entrepreneurial activity.

¹ For consistency, the introductory part including the description of the GEM conceptual framework and methodology is to a significant extent the adaptation of the Chapter 1 of the GEM 2019/20 Global Report.

² Available at <https://www.gemconsortium.org/file/open?fileId=50443>.

GEM conceptual framework

The GEM conceptual framework is based on the fundamental assumption that economic growth is the result of the increase of total factor productivity that, in turn, is defined among others by capabilities of individuals to identify and seize opportunities as well as by environmental factors which influence individuals' decisions to pursue entrepreneurial initiatives. At the same time, entrepreneurship rates, forms, and impacts on economic development differ among economies at similar stages of economic development that have been shown by the GEM and some other studies.

In general, the GEM survey is conceptualized with regard to the interdependency between entrepreneurship and economic development to

- Uncover factors that encourage or hinder entrepreneurial activity, especially related to societal values, personal attributes, and the entrepreneurship ecosystem;
- Provide a platform for assessing the extent to which entrepreneurial activity influences economic growth within individual economies;
- Uncover policy implications for enhancing entrepreneurial capacity in an economy.

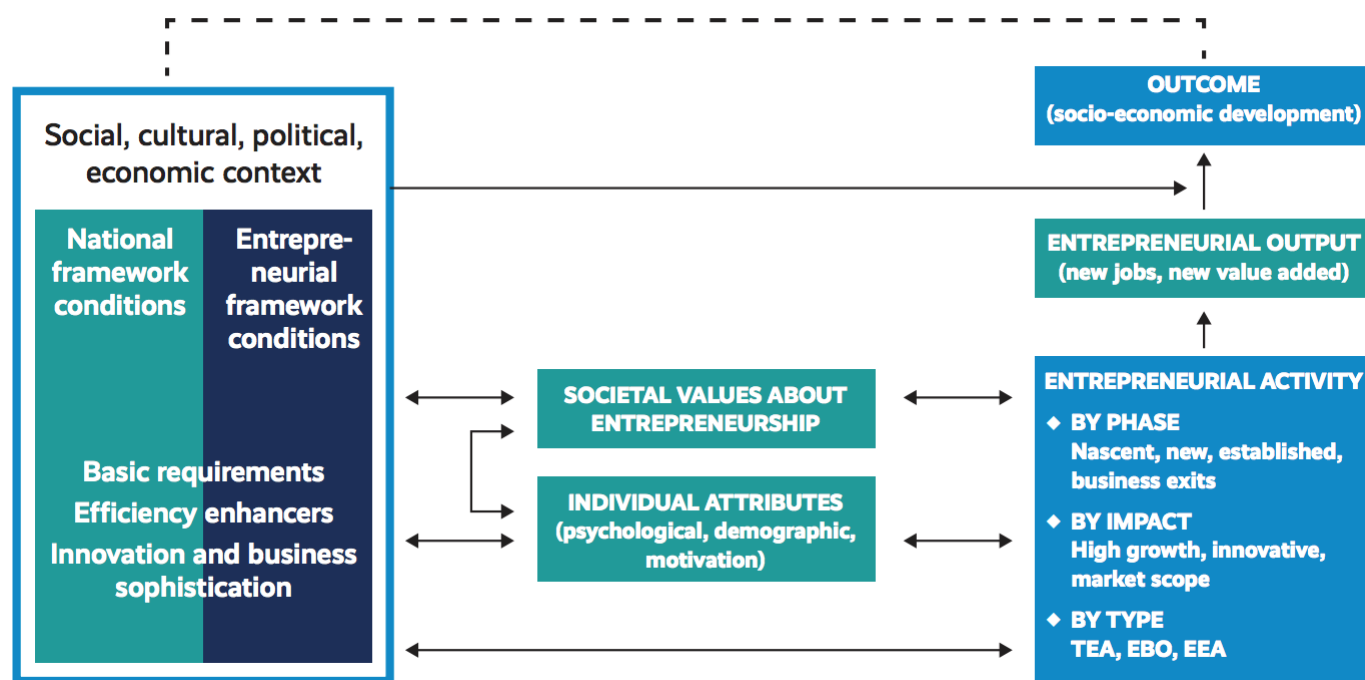
Figure 1 depicts the main components and relationships into which the GEM divides the entrepreneurial process and how it classifies entrepreneurs according to the level of their organizational development.

Thus, entrepreneurial activity is determined by social values and individual attributes and creates added value and jobs. However, the framework also accounts for the social, cultural, political, and economic contexts, which both influence and are influenced by this activity.

The components of the conceptual framework are as follows:

- **The social, cultural, political, and economic contexts** are represented through national framework conditions, which include entrepreneurial finance, government policy, government entrepreneurship programs, entrepreneurship education, research and development (R&D) transfer, commercial and legal infrastructure, physical infrastructure, internal market dynamics and entry regulation, and cultural and social norms.
- **Societal values about entrepreneurship** include societal beliefs about entrepreneurship as a good career choice, whether entrepreneurs have high societal status, the extent to which media represents entrepreneurship positively in an economy, and whether it is easy to start a business.
- **Individual attributes** include demographic characteristics (gender, age, education), self-perceptions (perceived capabilities, perceived opportunities, and fear of failure), and motives for starting a business
- **Entrepreneurial activity** encompasses multiple phases of the business process (nascent, new business, established business, and discontinuation), potential impact (job creation, innovation, and internationalization), and type of activity (such as total early-stage entrepreneurial activity (TEA), established business ownership (EBO), and employee entrepreneurial activity (EEA)).

Figure 1. GEM conceptual framework



Source: GEM 2019/20 Global Report.

Measuring entrepreneurial activity

The GEM's indicators of business development phases, from conception to starting and running a new business to the mature phase as fully established, as well as entrepreneurship characteristics are presented in Figure 2.

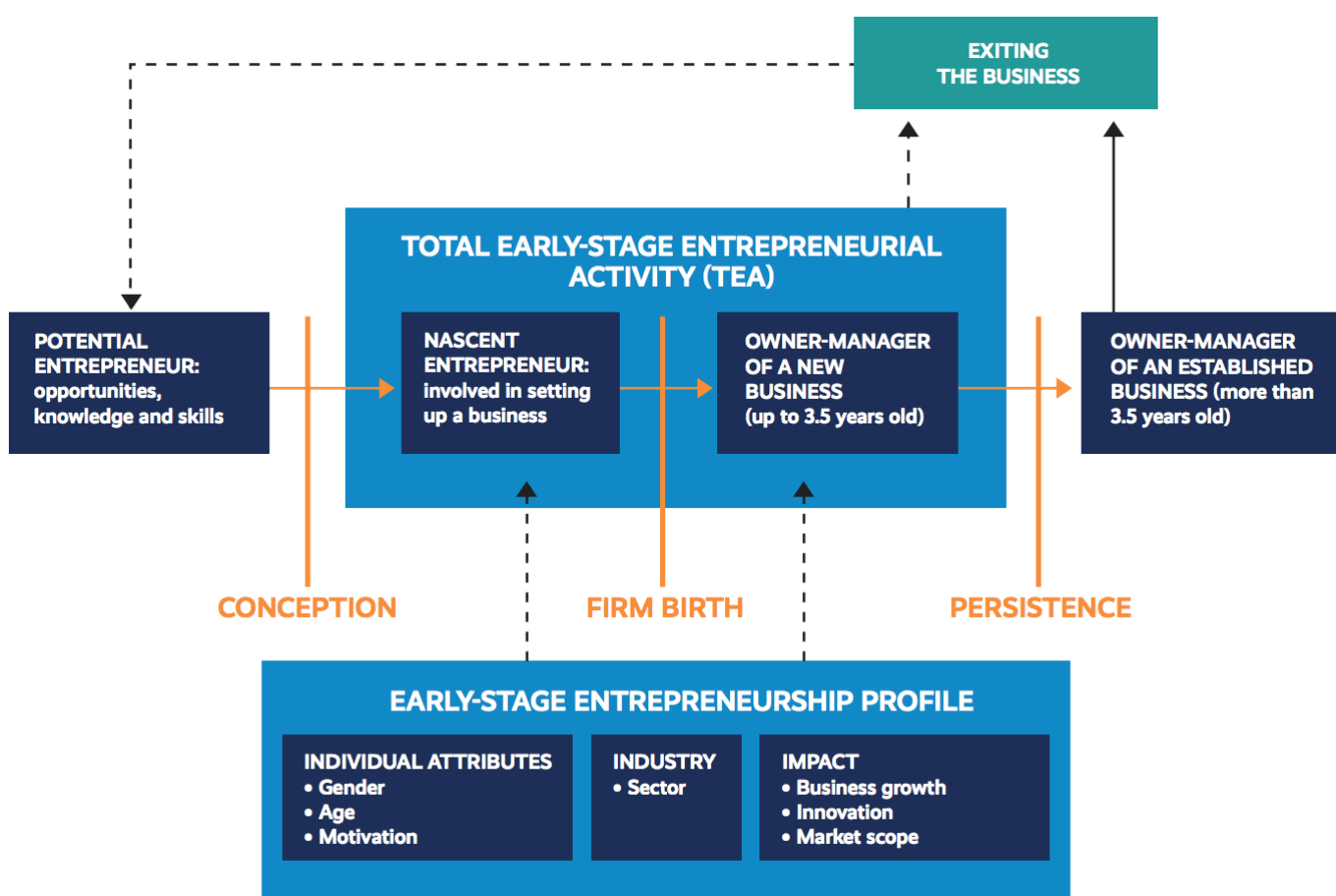
One of the key indicators introduced in the GEM research is the level of TEA — the proportion of the 18–64-year-old population actively engaged in starting or running a new business. Specifically, TEA is the sum of those actively starting a new business (but who have not yet paid salaries or any other payments, including to the founder(s), for three months or more — the Nascent Entrepreneur), plus those already running a new business (who have paid wages or

other payments, including to the founder(s), for three months or more but less than 42 months — the New Business Owner), minus any double-counting (those who fall into both categories).

Those who are running a business that has paid wages for 3.5 years (42 months) or more are categorized as Established Business Owners.

Since exiting a business is considered as an important phase of entrepreneurship after which individuals may start another business or continue to be involved in entrepreneurial activity in other ways, this phase is also the focus of the GEM.

Figure 2. Entrepreneurial phases and GEM entrepreneurship indicators



Source: GEM 2019/20 Global Report.

Economies participating in GEM 2019

In 2019, 50 national teams from countries of all sizes, income levels, and stages of development participated in the GEM research. The 50 economies³ participating in the GEM in 2019 are grouped into four regions, as defined by the World Economic Forum, and into three income levels: 11 from the Middle East and Africa, 8 from Asia and Pacific, 8 from Latin America and the Caribbean, and 23 from Europe and North America. Of these economies, 5 are classified as low income, 12 as middle income, and the rest as high income (see Table 1).

Over 150,000 individuals responded to the GEM questionnaire as part of the GEM research in 2019. As part of the GEM National Expert Survey (NES), national experts in 54 economies were asked to assess the national environment for entrepreneurship in terms of 12 GEM-defined framework conditions.

Table 1. Economies in the GEM 2019/20 Global Report, by region and income level

Regions	Low income	Middle income	High income
The Middle East and Africa	Egypt Madagascar Morocco	Iran Jordan South Africa	Israel Oman Qatar Saudi Arabia United Arab Emirates
East Asia and Pacific	India Pakistan	Armenia China	Australia Japan Republic of Korea Taiwan
Latin America and the Caribbean		Brazil Ecuador Guatemala Mexico	Chile Colombia Panama Puerto Rico
Europe and North America		Belarus North Macedonia Russian Federation	Canada Croatia Cyprus Germany Greece Ireland Italy Latvia Luxembourg Netherlands Norway Poland Portugal Slovak Republic Slovenia Spain Sweden Switzerland United Kingdom United States

Source: GEM, 2019.

³ Since some parts of the world have individual economies that may not be classified as separate countries, the GEM global report therefore prefers the term 'economies' rather than 'countries' but may also refer to countries where that classification is unambiguous.

Methodology

To capture the interactions between individuals and their environment, each national team taking part in the GEM in a given year commits to undertake two national surveys: the Adult Population Survey (APS) and the NES.

An independent survey vendor in each country approved by the GEM team uses the standardized GEM questionnaire translated into one or more official languages of the country to ask a nationally representative stratified sample of at least 2,000 adults 18–64 years old about their entrepreneurial activities, attitudes, motivations, and capabilities.

Results are then cross-checked and quality-approved, harmonized, and weighted by the GEM's technical team. One of the key peculiarities of the GEM APS is its focus on people—an individual is a unit of observation. Notwithstanding a possible self-reporting bias inherent in such studies, the APS helps develop a unique profile of entrepreneurship in society. Description of the methodological design applied by the Belarusian national team is provided in Annex 2. The results of the first APS in Belarus are discussed in Chapters 1 and 2.

The second survey—the NES—is designed to capture the economic, social, cultural, and political conditions in an economy that may either encourage and support or discourage and constrain entrepreneurial activity. To assess the country context with regard to the development of entrepreneurial activities, at least 36 individuals with relevant expertise and/or experience in 12 different entrepreneurship-related areas are nominated and justified by each national team. National experts approved by the GEM team are requested to complete the standard NES questionnaire by providing their perceptions of the national environment for entrepreneurship across a broad range of GEM-defined categories as well as by assessing the relevance of each category for an economy. The full list and description of these categories and results of the Belarusian experts' survey are provided in Chapter 3.

The rigorous GEM methodology enables us to collect, process, and interpret survey responses as well as to build precise and commensurable measures of the level of entrepreneurial activity, providing relevant data for policymakers and other stakeholders. Consequently, the GEM is recognized today as a world-class, highly credible reference on the state of entrepreneurship in a country and worldwide.

Chapter 1.

Entrepreneurial phenomenon

1.1. Values, perceptions, and attitudes toward entrepreneurship

National attitudes

National attitude toward entrepreneurship shows the average stance on entrepreneurial activity in the country. It reflects the social attitude towards entrepreneurship from four perspectives: evaluation of the entrepreneurial activity as a desirable career choice, evaluation of the standards of living, evaluation of the status of a successful entrepreneur, and evaluation of the attitude toward entrepreneurship in the media (Figure 3).

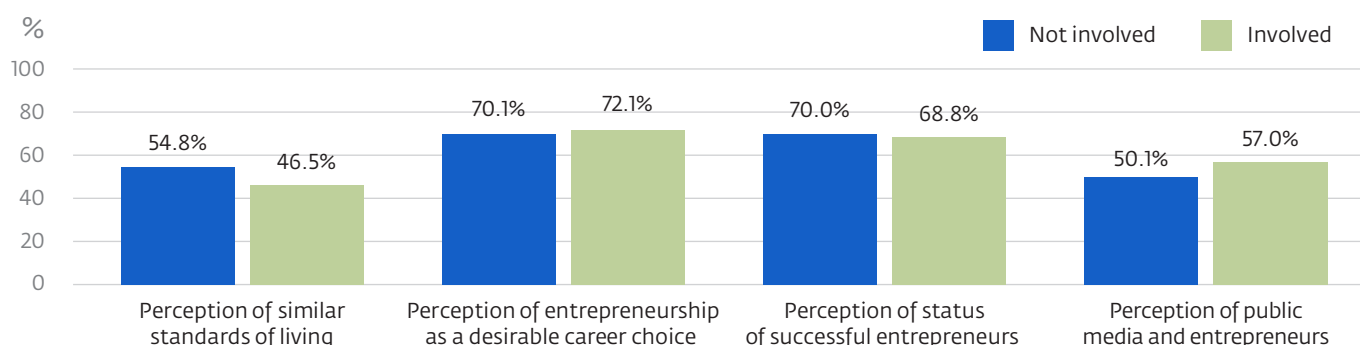
The Belarus results are as expected. The idea of the importance of the private initiative has recently started to develop and attract attention in the economy. For a long time, the role of the private sector and entrepreneurs has been overshadowed by the state segment of the economy. However, the deterioration of the economic situation forced the authorities to reconsider the role of the private sector and force efforts on boosting the role it plays in the economic development of Belarus.

The distinction between those involved and not involved in entrepreneurial activities⁴ reveals slight differences in attitude toward the private initiative. Almost 55%

of non-entrepreneurs and 46.5 % of those who are involved in business activities stick to the view that the majority of the country's residents would prefer having similar standards of living. It is likely a result of the post-Soviet heritage accompanied by the idea of a socially responsible economy promoted by the authorities.

Around 70% of both entrepreneurs and non-entrepreneurs believe that going into business is a good career choice and agree with the statement that successful entrepreneurs are enjoying higher social status compared to the wage employment segment. Media attention for entrepreneurship is perceived as the medium by the Belarusian entrepreneurs (57.0 %). At the same time, only 50.1% of non-entrepreneurs think similarly. It is a sign that Belarus needs to take action on accelerating the promotion of entrepreneurship. Media serves a crucial role in the formation of the entrepreneurial culture and the entrepreneurial way of thinking in society. Thus, Belarus should intensify the rate of broadcasting on related topics to stimulate the formation of the proper entrepreneurial role model.

Figure 3. National perceptions toward entrepreneurship, % of adult population 18–64 years old



Source: GEM Belarus, 2019.

⁴ Metodological note: We defined involved in the entrepreneurial processes those individuals that recognized their involvement as early-stage entrepreneurs and owners of established ventures.

1.2. Social perceptions toward entrepreneurship by gender

The distinction by gender reveals certain differences in national perceptions toward entrepreneurship (see Table 2). A substantially larger share of women involved in entrepreneurship agrees with the idea of equality in living standards compared with male entrepreneurs (54.9 % female versus 40.8 % male).

A similar pattern is observed in the assessment of media attention toward entrepreneurship. Around 64 % of female entrepreneurs assess media attention as high while just 40.8% of male entrepreneurs think that media pays enough attention to that topic.

Table 2. Gender perspective of national perceptions toward entrepreneurship

Perceptions	Involved in the entrepreneurial process (%)			Not involved in the entrepreneurial process (%)		
	Male	Female	Total	Male	Female	Total
Perception of similar standards of living	40.8	54.9	46.5	58.0	52.0	54.8
Perception of entrepreneurship as a desirable career choice	70.4	74.1	72.1	71.6	68.8	70.2
Perception of status of successful entrepreneurs	68.4	69.6	68.8	69.0	70.9	70.0
Perception of public media and entrepreneurs	52.8	64.0	57.4	48.8	51.3	50.1

Source: GEM Belarus, 2019.

Individual attitudes

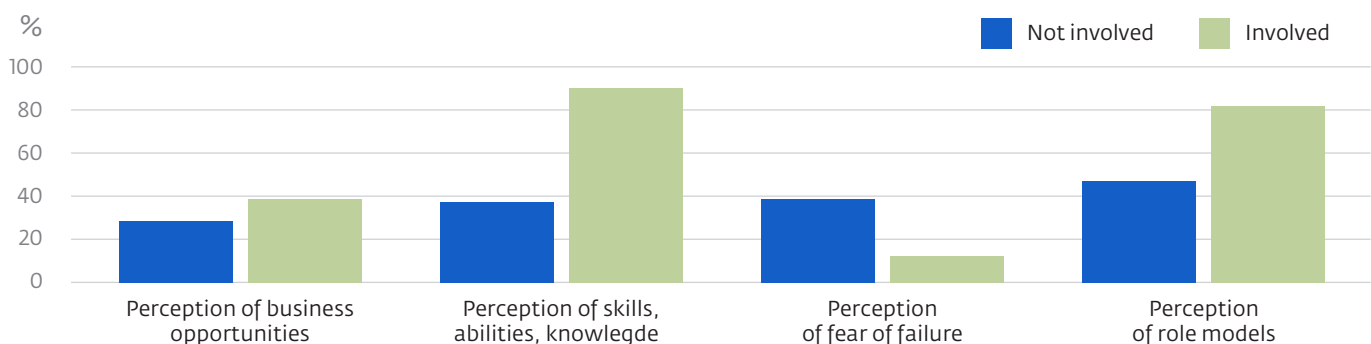
Contrary to individual perception of how the majority of the people in the country feel about entrepreneurship, individual perceptions of business opportunities, personal capabilities, fear of failure, and presence of a role model that motivated to go into business reveal a substantial gap in answers between entrepreneurs and non-entrepreneurs.

Not surprisingly, the majority of entrepreneurs are personally acquainted with other entrepreneurs (81.8 %), while only 47.4% of non-entrepreneurs personally know business representatives.

For both entrepreneurs and non-entrepreneurs, the perceived capabilities outweigh the perceived business opportunities meaning that the share of those who evaluate themselves as capable of going into business is higher than the share of those who feel positive about chances for success.

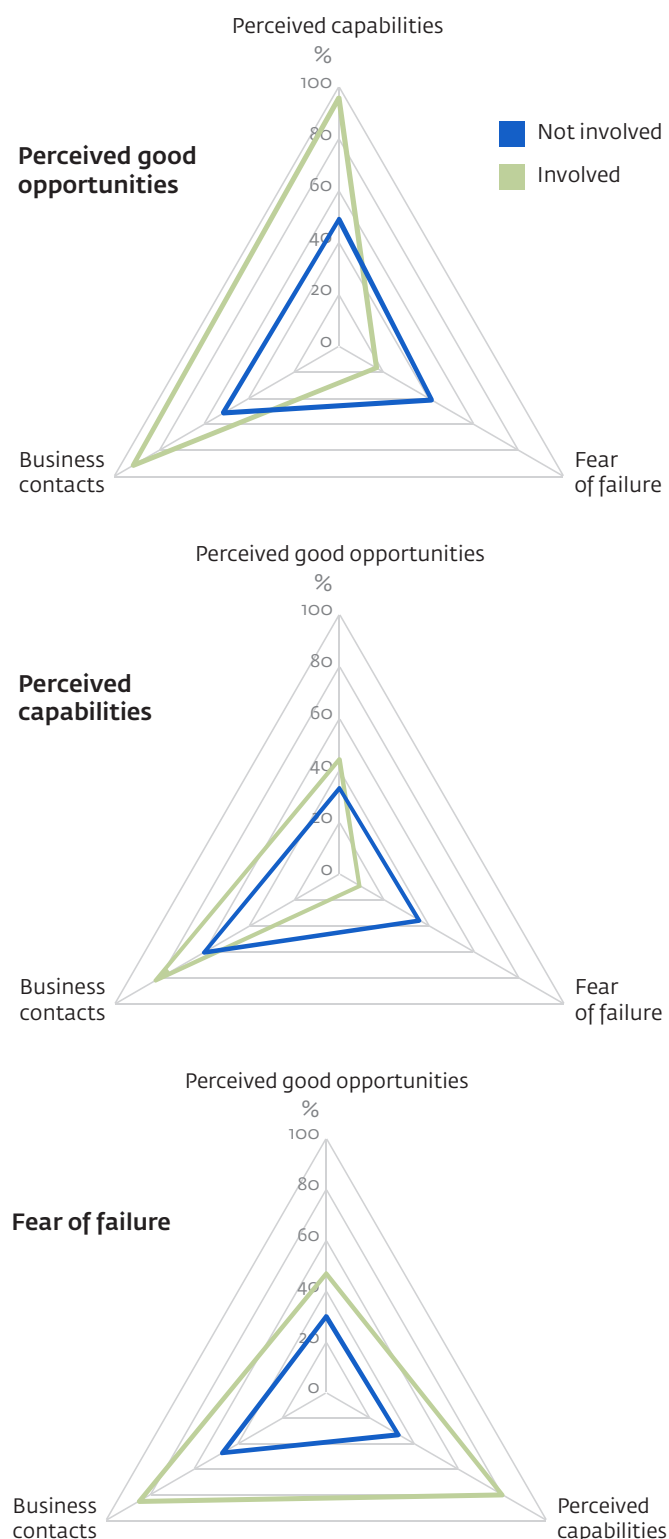
Almost all of the entrepreneurs (91%) believe they have the necessary knowledge and skills that are beneficial for their entrepreneurial activities (Figure 4). At the same time, just 38% of non-entrepreneurs think the same way, while the majority declares the lack of required competencies and skills. It might signal the

Figure 4. Individual perceptions toward entrepreneurship, % of adult population 18–64 years old



Source: GEM Belarus, 2019.

Figure 5. Cross-tabulation between measures of individual perceptions toward entrepreneurship, % of adult population 18–64 years old



Source: GEM Belarus, 2019.

Note: 100 indicates 100% of the respondents agree with the statement; 0 indicates none of the respondents agreed with the statement.

importance of various entrepreneurial educational programs aimed at improving the level of professional capabilities of the population.

Both entrepreneurs and non-entrepreneurs mostly perceive negative about the chances of success. Only 28.5% of non-entrepreneurs see good opportunities for starting a business in the existing business environment. Entrepreneurs look more optimistic than non-entrepreneurs, and around 39% identified favorable opportunities for starting a business activity in the economy. At the same time, fear of failure is three times higher among non-entrepreneurs (39%) than among entrepreneurs (12.5%) that prevents from taking risks and starting a business.

Such moderate shares of those who see good business opportunities together with relatively high perceived fear of failure signal the importance of taking actions on raising the level of attractiveness of entrepreneurship in the country. On the one hand, it is crucial to assist people in developing personal skills and knowledge. At the same time, we should think about how to decrease the level of fear and on the contrary stimulate reasonable risk-taking in society. The analysis of the cross-tabulation between positive responses on different statements related to individual perception toward entrepreneurship reveals certain positive relation between the evaluation of good opportunities and personal capabilities of both those involved and those not involved in entrepreneurial activities (Figure 5).

1.3. Individual perceptions toward entrepreneurship by gender

The distinction by gender in the assessment of individual perceptions also demonstrates some diversity in answers. Male entrepreneurs are more optimistic about the opportunities in the country, and 45.5 % think that there are favorable conditions to start a new business during the next six months, while just 30.9% of women entrepreneurs think similarly (Table 3). This trend coincides with the fear of failure where despite being involved in entrepreneurial activities, a larger share of female entrepreneurs mentioned that fear of failure impedes the realization of their business ideas (16% female versus 9.7 % male). For the non-entrepreneurs, one significant difference is observed in the perception

of capabilities. A substantially lower share of women (30.1%) declared the presence of skills and knowledge required to start a business, while the male population is more confident about their skills (45.7%). It indicates the importance of various entrepreneurial training and educational courses aimed at the acceleration of educational and skill levels of women as well as their confidence level.

Figure 6 shows national and individual combined attitudes toward entrepreneurial activity in the country. The level of support is measured as the number of statements the respondent agreed to: from three in case the respondent agreed to all statements to none. The individual perception to entrepreneurship

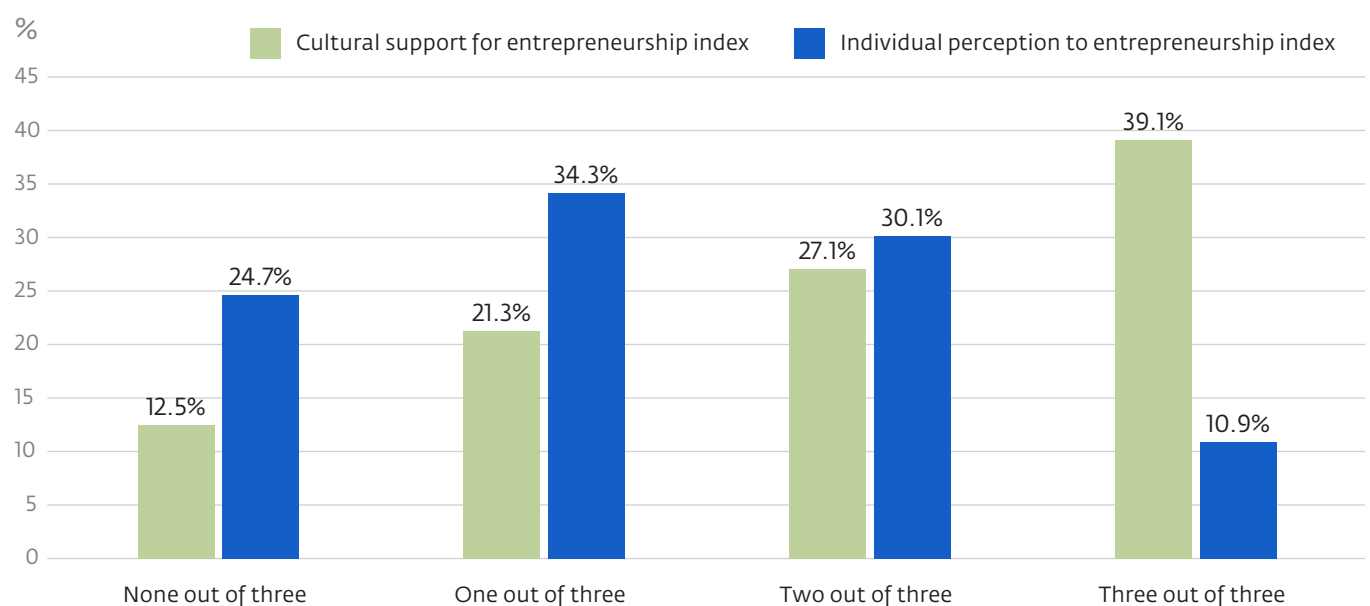
index reflects the personal confidence of individuals in their abilities, opportunities, and network in terms of a successful entrepreneurial career. The majority of respondents agreed to none or just one statement measuring the individual level of perception (59%) indicating negative or skeptical feelings toward their abilities and opportunities. Cultural support for entrepreneurship is estimated as shares of those who agreed to all three statements on the role of entrepreneurship (career choice, status, and media coverage). Contrary to individual support index, we see that the majority of respondents agreed with two to three statements (66.2%) indicating a substantial level of national support for entrepreneurship in the country.

Table 3. Gender perspective of individual perceptions toward entrepreneurship

Perceptions	Involved in the entrepreneurial process (%)			Not involved in the entrepreneurial process (%)		
	Male	Female	Total	Male	Female	Total
Perception of business opportunities	45.5	30.9	38.8	27.5	29.6	28.5
Perception of skills, abilities, and knowledge	90.8	90.2	90.5	45.7	30.1	37.4
Perception of fear of failure	9.7	16.0	12.5	36.2	41.8	39.1
Perception of role models	79.3	84.9	81.8	48.1	46.6	47.3

Source: GEM Belarus, 2019.

Figure 6. Individual and social perceptions' indexes



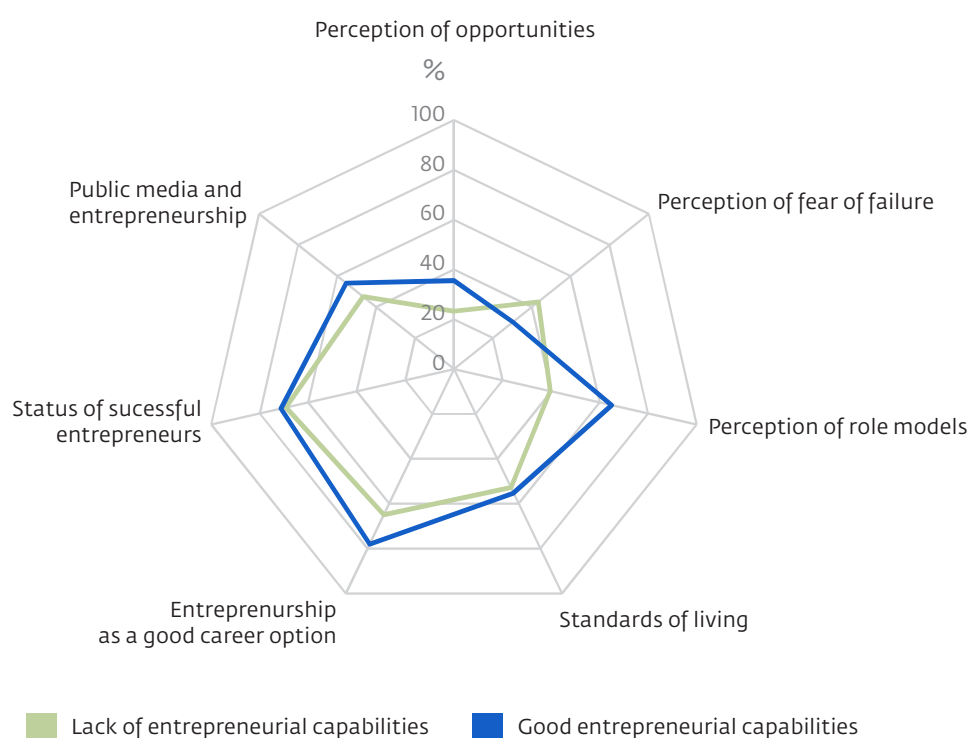
Source: GEM Belarus, 2019.

Personal capabilities and attitudes

It is also important to note that the presence of required capabilities has a substantial influence on attitude to entrepreneurship. The distinction between those who think they are capable of running a business and those who lack skills and knowledge shows specific differences in attitudes between these two groups (Figure 7). Respondents who are confident about their level of knowledge

and skills have a much broader network of business acquaintances (64.9% versus 39.6%), are more optimistic about business conditions (35.5% versus 23.3%), and are less risk-averse (30.3% versus 43.3%). They also recall more news on entrepreneurship (55.4% versus 46.6%) and value the career of the entrepreneur more (78% versus 64.9%) compared to the incapable group.

Figure 7. Perceptions toward entrepreneurship by different levels of perceived capabilities



Source: GEM Belarus, 2019.

Note: 100 in 100% of the respondents agree with the statement; 0 indicates none of the respondents agreed with the statement.

Benchmarking

If we compare the averages for Belarus and two groups of countries (middle-income⁵ countries and European countries⁶), we can see that Belarus is somewhat similar to these groups. That is, there is a similar pattern in some evaluations with substantial differences in other assessments (Figure 8). The perception that entrepreneurship is a good career choice is substantially above the European averages and slightly below the average for the middle-income countries. A similar pattern prevails in the assessment of the relation between a successful entrepreneurial career and higher social status. Belarus lags far behind both European and middle-income countries' averages in terms of media attention for the private initiative as well as the individual perception of required skills, knowledge, and opportunities to start a business. The same pattern holds for the assessment of fear of failure, where Belarus' numbers are also below the averages of the other two groups.

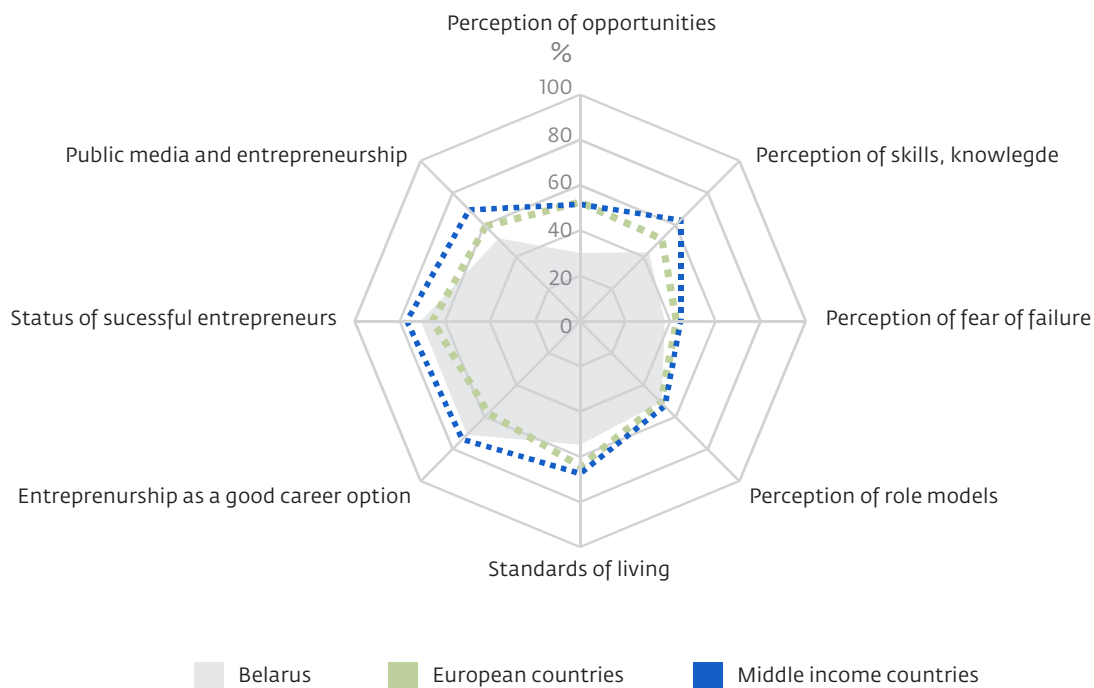
Belarus is among the top three most pessimistic countries (Figure 9). The lowest level of optimism is

observed in Japan (10.6%) and India (16.9%), which is quite surprising as India is among the fastest-growing economies nowadays. The most optimistic countries in terms of entrepreneurial opportunities are Sweden (79.8%) and Poland (87.3%).

In the majority of countries, and Belarus is not an exception here, the level of perceived capabilities is higher than the level of perceived opportunities (Figure 10). However, Belarus demonstrates rather moderate results and is ranked among the lowest 10 countries in terms of self-confidence. Just 42.5% of the population think that their skill and educational levels are adequate for entrepreneurship.

Fear of failure may also be a factor that demotivates from going into business despite the presence of favorable business opportunities (Figure 11). The rate of fear in Belarus amounts to 36.9%. The highest level of fear of failure is observed in Jordan (62%) and Chile (58.5%), while the lowest is observed in Korea (17.1%) and Norway (26.8%).

Figure 8. Belarusians' perceptions toward entrepreneurship, benchmarking middle-income group and Europe

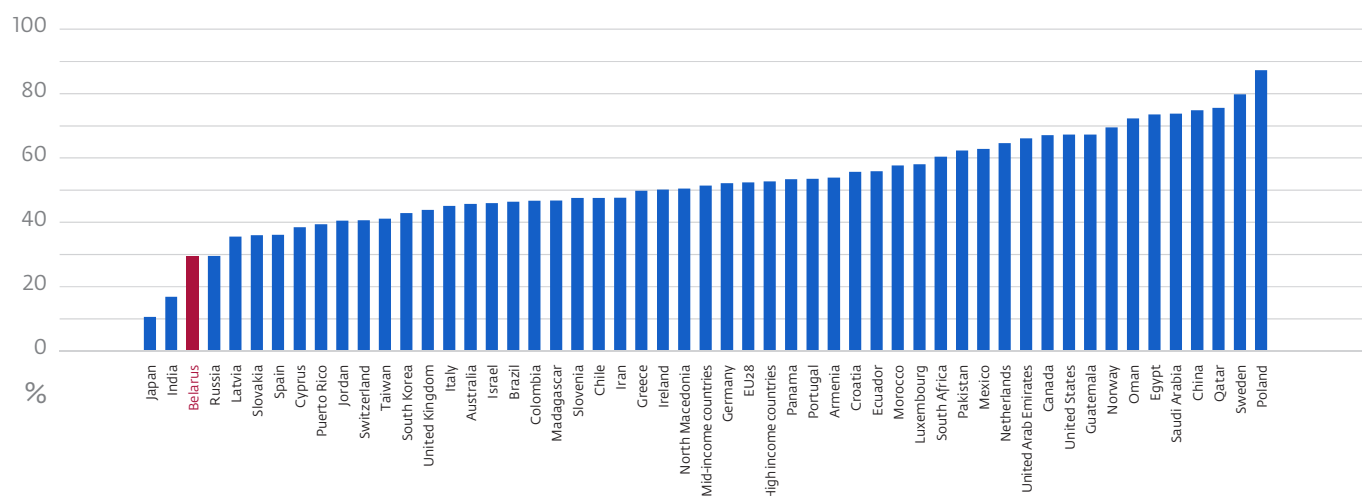


Source: GEM, 2019.

⁵ Middle-income countries: Armenia, Belarus, Brazil, China, Ecuador, Guatemala, the Islamic Republic of Iran, Jordan, North Macedonia, Mexico, Russia, and South Africa.

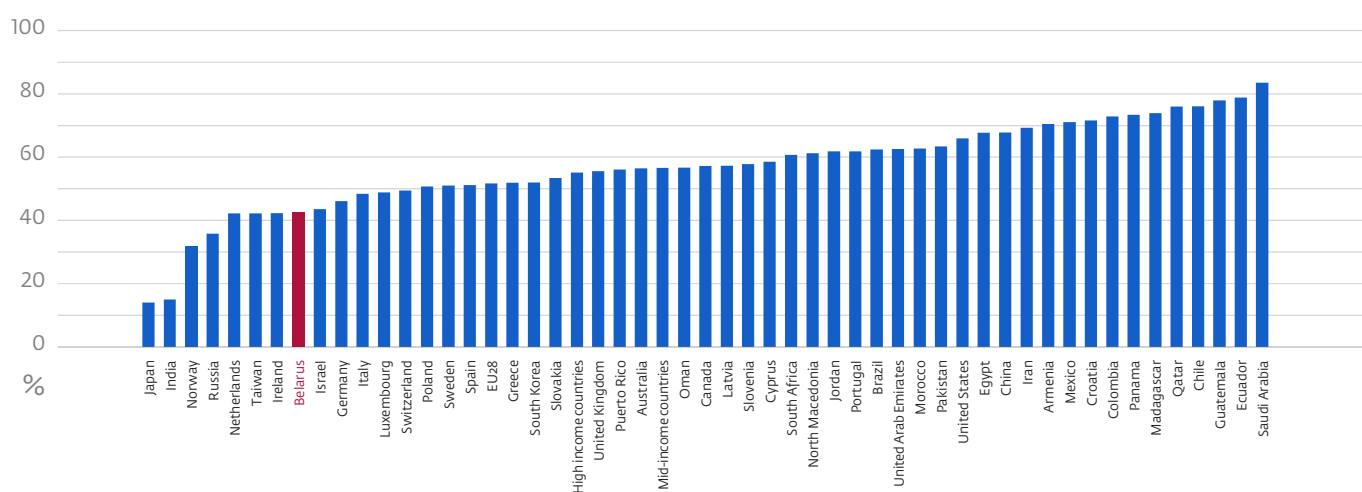
⁶ European countries: Cyprus, Croatia, Germany, Greece, Ireland, Italy, Latvia, Luxemburg, the Netherlands, Norway, Poland, Portugal, Slovakia, Slovenia, Sweden, Switzerland, and the United Kingdom.

Figure 9. Perceived opportunities by country (% of adult population 18–64 years old)



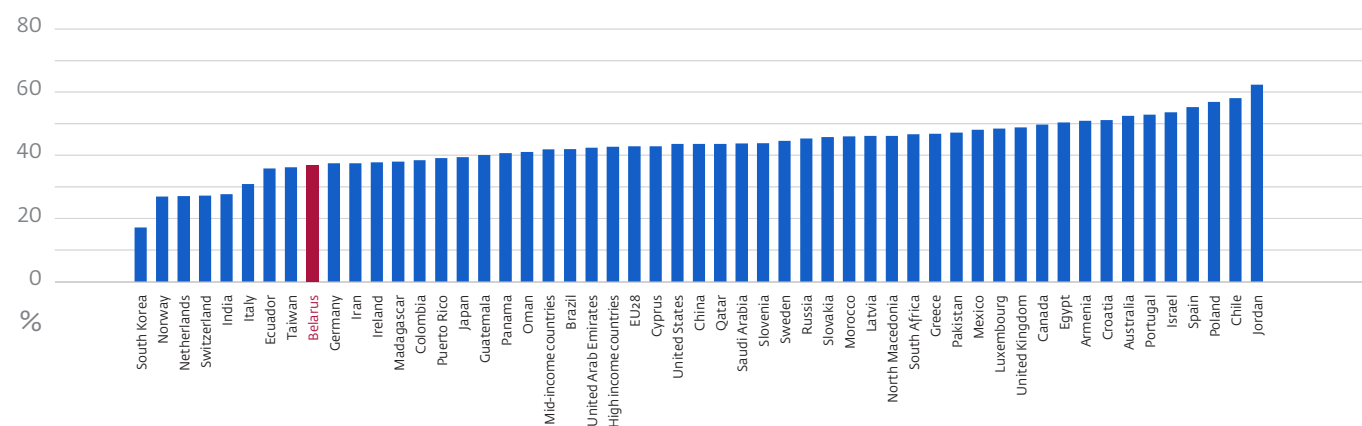
Source: GEM, 2019.

Figure 10. Perceived capabilities by country (% of adult population 18–64 years old)



Source: GEM, 2019.

Figure 11. Fear of failure by country (% of adult population 18–64 years old)



Source: GEM, 2019.

1.4. Entrepreneurial activity and characteristics

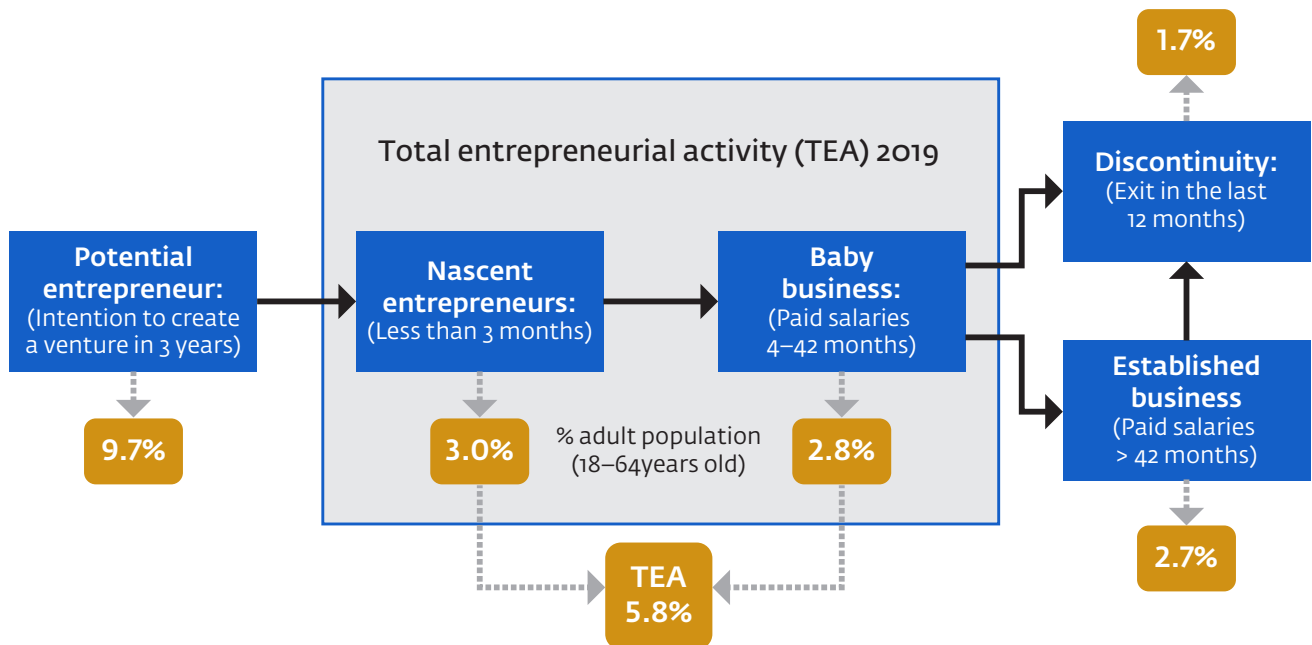
Entrepreneurial process

The GEM defines five measures of entrepreneurial activity related to the level of business development (Figure 12):

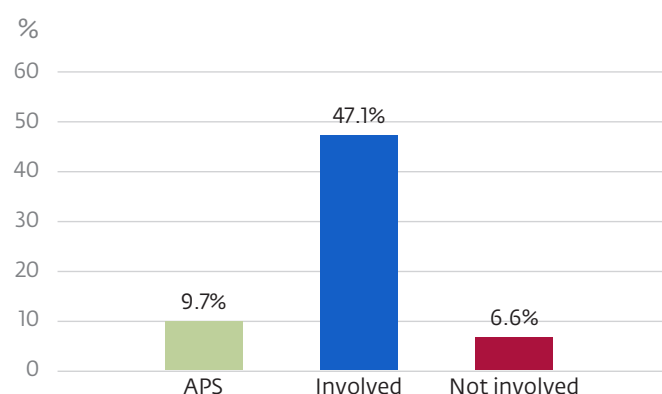
- **Potential entrepreneurs** — percent age of the adult population (18–64 years old) that is planning to start up business during the next 3 years.
- **Nascent entrepreneurs** — percent age of the adult population (18–64 years old) that is currently involved in starting a business. Business is up to 3 months old and has not yet yielded any wages.
- **Baby business** — percent age of the adult population (18–64 years old) that is currently owning and managing a business. Business is older than 3 months and less than 42 months old and is providing wages and remuneration.
- **Established business** — percent age of the adult population (18–64 years old) that is currently owning and managing a business that exists for more than 42 months.
- **Discontinued businesses** — percent age of the adult population (18–64 years old) that has closed or sold a business.

Entrepreneurial intentions measure the share of individuals that are planning to start a business during the next three years. Just 9.7% of the respondents declared intentions of setting up a business. The average level of potential entrepreneurs is equal to 9.7% (Figure 13). At the same time, the distinction by the current entrepreneurial status shows that just 6.6% of those who are not entrepreneurs right now are planning to set up a business, while 47.1% of the current entrepreneurs are thinking about the perspectives of opening another business.

Figure 12. Entrepreneurial process



Source: GEM Belarus, 2019.

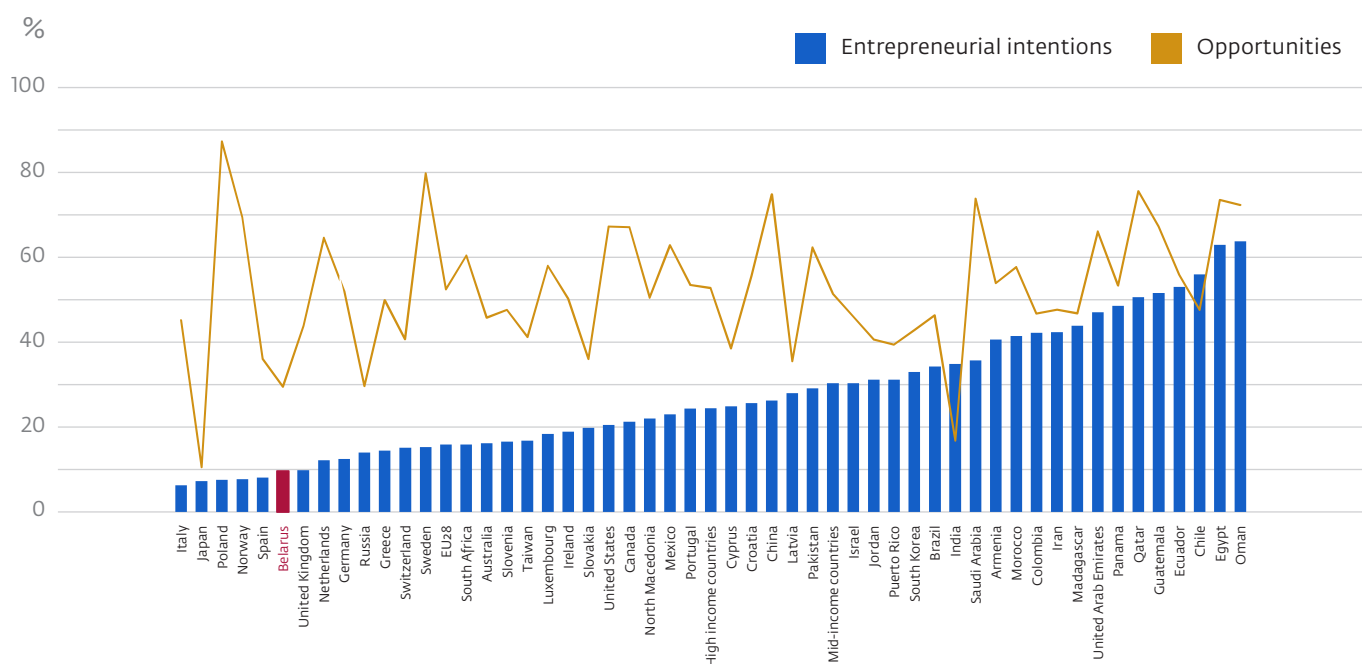
Figure 13. Entrepreneurial intentions (% of adult population 18–64 years old)

Source: GEM Belarus, 2019.

Oman and Egypt demonstrate the highest levels of potential entrepreneurs, where 63% of respondents or higher are planning to open up a business (Figure 14). At the same time, high numbers of those who are planning to enter entrepreneurship may indicate certain challenges in the economy that push people to self-employment. On the contrary, Italy and Japan show the lowest levels of willingness of respondents to

enter entrepreneurship (6.3% and 7.3%, respectively). At the same time, being optimistic about the business environment does not necessarily imply higher rates of entrepreneurial intentions in the country. Poland shows the highest perception of opportunities and a relatively low level of willingness to join entrepreneurship. At the same time, despite moderate business opportunities, the entrepreneurial intentions in Slovakia and Latvia are high.

Nascent entrepreneurs, together with baby businesses, integrate the Total Entrepreneurship Activity (TEA) that captures the level of entrepreneurial activity in the country. TEA is the percentage of the adult population (18–64 years old) that is actively involved in starting or has just started a business. The TEA plays an important role as it indicates the current potential for the group of sustainable businesses (nascent entrepreneurs and new businesses) that will transform into the established business in the short-term.

Figure 14. Entrepreneurial intentions and perceived opportunities

Source: GEM, 2019.

Belarus' TEA shows that only 5.8% of the adult population is involved in starting or running a business (Figure 12). Concretely, 3.0% of the adult population is currently involved in starting a business with less than three months old and not yet yielded wages (nascent entrepreneurs), while 2.77% of the adult population is currently owning/managing a business that is older than three months but less than 42 months old. Only 2.72% of the adult population is running established businesses that are operating for more than 42 months. There are several potential explanations of such a low share. On the one hand, the entrepreneurial initiative is just starting to attract the attention of the population, and likely in the forthcoming years, this indicator will go up. On the other hand, that might signal the viability of the majority of newly established business that make their living cycle somewhat limited.

At the same time, 1.72% of the adult population has declared business closure occurred in the last 12 months. Considering everything, we can assume that the approximate number of closures that occurred in the last 42 months equals 6.02%, which is quite substantial. Belarus' TEA is among the lowest worldwide. In comparison with countries of reference, 9.33% of the Russian adult population and 15.4% of the Latvia

adult population are involved in entrepreneurship, respectively (Table 4). However, the averages should be treated taking into account cultural diversity as well as differences in social and economic conditions. Certain peculiarities of Belarus' economy might explain a gap in these numbers. It is reflected in the form of very slow structural reformation of the economy and the ongoing market liberalization. The impact of the private sector has just recently grown substantially and equalized the roles they play in the economy. Before that, during a long period, the authorities kept implementing full employment policies that resulted in low mobility of the labor force, low level of unemployment, and lack of motivation to go into business. Current economic challenges forced the authorities to reconsider the role of the private sector and to change the attitude toward the private initiative.

It should be noted that the high rates of entrepreneurial activity are not necessarily a demonstration of the stable economic situation in the country. Relatively often, this is an opposite sign of the severe challenges in the labor market, when the lack of jobs pushes people toward self-employment. Armenia is precisely such an example with a TEA rate of almost 21% and the official unemployment rate of 17.7% in 2019 (World Bank data).

Table 4. Stages of entrepreneurial activity by countries of reference

Country	Nascent	Baby Business	TEA	Established business	Discontinued business
Poland	3.60	1.78	5.39	12.76	3.15
Belarus	3.00	2.77	5.78	2.72	1.72
EU28	7.54	3.71	9.50	8.19	0.77
Russia	7.81	4.79	9.33	5.09	3.36
Sweden	9.87	3.31	8.25	4.88	4.90
High-income countries	10.64	4.74	12.29	7.52	4.60
Ireland	11.16	4.22	12.41	6.58	4.07
Israel	12.14	4.33	12.69	5.45	5.23
Slovakia	12.45	4.21	13.33	5.88	3.98
Middle-income countries	12.51	6.56	14.92	8.39	5.88
Latvia	13.50	5.28	15.43	12.91	3.51
United States	16.13	5.89	17.42	10.59	5.11
Armenia	21.94	7.42	20.97	7.84	6.41

Source: GEM, 2019.

Entrepreneurship motivations

Different reasons motivate individuals to join entrepreneurship. The entrepreneurship motivation drivers are important in terms of further economic growth and sustainability. For example, necessity-driven entrepreneurs that had to go into business due to specific challenges are more focused on the achievement of a sustainable level of living than on development, innovation, and expansion that contributes to the local and global economies.

The GEM distinguishes four different stimulating factors: willingness to improve the world, willingness to be wealthy, family tradition, and lack of source for decent level of living. The individual's choice is driven by the economic situation (in case of the 2nd and 4th factors) as well as the entrepreneurial culture existing in the economy. The percentage of the adult population involved in the entrepreneurial process was asked to indicate the motives to go into business.

Desire to become rich and lack of job opportunities in the labor market are the main motivating factors that influence the decision to go into business in Belarus (Table 5). Around 52% of the individuals involved in TEA recognized the challenges in the labor market as the reason for their choice. Similarly, 75.3% of the early-stage entrepreneurs declared willingness to become rich. The share of those who really want to add some value is 23.4%, and almost 20% of the entrepreneurs involved in TEA followed their family traditions. Similar trends are observed across the different stages of the entrepreneurial process: nascent entrepreneurs, baby business and established business. Overall, the results demonstrate the dominance of the necessity factors and signal the need for improvements in the economic conditions as well as business ecosystem that will likely add weight to other reasons and strengthen willingness for changes.

Table 5. Motivation for the entrepreneurial activity in Belarus

	TEA 2019	Nascent 2019	Baby Business 2019	Established 2019
To make a difference in the world	23.4	20.3	26.7	21.0
To build great wealth or a very high income	75.3	68.9	82.3	74.6
To continue a family tradition	19.6	18.9	20.3	16.7
To earn a living because jobs are scarce	51.7	48.8	54.8	49.8

Source: GEM Belarus, 2019.

Business discontinuance

Belarus has one of the lowest rates of business discontinuance (1.72%), and this number is in line with the relatively low rates of TEA and established businesses. High rates of business closure may indicate specific reasons leading to business closure, that is, the economic growth rates are relatively high in the country and stimulate opening of various immature businesses with insufficient management. On the contrary, low rates may indicate the slow economic development in the country that does not crowd the inefficient businesses out of the market. Moreover, the low rates of closure may also indicate the general unwillingness of the population to get involved in business activities due to the risks and uncertain environment.

In this regard, it is vital to understand the main reasons behind business discontinuance in Belarus (Table 6).

The reasons for closure can be divided into two groups: own decision (family or personal reasons, planned exit, another opportunity, or sale) and forced decision (unprofitable business, financial reasons, bureaucracy, and administrative barriers). The top3 most common reasons for business exit are lack of profitability (37.1%), family or personal reasons (18.4%), and bureaucracy (15.1%). It should also be noted that in Belarus, 'retirement' or 'chance to sell' were not mentioned at all by the respondents. Thus, the decision to close a business is mostly a result of the problems the entrepreneur has to deal with during its operation (57.7% totally). The same reasons dominate in case of Russia and Latvia (52.3% and 70.6%, respectively), while in Poland, these are mostly entrepreneurial choice-related reasons (56.2% totally) than obstacles that influence closure decision (Figure 15).

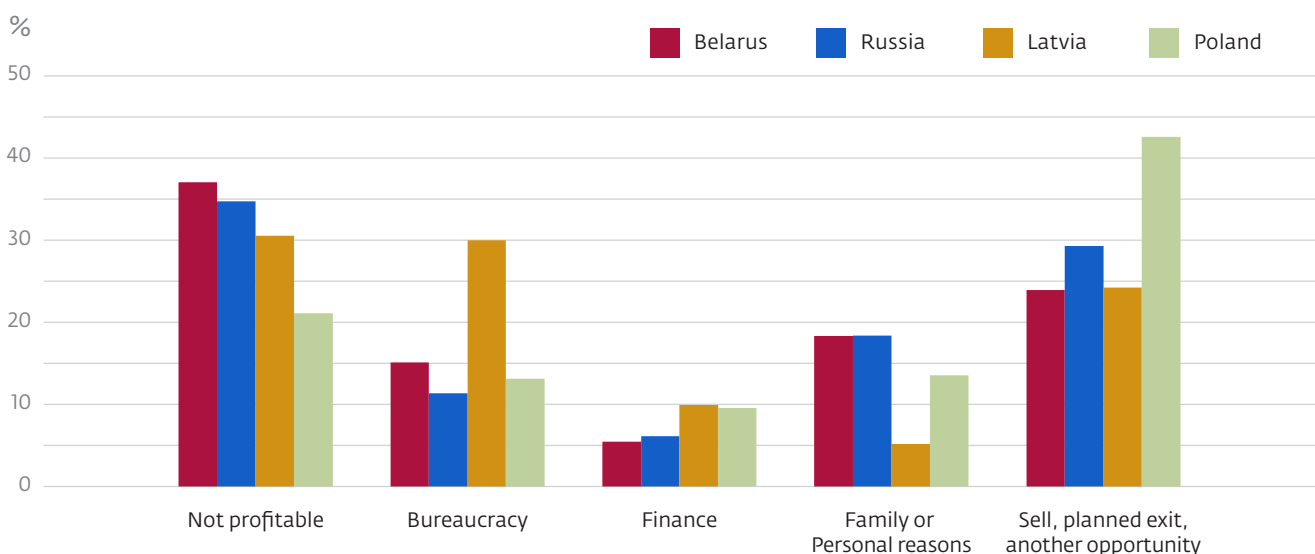
Table 6. Reasons for business discontinuance in Belarus

Reasons	percentage
The business was not profitable	37.1
Family or personal reasons	18.4
Government/tax policy/bureaucracy	15.1
Another job or business opportunity	7.4

Source: GEM Belarus, 2019.

Reasons	percentage
Other	6.4
Problems with getting finance	5.5
An incident	5.2
The exit was planned in advance-	4.9
Total	100

Figure 15. Comparative position of Belarus - reasons for business discontinuance



Source: GEM, 2019.

1.5. Entrepreneurs' profile

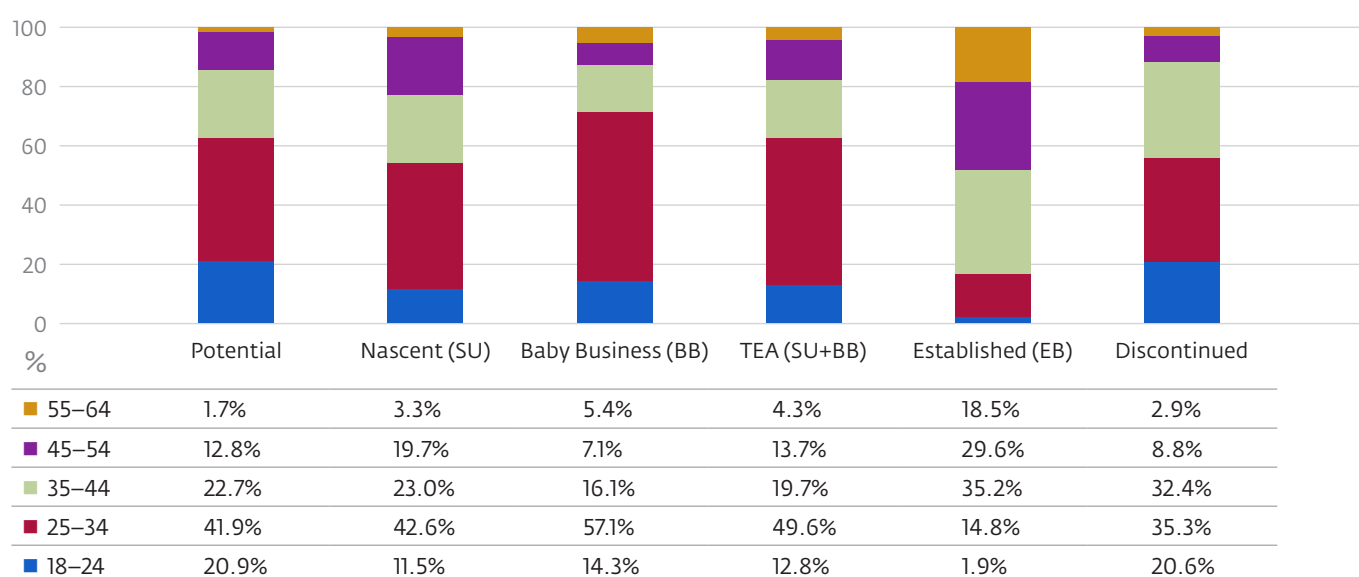
Different social, demographic, and economic characteristics influence the decision to join entrepreneurship. Therefore, it is vital to understand the profile of people involved in the entrepreneurial activities in the country. Such type of analysis is important for policymakers as it can reveal underrepresented groups or provide insights on certain features specific to the entrepreneurs.

Age

The age factor plays a rather similar role globally. The 25–34 and 35–44 age groups appear to be the most active in terms of entrepreneurial activity. Belarus is not an exception here. However, the age distribution of different types of entrepreneurs is not uniform. The 25–34-age cohort shows the highest participation rates among those who are planning to open a business (41.9%). The same pattern prevails among the nascent entrepreneurs (42.6%) and owners of baby businesses (57.1%). On the contrary, the 35–44-age cohort is the most active group among the owners

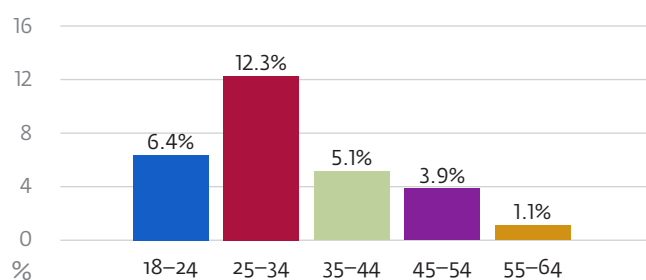
of established businesses (35.2%). The shares of the 55–64-age cohort that are planning or have just started a business are below similar rates of other age groups, indicating that the presence of pensions or certain other level of savings prevents them from moving into business. The 18–24-age cohort is rather active, and its share is almost equal to the share of the 35–44-age group of potential entrepreneurs and owners of nearly established businesses (Figure 16). The TEA rates of the 18–24 and 35–44-age cohorts equal 6.4% and 5.1%, respectively (Figure 17). However, the key strength of the 18–24-year-old entrepreneurs is that the opportunity costs of going into business for them are lower compared to the older age cohorts. The opportunity costs are rising due to the growing levels of income and responsibilities to family and the number of financial institutions (Shane 2003). Moreover, the willingness to bear uncertainty and face risk goes down with age. In this regard actions to boost interest in entrepreneurship targeted at the younger age group will likely show higher performance compared to measures that lack target audience.

Figure 16. Entrepreneurial process distributed by age



Source: GEM Belarus, 2019.

Figure 17. TEA rates by age group in Belarus



Source: GEM Belarus, 2019.

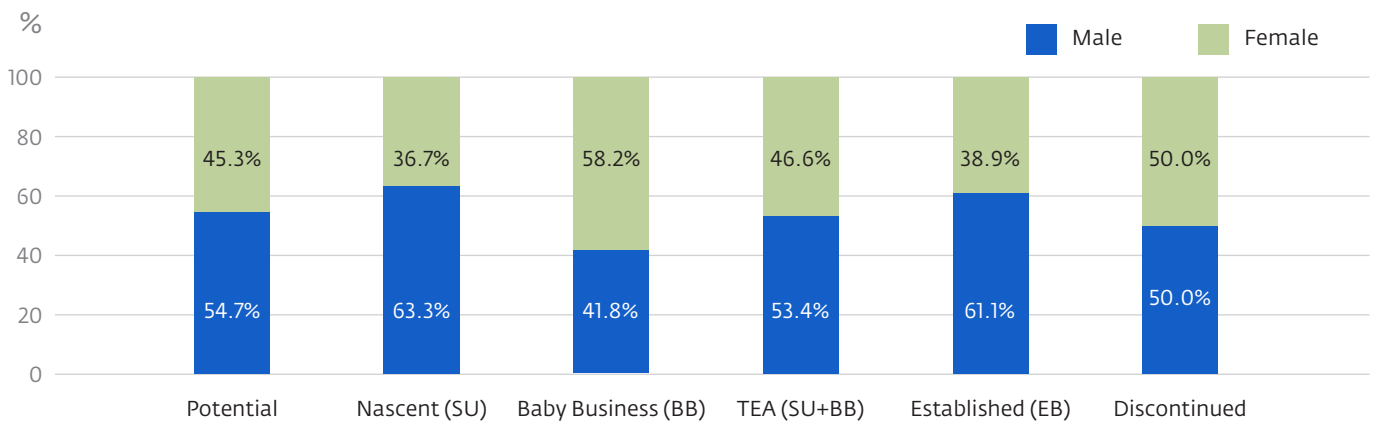
Gender

The gender structure of the entrepreneurial activity in Belarus is in line with the global pattern, where men are demonstrating more active presence among almost all types of entrepreneurial activities (Figure 18).

The comparison of TEA and established business (EB) rates by gender shows that men are more likely to become entrepreneurs (TEA male is 6.4% vs. TEA female is 5.2% while established business male is 3.4% vs. established business female is 2.0%). However, this pattern is similar to the countries

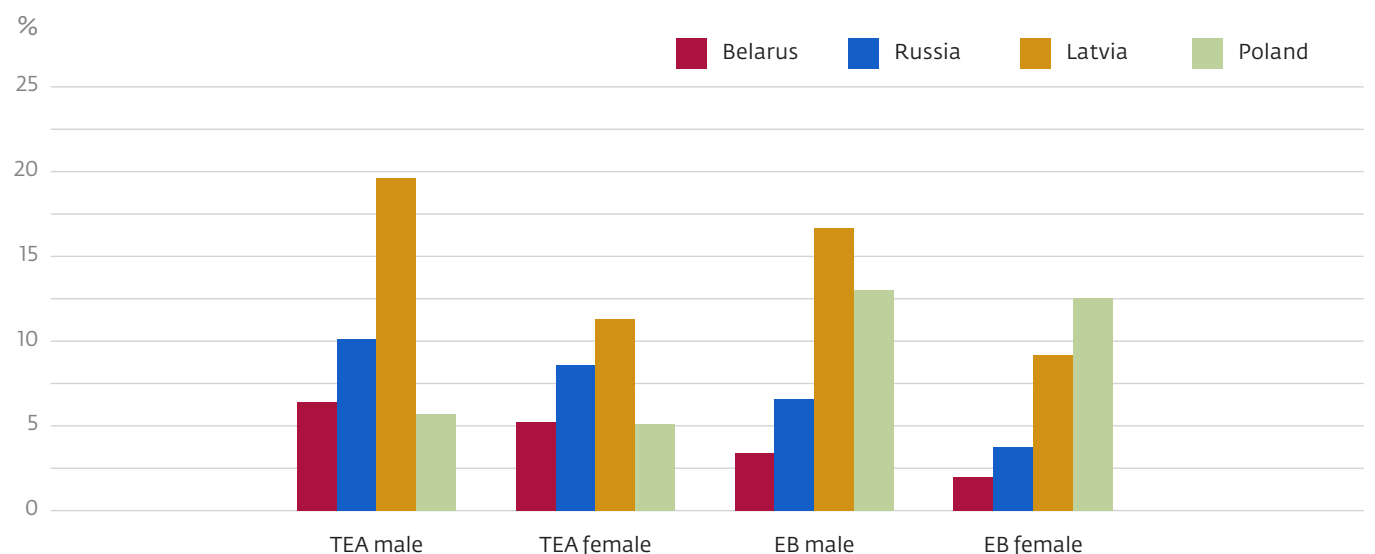
of reference (Figure 19). For instance, Poland is the only exception, demonstrating almost no gender gap. One of the potential reasons for such numbers in case of Poland is the recent reform of the childcare system that brought certain improvements in the infrastructure and eased the process of going into business for women. Therefore, it is necessary to think about the potential changes of the childcare system in Belarus. Lack of infrastructure is one of the substantial barriers that prevents women from going into business and creates additional obstacles for their businesses (Aginskaya and Akulava 2018).

Figure 18. Entrepreneurial process distributed by gender



Source: GEM Belarus, 2019.

Figure 19. Comparative position of Belarus: TEA and established business rates by gender



Source: GEM, 2019.

Education

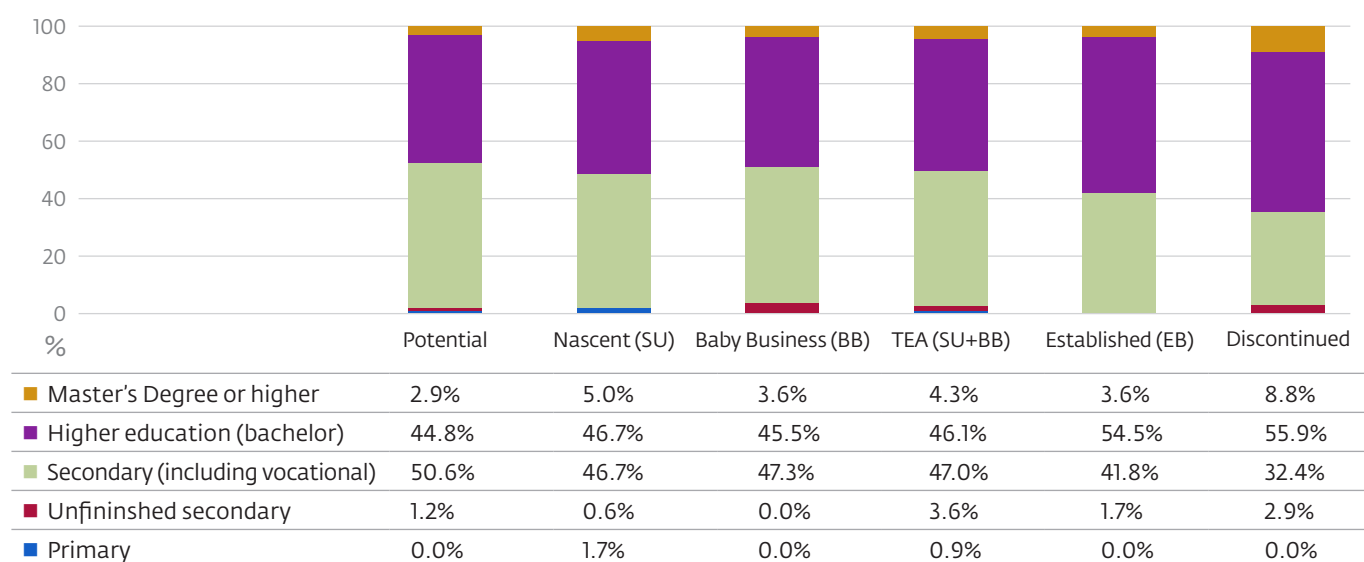
The GEM distinguishes between four educational groups:

- Basic and unfinished secondary education
- Secondary (including vocational) education
- Higher education (bachelor's degree)
- Graduate experience (master's degree of higher)

The major share of respondents involved in both early-stage and established entrepreneurship have at least completed secondary or higher education. At the same time, the most active entrepreneurs involved in TEA have a completed secondary

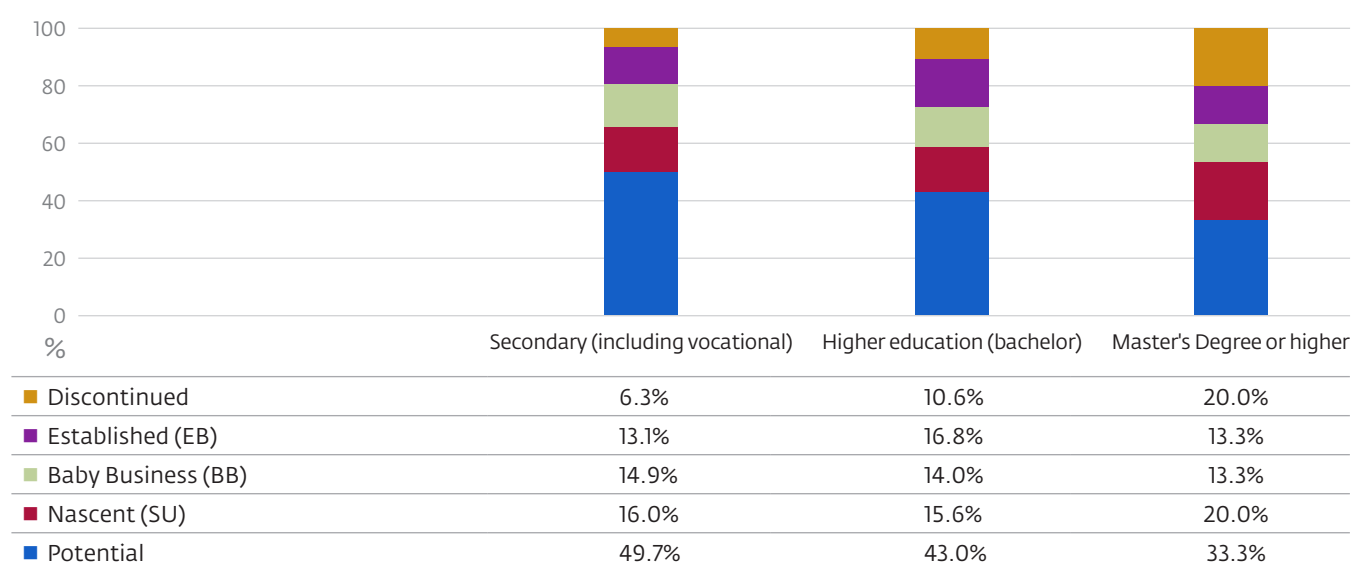
degree (47%), while the majority of established businesses are formed by entrepreneurs with higher education (54.5%) (Figure 20). At the same time, the shares of potential entrepreneurs are the largest among those who have a secondary education (50%), and the higher the level of educational attainment together with the opportunity costs, the lower are the incentives to go into business (Figure 21). Likely, the inclusion of various classes on entrepreneurial topics in the school program will be beneficial for the potential entrepreneurs and increase the interest in business and the chances for success and sustainability.

Figure 20. Entrepreneurial process distributed by educational level



Source: GEM Belarus, 2019.

Figure 21. Educational level by entrepreneurial process



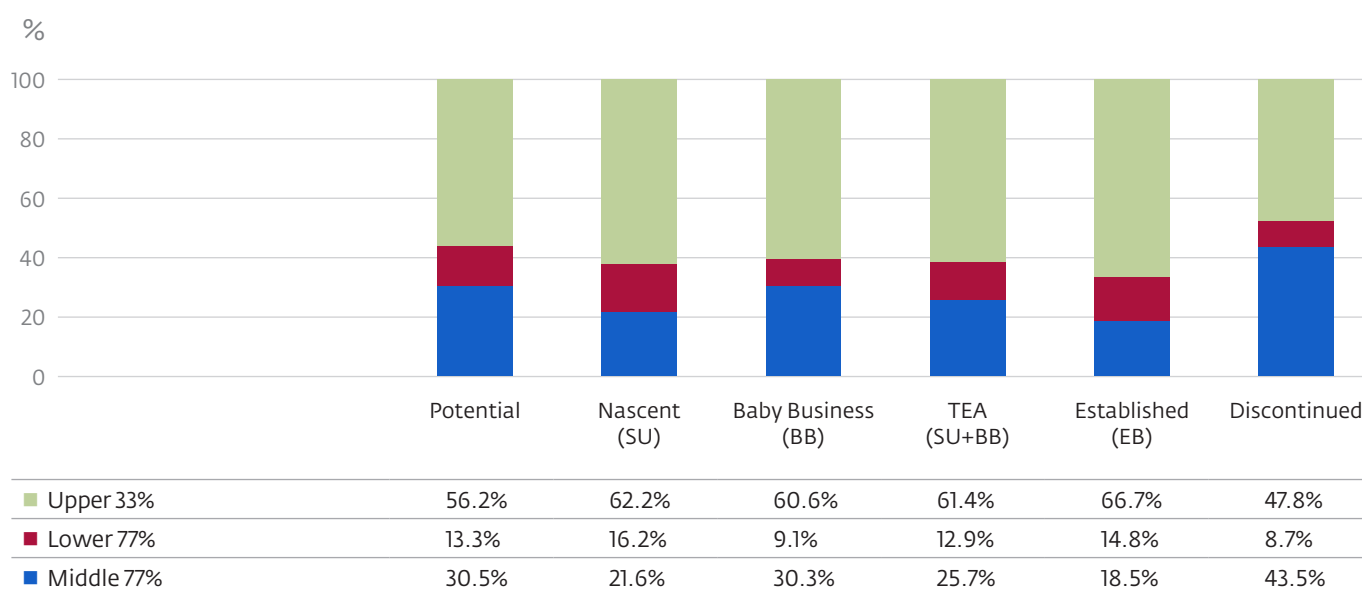
Source: GEM Belarus, 2019.

Level of income

The analysis of whether there is any relationship between the level of income and entrepreneurial activity reveals that the higher the level of income of the respondent, the more likely the chances of joining entrepreneurship. Respondents from the upper 33% of the income distribution are the most

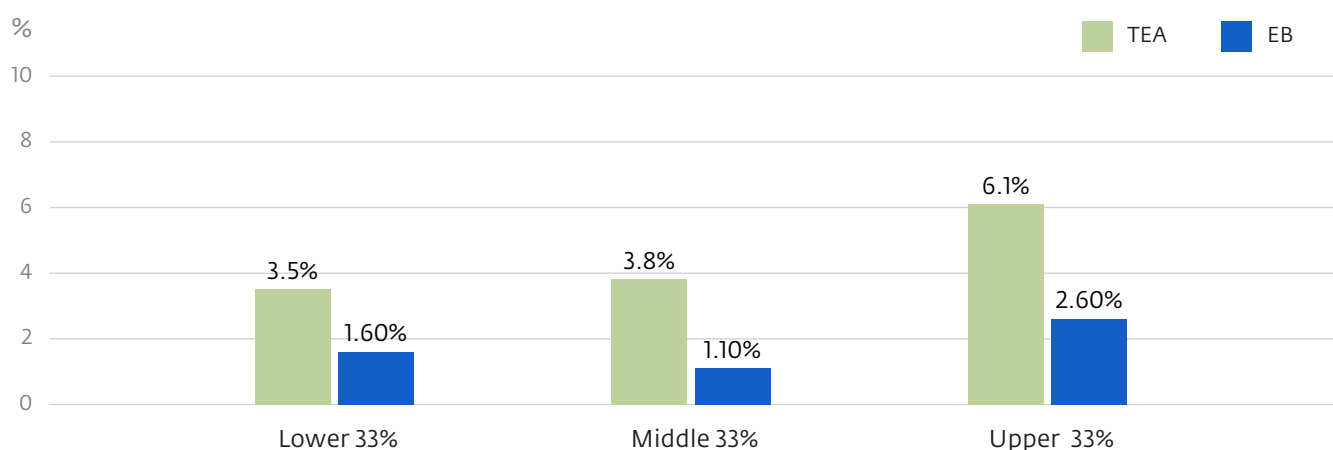
active group among all types of entrepreneurial activities and own more than 60% of established or new businesses (Figure 22). Moreover, the TEA and established business rates are around twice higher for the upper 33% of the household income distribution compared with poorer individuals (Figure 23).

Figure 22. Entrepreneurial process distributed by level of income



Source: GEM Belarus, 2019.

Figure 23. TEA and established business rates by level of income



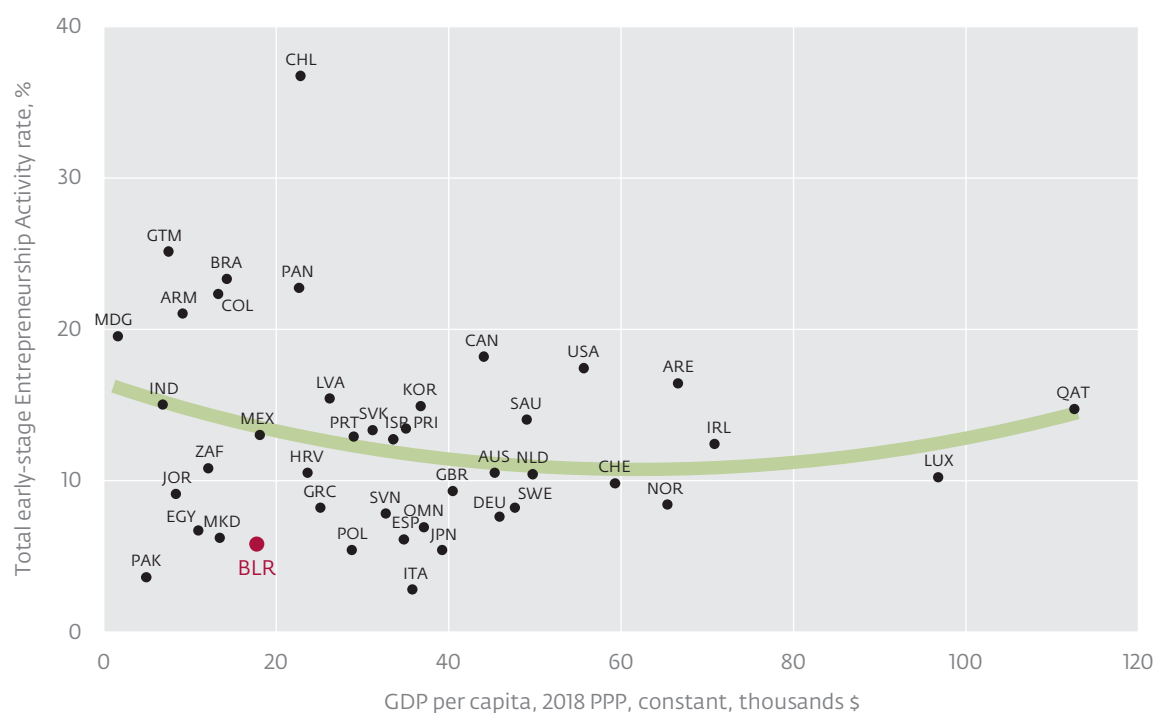
Source: GEM Belarus, 2019.

Relationship of TEA and gross domestic product (GDP) per capita

To see how TEA relates to the stage of economic development of the country, we developed a scatterplot that shows U-shaped rather an inverse relationship between the TEA rates and the level

of economic development measured by GDP per capita. Thus, the focus is steadily changing from volume (or quantity) of businesses to quality (Marozau, 2020) (Figure 24).

Figure 24. TEA rates and GDP per capita



Source: GEM, 2019 and World Bank.

Chapter 2.

Impactful entrepreneurship

2.1. Business profile

Sectors

Entrepreneurial activity is classified by the GEM into four sectors: Extractive, including agriculture and mining; Transformative, including manufacturing and logistics; Business Services, including information and communication technology (ICT) and professional services; and Consumer Services, including retailing, restaurants, and personal services.

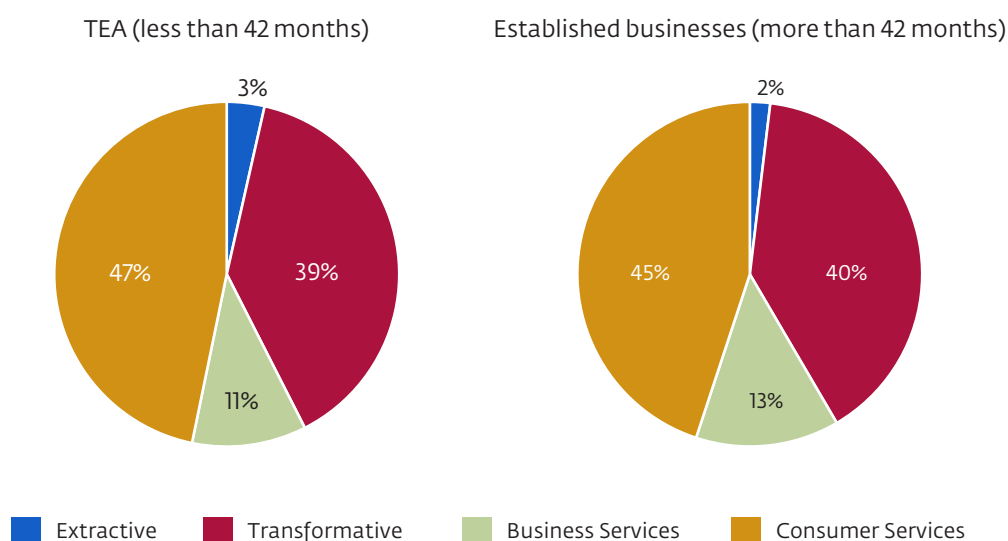
However, since the unit of the APS is an individual and not an enterprise, the distribution should be cautiously treated and operated.

Thus, the distribution of Belarusian businesses among the broad sectors appeared quite similar for TEA and established businesses (Figure 25). This implies that there are no significant changes in preferred sectors for recently established businesses and those that are in operation for more than three years. As one might expect, most of respondents' businesses

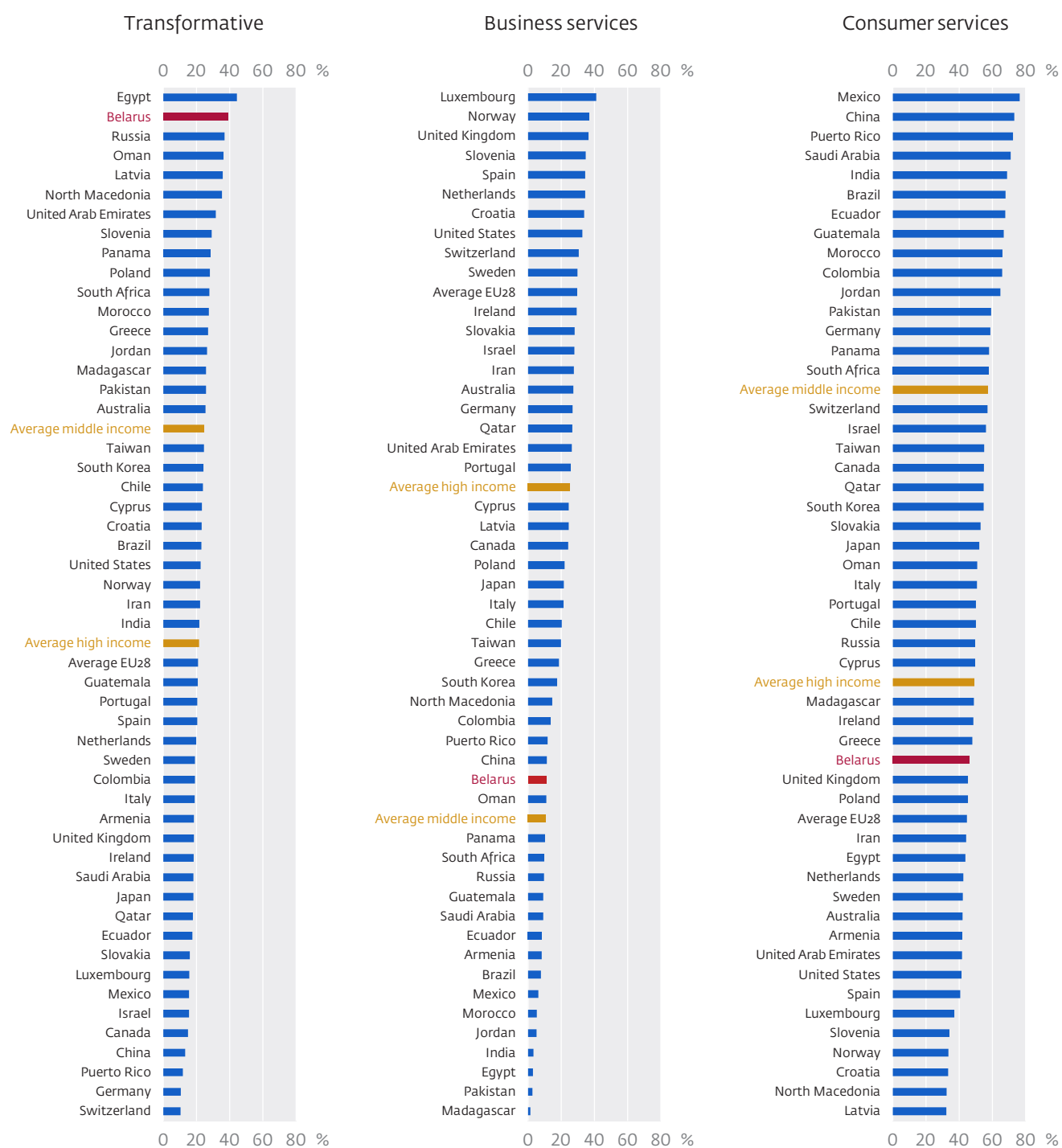
operate in the Consumer Services, including retailing, restaurants and personal services (47 % of TEA and 45% established businesses). Low entry barriers in terms of financial resources, human resources and know-how make it attractive and, simultaneously, competitive. Consequently, the margins of the businesses in this sector are low in most cases.

On the way toward developed economies, more entrepreneurs start involving in Business Services that, arguably, rely to a larger extent on knowledge and technologies, are difficult to be replicated, and provide higher margins. Interestingly, Belarus appeared close to the average in the high-income countries in terms of TEA in Consumer Services, demonstrating a low level in comparison to peers. This was however compensated by the percentage of TEA in the Transformative sector—ranked second in the world (Figure 26).

Figure 25. TEA and established businesses by broad sector



Source: GEM Belarus, 2019.

Figure 26. International comparisons of distribution of businesses among broad sectors


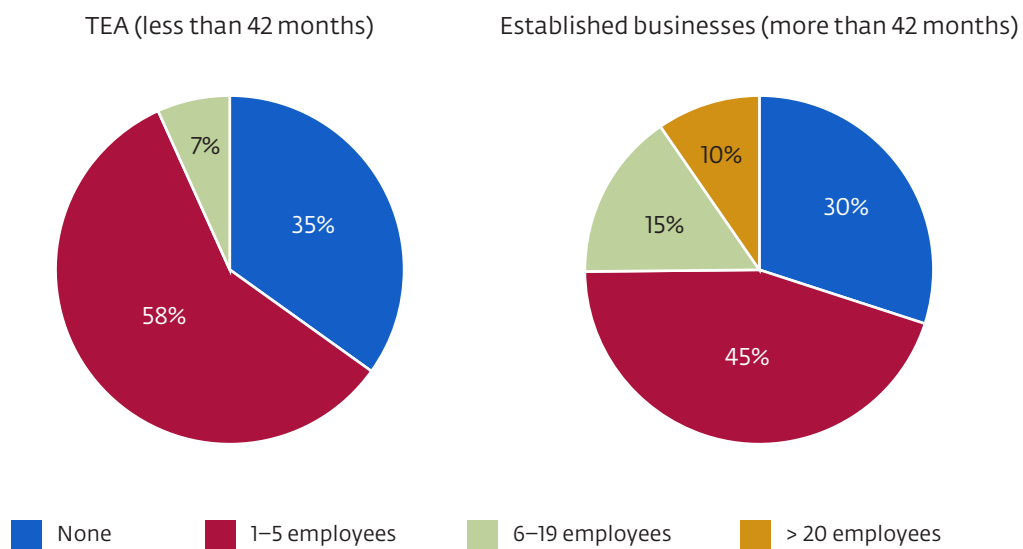
Source: GEM, 2019.

Growth expectations

A large portion of the entrepreneurial activity is at a small scale—93% of startup companies classified under TEA and 75% of established businesses have up to five employees (Figure 27). At the same time, early-stage businesses are more optimistic in terms of the employment growth—29% of them expect to have more than five employees (except a founder) in five years, while this percentage among established businesses

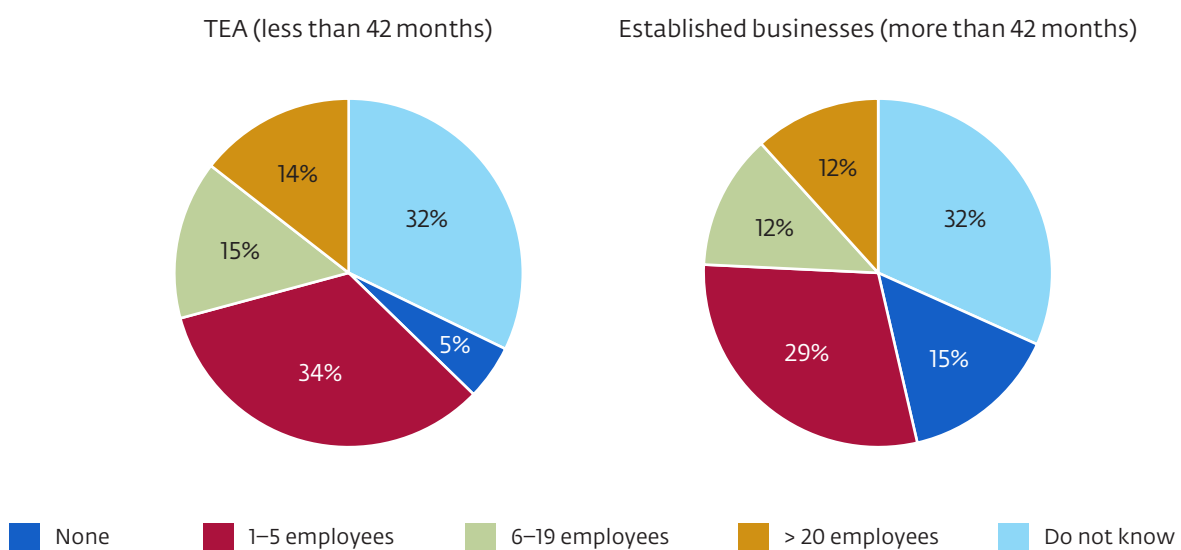
is 24 (Figure 28). However, such a difference does exist in all the countries surveyed by the GEM. On the one hand, this supports the notion of the importance of the stream of new entrants into the market that may foster competition, resulting in innovation and higher productivity and high-growth firm development. On the other hand, established businesses may have a more realistic and experience-based vision of the future.

Figure 27. TEA and established businesses distributed per current number of employees



Source: GEM Belarus, 2019.

Figure 28. TEA and established businesses by organic growth expectations

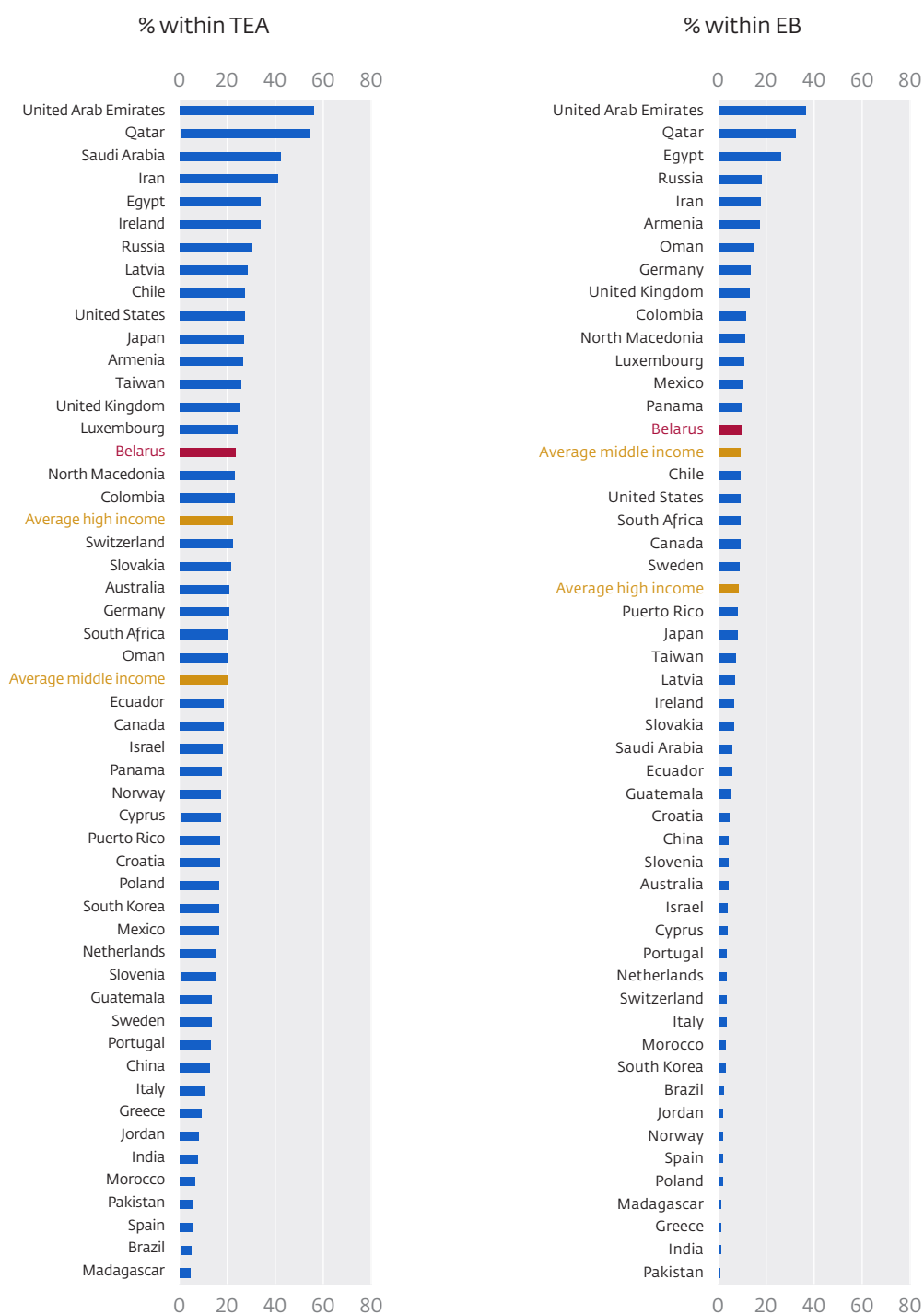


Source: GEM Belarus, 2019.

From the global perspective, we can deduce that both early-stage and established Belarusian businesses expect a higher employment growth rate than the

average rate in middle-income and high-income countries (Figure 29).

Figure 29. Percentage of businesses with high job expectation¹



Source: GEM, 2019.

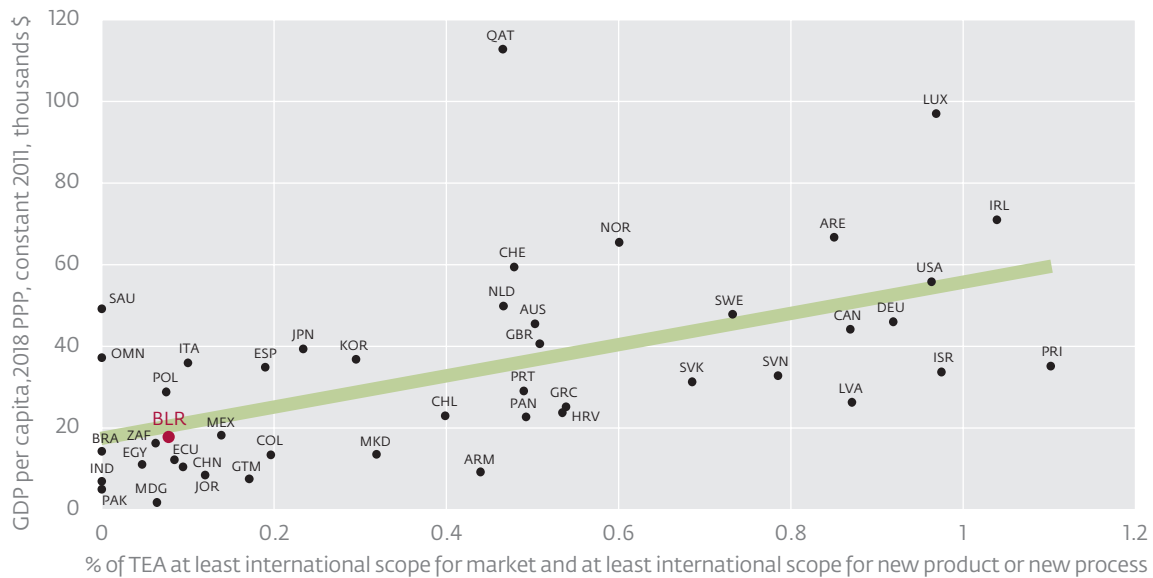
¹ The percentage of businesses with high job expectation was calculated based on the job's growth in terms of persons (more than 10) and jobs growth in percentage (more than 50 percent) in five years.

2.2. Innovative orientation

The innovative orientation of businesses is an important predictor of technological change and total factor productivity (Erken, Donselaar, & Thurik 2018). Based on the GEM 2019 data, the innovative orientation can be captured by two groups of indicators: (a) scope of market for new products and processes introduced by businesses and (b) entrepreneurial activity in technologically intensive sectors (medium and high).

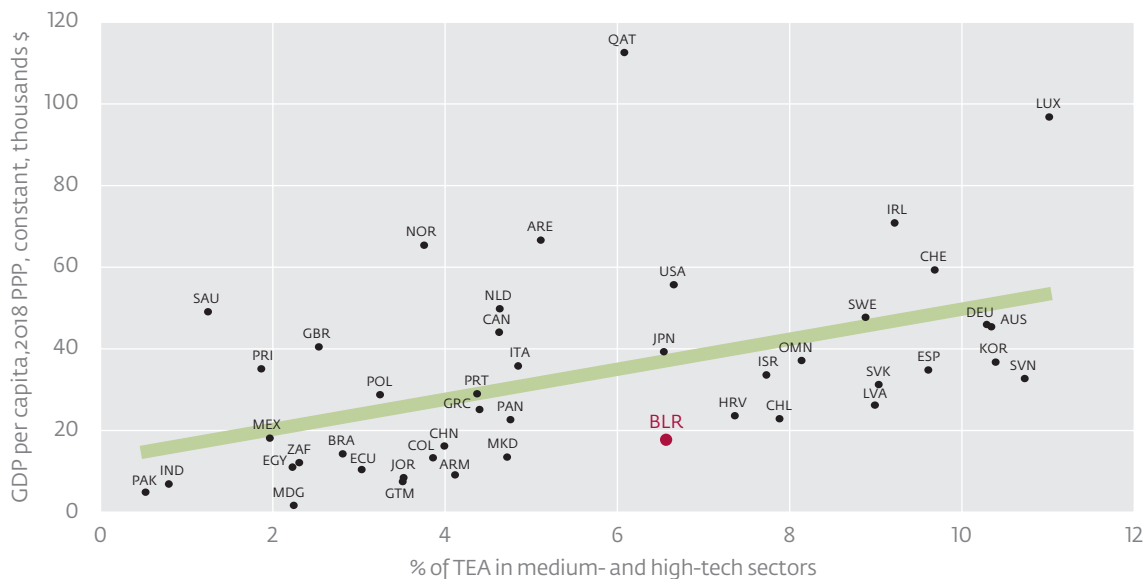
In this regard, the impact of innovative entrepreneurship can be illustrated with the relationship between (a) GDP per capita and TEA with international scope for new product or new process (Figure 30) and (b) GDP per capita and TEA in medium- and high-tech sectors (Figure 31).

Figure 30. TEA with international scope for new product or new process and GDP per capita



Source: GEM, 2019, and World Bank.

Figure 31. TEA in medium- and high-tech sectors and GDP per capita

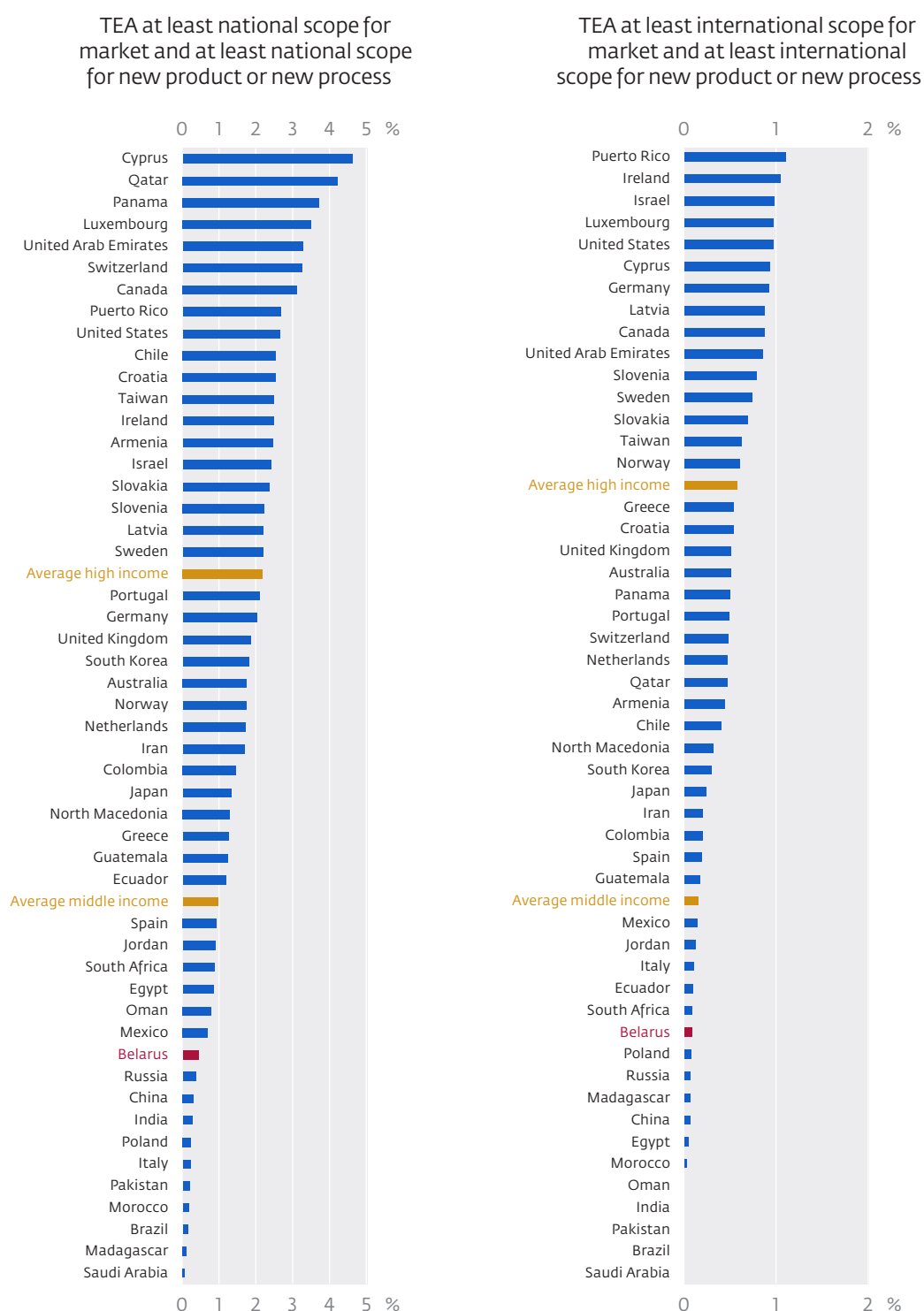


Source: GEM, 2019, and World Bank.

International comparison of TEA of national and international scopes of new products and processes demonstrates that Belarus, being on the trendline, lags behind the average of middle-income countries (Figure 32). At the same time, the country slightly outperforms its neighbors—Russia and Poland.

Another indicator providing some insights into the development of innovative and high-growth entrepreneurship is the entrepreneurial activity in medium- and high-tech sectors as classified according to the International Standard Industrial Classification of All Economic Activities (ISIC). While

Figure 32. International comparisons of national and international scopes of new products and processes

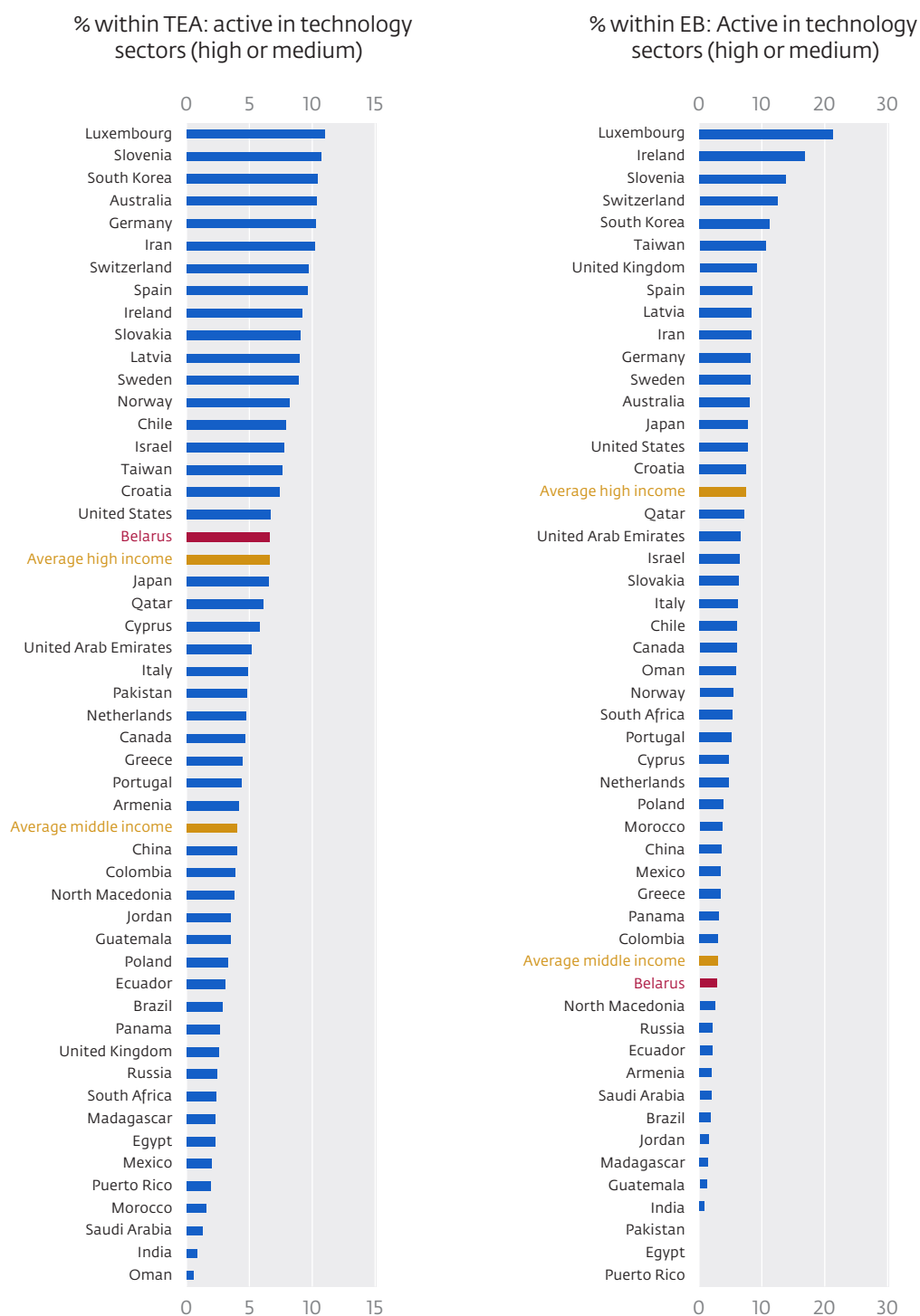


Source: GEM, 2019.

While looking at the position of Belarus among other countries, the share of Belarusian medium- and high-tech start-ups in all early-stage businesses is even higher than the average in high-income countries (Figure 33). In Belarus, the share of early-

stage businesses operating in medium- and high-technology sectors appeared higher than the share of established businesses. Expectedly, Belarus is close to the average level in middle-income countries, while comparing established businesses.

Figure 33. International comparisons of entrepreneurial activities in medium- and high-tech sector



Source: GEM, 2019.

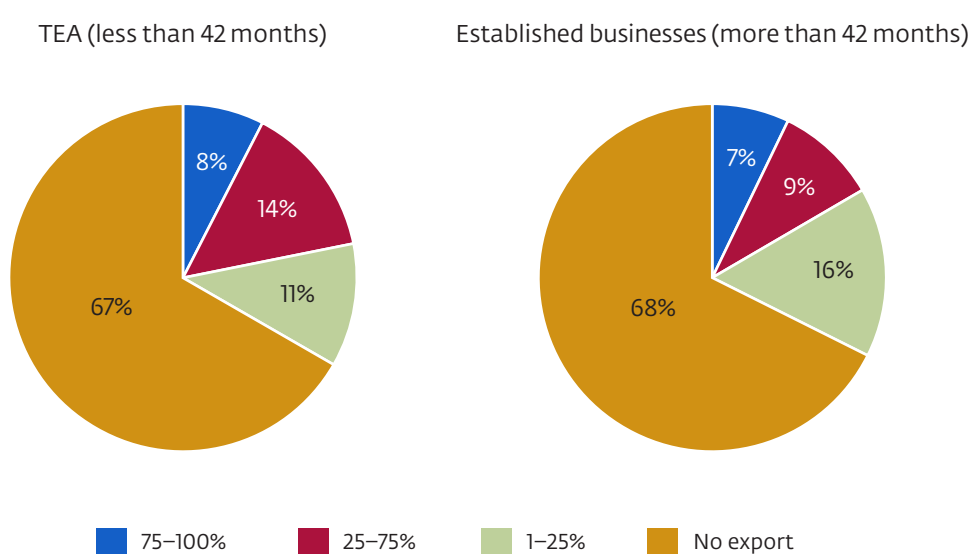
2.3. International orientation

Internationalization is an important process characterizing business competitiveness and opportunity seeking. The GEM captures internationalization by estimation of revenues received from export.

Thus, in Belarus, almost one-third of both early-stage and established businesses reported export

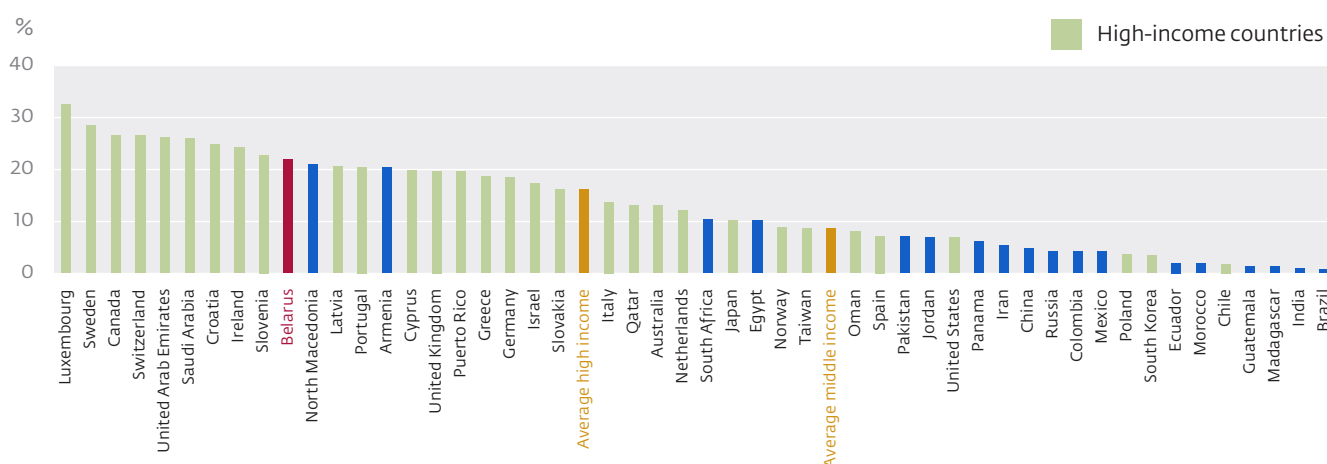
sales (Figure 34). Importantly, 22% of early-stage businesses receive more than 25% of revenue from outside the country. This percentage allows assigning Belarus to the group of countries with strong international orientation of businesses (Figure 35) which also are quite small in terms of internal market volume but belong to the group of high-income countries.

Figure 34. TEA and established businesses per international orientation



Source: GEM Belarus, 2019.

Figure 35. International comparison of TEA with strong international orientation



Source: GEM, 2019.

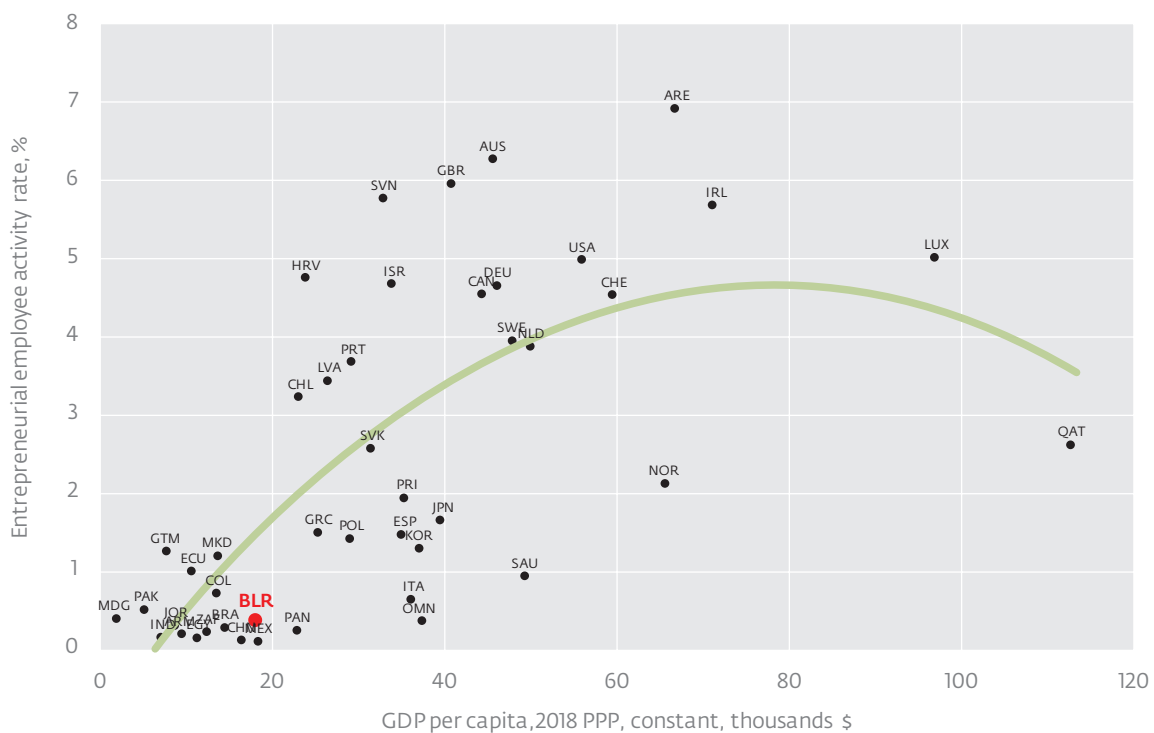
2.4. Entrepreneurial employee activity

While exploring and exploiting opportunities, many proactive high-growth companies may also create conditions for the development of employee entrepreneurial activities (intrapreneurship). In doing so, a company and employees aim at creating spin-offs and/or introduction of a new product to the market, while an employee acts and is motivated as an entrepreneur. At the same time, entrepreneurial employees can benefit from internal resources and capabilities of a company that make a project or venture less risky.

In most developed countries (for example, the United Kingdom, Germany, and Sweden), the EEA to some extent compensates lower levels of 'independent' entrepreneurial activities. But this is not the case in Belarus—the percentage of EEA is substantially lower than the percentage of TEA and established business, that is, 1.6%.

This type of business activity is recognized as an important factor in the innovative development of companies (increase in staff, revenue growth, and sales of innovative products) and, from a country perspective, for economic growth (Figure 36).

Figure 36. EEA and GDP per capita

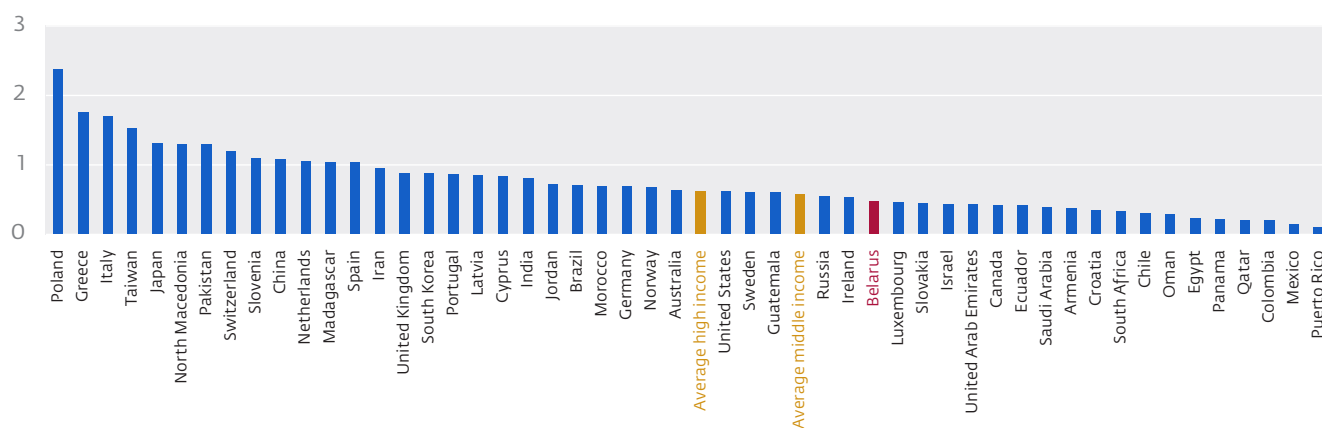


Source: GEM, 2019.

Another important indicator describing the entrepreneurial activity within a country is the ratio of established businesses to early-stage businesses. A high survival rate and, as a result, a higher ratio may indicate better conditions for businesses to grow and long-run business orientation. A lower ratio implies business dynamism and illustrates attractiveness of new business creation. In these terms, Belarus is quite close to such

'start-up nations' as Israel and Ireland while substantially lagging behind these countries in terms of TEA (12.7% and 12.4%, respectively) (Figure 37). If we consider peer countries with the comparable level of TEA such as Poland (5.4%), Spain (6.1%), Japan (5.4%), and North Macedonia (6.2%), Belarus has a substantially lower ratio implying, on the one hand, low survival rate and, on the other hand, easiness of starting up a business.

Figure 37. Ratio of established businesses to TEA



Source: GEM, 2019.

Chapter 3. Environmental conditions

The National Expert Survey by the GEM studies environmental factors—in GEM’s terminology—Entrepreneurial Framework Conditions (EFCs) that were proved to influence the development of entrepreneurial activity and quality of entrepreneurship in a country.

In 2019, 12 EFCs were the subject of the survey of 37 entrepreneurs and experts in the areas relevant to entrepreneurship who were asked about 100 close-ended and open-ended questions to assess the level of development of these conditions and their priority and delineate possible measures to bridge gaps.

The EFCs and their short descriptions are provided in Table 7. To estimate the quality of the 12 EFCs, 5 to 8 statements on each EFC were provided and experts had to provide their degree of agreement to each statement using Likert scales, where 0 = completely false and 10 = completely true. In fact, the assessment provides an individual perception rather than an objective estimate of the EFCs.

Table 7. Entrepreneurial Framework Conditions

1	Entrepreneurial Finance	Describes the extent to which experts perceive there are enough funds for current and potential entrepreneurs. Experts evaluate the accessibility and efficient functioning of equity markets and the availability of typical financing channels for entrepreneurs. This includes informal investment, professional business angels, venture capitalists, banks, government loans, grants and subsidies, as well as crowdfunding.
2	Government Policies: Support and Relevance	Assesses whether experts believe their national governments demonstrate support for entrepreneurs: for example, whether policy makers mention entrepreneurship in public discourse and press for specific regulations to improve conditions for the self-employed workforce and small and medium enterprises (SMEs).
3	Government Policies: Taxes and Bureaucracy	Reflect the degree to which experts think current taxes are affordable and balanced for entrepreneurs, or whether they constitute a burden to starting and growing businesses. This factor evaluates bureaucracy in business processes and in facilities for funding entrepreneurial activities.
4	Government Entrepreneurship Programs	Evaluates whether and how public agencies are providing specific programs for entrepreneurs. This includes subsidies, incubators, and agencies that assess and advise entrepreneurs.
5	Entrepreneurial Education at School Stage	Includes expert evaluation of the degree to which entrepreneurship subjects are included in school programs and whether schools are instilling students with entrepreneurial values.
6	Entrepreneurial Education at Post-school Stage	Measures the inclusion of entrepreneurship subjects in post-school programs, such as universities, colleges, business schools, and vocational centers. It includes the effectiveness of post-school educational systems in building students’ entrepreneurship skills and values.
7	R&D Transfer	Synthesizes expert evaluation of R&D transfer from universities and research centers to the business sector and to what degree engineers and scientists can commercialize research findings and bring them to the market.
8	Commercial and Legal Infrastructure	Represents the supply and affordability of professionals and firms providing services to entrepreneurs, including accountants, lawyers, and consultants, to help them start and manage new businesses.
9	Internal Market Dynamics	Analyzes whether there is a free and open market where no entity exerts power to influence or set prices and where changes in demand are met with changes in supply, and vice versa.
10	Internal Market Burdens or Entry Regulation	Summarizes the overall state of a market in terms of the absence of burdens entrepreneurs encounter upon entering markets and regulations that can facilitate, rather than undermine, these efforts
11	Physical Infrastructure	This facilitates communication, transportation, and business operations nationally and internationally through aspects such as high-speed Internet and cell phone service; real estate (land and buildings); reliable utilities; and advanced highways, railways, ports, and airports.
12	Cultural and Social Norms	Shows whether and how society exhibits an entrepreneurship focus within the culture through behavior, beliefs, language, and customs. This can encourage entrepreneurs by demonstrating acceptance, support, and high regard for their activity.

Profile of Belarusian experts

National experts were selected based on job positions, expertise, or charge in any public or private organization that justified their possession of relevant knowledge and/or experience related to any of the entrepreneurial conditions. Respondents were allowed to indicate more than one specialization/occupation (Table 8). Active entrepreneurs and people involved in business were also considered as experts based on the quota proposed by the GEM.

Table 8. Profile of Belarusian experts

Age	43.1
Years of experience	13.5
Gender	
Male	62.2%
Female	37.8%
Education level	
Higher education	24.3%
Postgraduate education	75.7%
Specialization	
Entrepreneur	35.1%
Investor	13.5%
Policy maker	5.4%
Provider of support	24.3%
Teacher and researcher	43.2%

3.1. Entrepreneurial Framework Conditions

Based on the responses of 37 national experts, the most and least supportive areas were identified (Figure 38). Thus, accessibility of physical infrastructure and services got the highest estimate (15th position in the world) signaling that this could be a competitive advantage of the country and should be publicly argued.

Simultaneously, entrepreneurial education at schools seems to be the most problematic area in Belarus (41st position in the world).

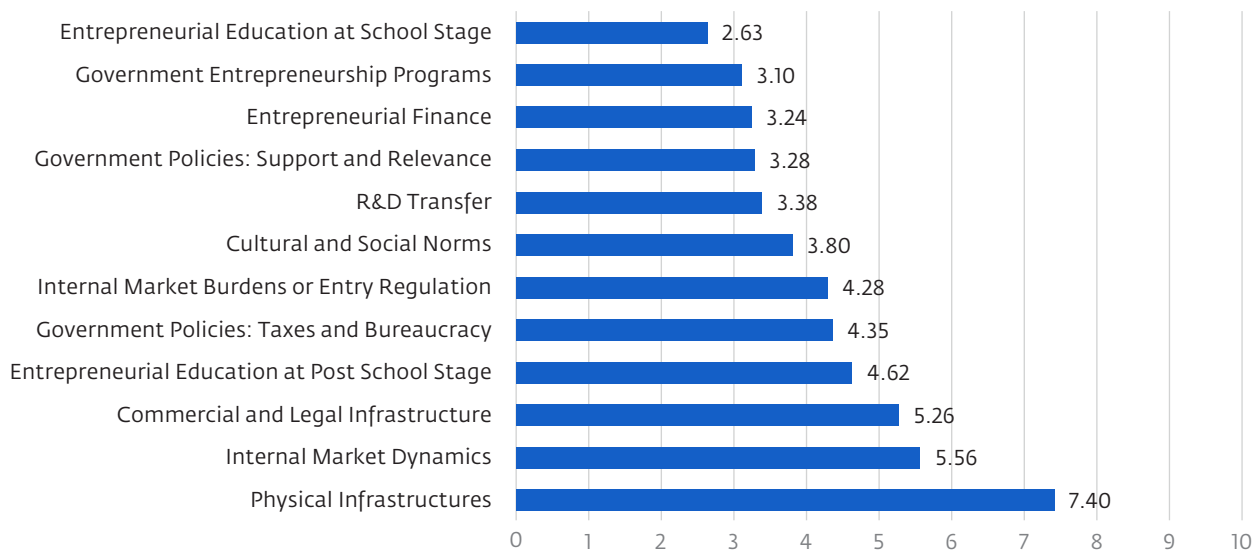
Although the unified questionnaire enables comparing EFCs in different participating countries, the subjective estimates do not have the same benchmark in the countries.

However, it is reasonable to compare the EFCs in Belarus with neighboring countries: Russia, Poland, and Latvia (Figure 39). There are at least two areas where substantial differences are observed, which are financial environment for entrepreneurs and government policy: bureaucracy and taxes.

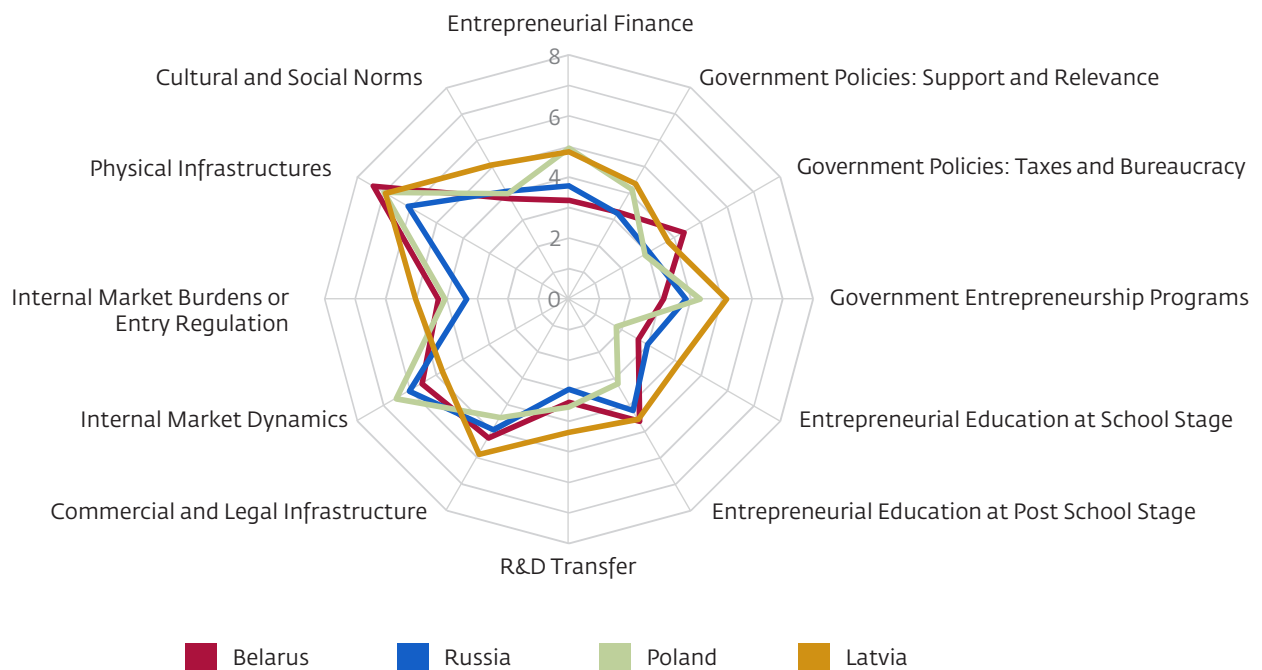
For the first one, Belarusian entrepreneurs have worse conditions than their peers. While decomposing the financial environment into subareas, one can pay attention to a low level of estimates related to the availability of funding through initial public offering (IPO) to entrepreneurs as well as state subsidies to new and growing firms.

With respect to government policy—bureaucracy and taxes—the environment in Belarus appeared substantially better than in Russia and Poland. To a large extent, Belarusian experts agreed that the amount of taxes is not a burden for new and growing firms and that taxes and other government regulations are applied to new and growing firms in a predictable and consistent way.

At the same time, it is possible to define environmental conditions that do not vary to a significant extent among countries. Thus, cultural and social norms are almost on the same level that can be explained by the common socialist past. Also, internal market dynamics were highly assessed, while internal market burdens exist in all three countries. According to experts' responses, physical infrastructure and services access are well developed.

Figure 38. Environmental conditions in Belarus

Source: GEM Belarus, 2019.

Figure 39. Comparison of EFCs

Source: GEM, 2019.

The GEM has developed a single indicator to reflect the health of a country's entrepreneurial framework—the National Entrepreneurship Context Index (NECI)—a measure of the ease of starting and developing a business. Similar to the Doing Business rankings by the World Bank or Global Competitiveness Index (GCI) by World Economic Forum, the NECI summarizes the assessment of the

EFCs into a single composite score. It is noteworthy that in comparison to Doing Business, the NECI encompasses a wider range of factors that may have direct or indirect effect on entrepreneurship development including informal institutions (values and norms), educational and R&D transfer systems, and so on. In this regard, the NECI is closer to the GCI in which Belarus has not been rated yet.

Since in different country contexts, some elements have more impact than others, the NECI is calculated using importance/relevance scores given by experts to the 12 elements corresponding to the 12 EFCs.

National experts were requested to indicate on a scale of 0—not at all important—to 10—extremely important—how influential and relevant each of the EFCs is to the current state of the Belarusian environment/context where entrepreneurial activity is taking place.

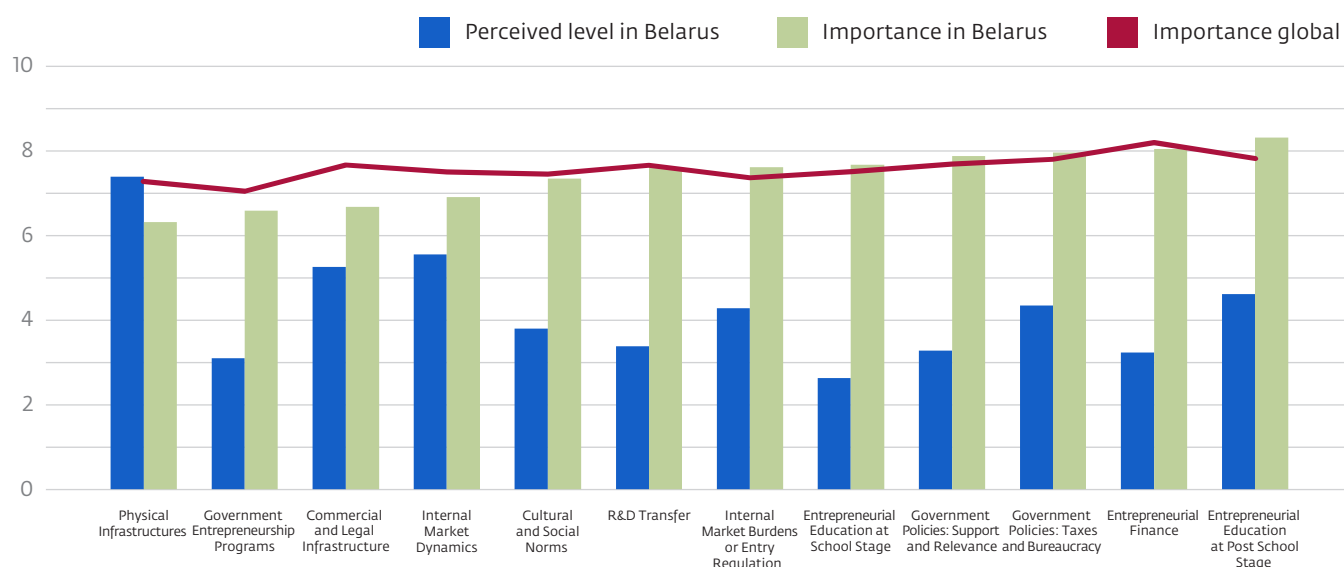
Figure 40 provides the importance of the EFCs as an average score versus the perceived level of the EFCs. Based on the experts' opinion, the most important area to the current state is entrepreneurial education at universities, colleges, and business schools, followed by financial environment and tax and bureaucracy issues. To some extent, these findings correspond to those obtained by the World Bank and European Bank for Reconstruction and Development (EBRD) from The Business Environment and Enterprise Performance Survey (BEEPS) project on barriers that Belarusian businesses faced.

The least important factor is the physical infrastructure that is, simultaneously, relatively well developed. Special attention of policy makers and stakeholders should be also paid to gaps between levels of importance and perceived current levels. Thus, the largest difference of 5.05 points is observed in Entrepreneurial Education at School Stage. Evidently, this area needs policy interventions for entrepreneurial capacity building and changing values and norms that are relevant in the long run, especially in transition economies.

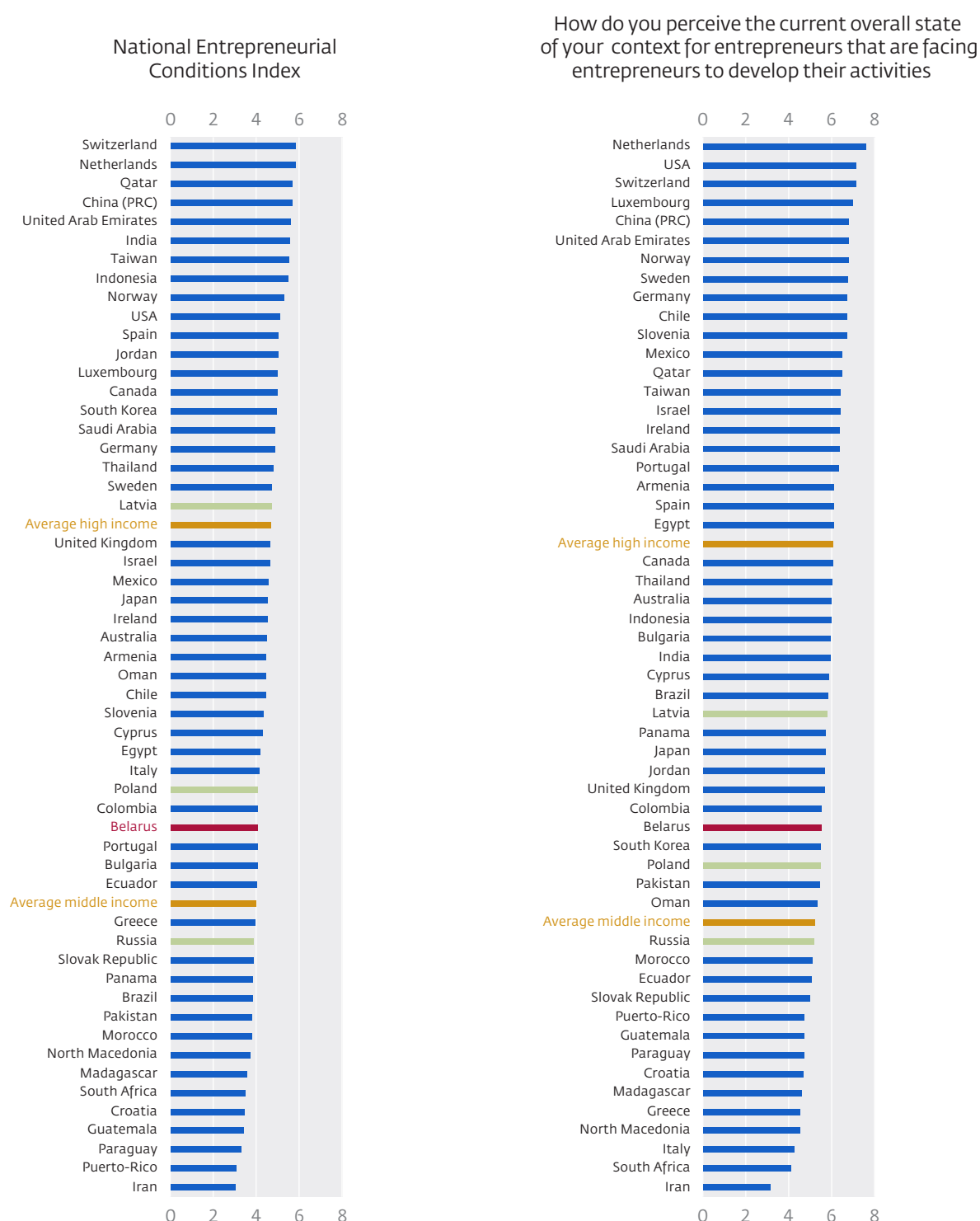
For the NECI ranking, Switzerland is ranked the strongest in terms of the ease of starting and developing a business, closely followed by the Netherlands and Qatar (Figure 41). The lowest NECI scores are for the Islamic Republic of Iran, Puerto Rico, and Paraguay.

In the NECI rankings, Belarus is positioned 35th (out of 54 countries)—higher than Russia and the average for middle-income countries but below Poland and Latvia. The rankings based on the general perceptions of the current overall state of the context for entrepreneurs are highly correlated with the NECI rankings.

Figure 40. Importance of EFCs



Source: GEM Belarus, 2019.

Figure 41. NECI and general perception of experts

Source: GEM Belarus, 2019.

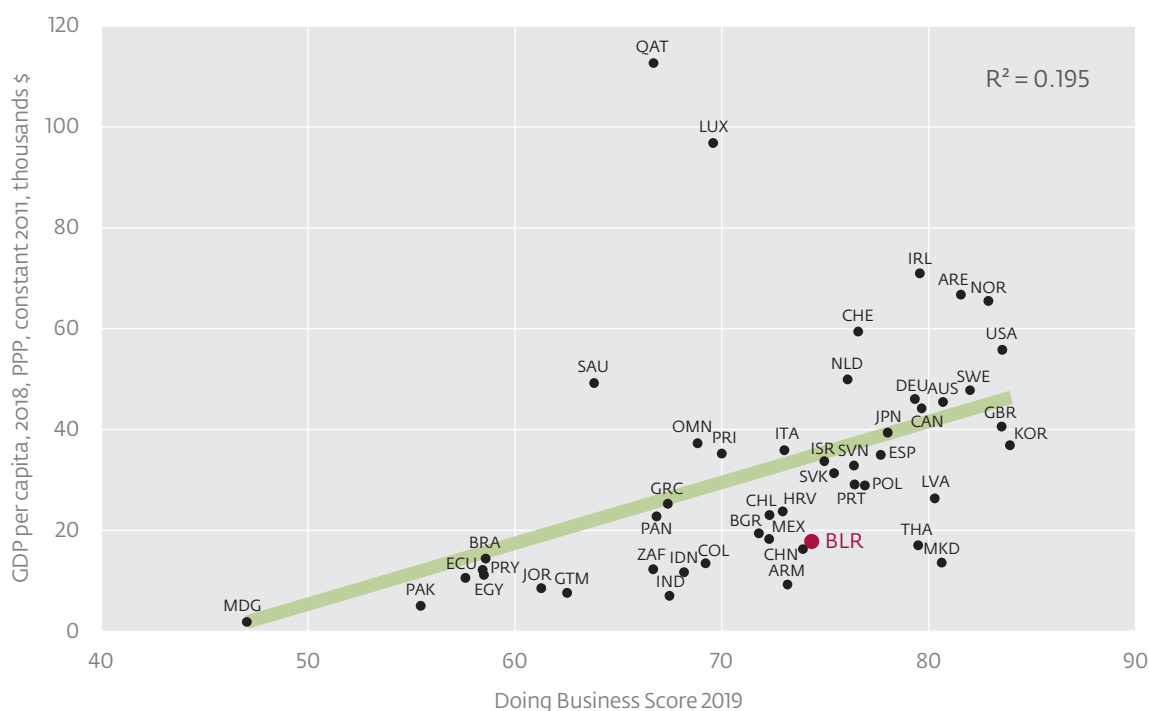
To demonstrate the impact of the EFCs, it is reasonable to consider the relationship between the NECI and GDP per capita of a country (Figure 42) that intuitively should be positive. While comparing this relationship with that between the Doing Business score on the

same sample and GDP per capita (Figure 43), the correlation coefficient appears higher for the index calculated by the GEM (0.514 versus 0.442). This can be explained by a wider range of factors including informal institutions that are assessed by the GEM. Meanwhile,

on both graphs, Belarus lies below the trendline. This signifies that GDP per capita of the country is lower than expected based on the assessment of conditions

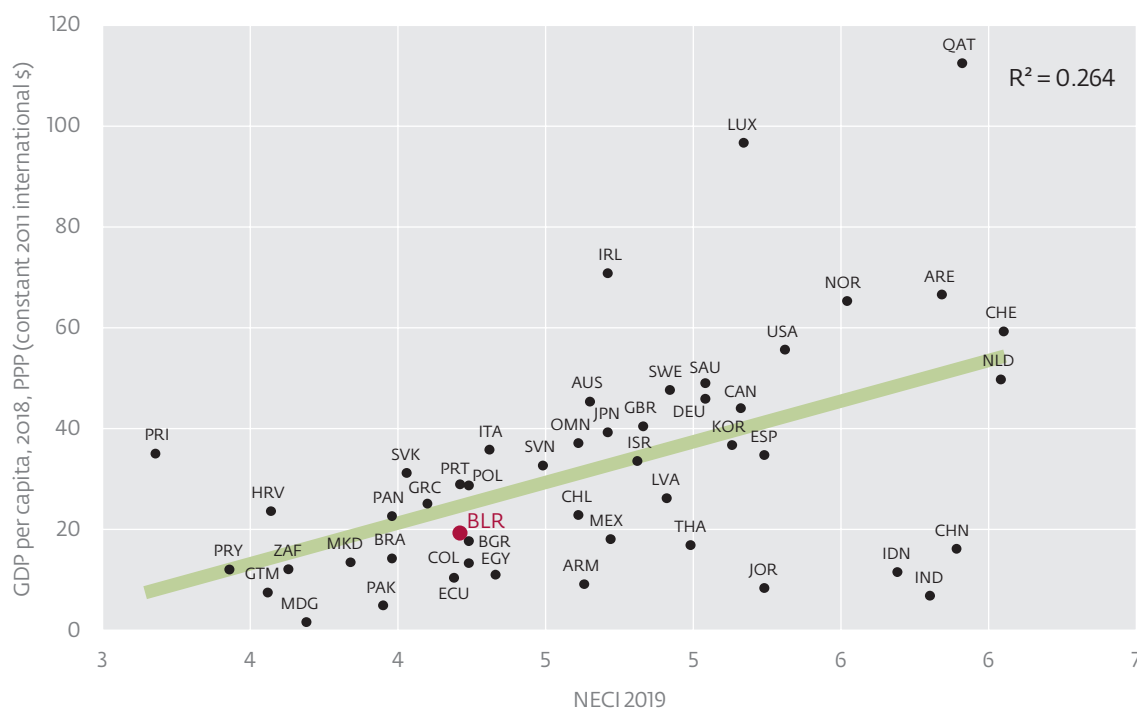
for entrepreneurship. In other words, the already developed entrepreneurial environment in Belarus is not fully employed for economic development.

Figure 42. Relationship between Doing Business score and GDP per capita



Source: World Bank.

Figure 43. Relationship between NECI and GDP per capita



Source: GEM, 2019, and World Bank.

3.2. Constraints, support, and recommendations

All national experts were asked to outline up to three factors/topics/areas that (a) are constraining entrepreneurial activity in a country and (b) are fostering entrepreneurial activity in a country. In addition to these two open-ended questions, experts were requested to make up to three recommendations to enhance entrepreneurial activity.

To make some generalizations and comparisons possible, national teams were asked to code all the answers to these three questions into 20 categories (Table 9).

In Belarus, more than 50% of experts indicated factors related to political, institutional, and social context as the main constraint for entrepreneurship development. Under this category, experts mentioned the complicated legislation accompanied by excessive state control and criminal liability for economic crimes and mistakes; bureaucracy and the absence of dialog between the state and businesses; and the domination of the public sector and risks of working with it. Cultural and social norms were also regarded as a barrier for entrepreneurship as an economic driving force: lack of trust, fear of failure, paternalism, and disfavor of private initiative.

Table 9. Constraints, supports, and recommendations for the Belarusian entrepreneurial ecosystem

Constraints	%	Rank	Supports	%	Rank	Recommendations	%	Rank
Political, institutional, and social context	52.9	1	Government programs	44.1	1	Political, institutional, and social context	55.9	1
Cultural and social norms	38.2	2	Government policies	44.1	1	Government policies	52.9	1
Market openness	35.3	3	Economic climate	38.2	2	Market openness	44.1	2
Financial support	35.3	3	Commercial and professional infrastructure	23.5	3	Education and training	20.6	3
Government policies	32.4	4	Political, institutional, and social context	20.6	4	Economic climate	17.6	4
Education and training	26.5	5	Capacity for entrepreneurship	17.6	5	Financial support	17.6	4
Economic climate	20.6	6	Market openness	17.6	5	Corruption	11.8	5
Different performances of small, medium, and large companies	8.8	7	Information: all responses related to this issue	14.7	6	Capacity for entrepreneurship	11.8	5
Corruption	8.8	7	Internationalization	11.8	7	Government programs	11.8	5
Work force features	8.8	7	Work force features	11.8	7	Cultural and social norms	8.8	6
Commercial and professional infrastructure	8.8	7	Education and training	11.8	7	R&D transfer	8.8	6
Information: all responses related to this issue	5.9	8	Financial support	11.8	7	Information: all responses related to this issue	5.9	7
Internationalization	5.9	8	R&D transfer	8.8	8	Labor costs, access, and regulation	5.9	7
R&D transfer	5.9	8	Labor costs, access and regulation	5.9	9	Commercial and professional infrastructure	5.9	7
Labor costs, access, and regulation	2.9	9	Cultural and social norms	5.9	9	Internationalization	2.9	8
Government programs	2.9	9	Access to physical infrastructure	5.9	9	Different performances of small, medium, and large companies	2.9	8
Economic crisis	0.0	10	Different performances of small, medium, and large companies	0.0	10	Access to physical infrastructure	2.9	8
Perceived population composition	0.0	10	Corruption	0.0	10	Economic crisis	0.0	9
Capacity for entrepreneurship	0.0	10	Economic crisis	0.0	10	Perceived population composition	0.0	9
Access to physical infrastructure	0.0	10	Perceived population composition	0.0	10	Work force features	0.0	9

Source: GEM Belarus, 2019.

For support, government programs and policies topped the rankings of fostering factors. Experts highly evaluated the supportive impact of the measures that were implemented in pursuit of improving the Doing Business rank and some specific measures and support programs (for example, state support to the unemployed in starting up a business), tax incentives, and the boom in the IT-sector. This may imply that to some extent, policy makers in the area of entrepreneurship development manage to mitigate the negative influence of the general unsupportive political and institutional context.

Expectedly, most of the recommendations are related to the political and institutional contexts and concrete policy measures and are based on

constraints. Experts believe that a more stable tax and economic legislation and independence of courts are strongly needed for national entrepreneurship to flourish. Promotion of the dialog and cooperation between businesses and the state should be another area of intervention for which one of the prerequisites is an equality between the public and private sectors in all spheres. While formulating recommendations, an emphasis was also put on regional development. Thus, entrepreneurship support programs and measures should be contingent with the restructuring of state-owned enterprises in terms of time and territories. Having relevant key performance indicators, local authorities should be empowered and responsible for entrepreneurship development in their areas.

Chapter 4. Other attributes of entrepreneurial environment

The main questionnaire, which is the tool to conduct the APS in all GEM-2019 countries, has been expanded in Belarus by including additional questions. Most of them have been designed to clarify the profile of female entrepreneurship. However, some of the findings are beyond the scope of the gender dimension, and they are somewhat interested in the context of this report.

What do non-business respondents lack?

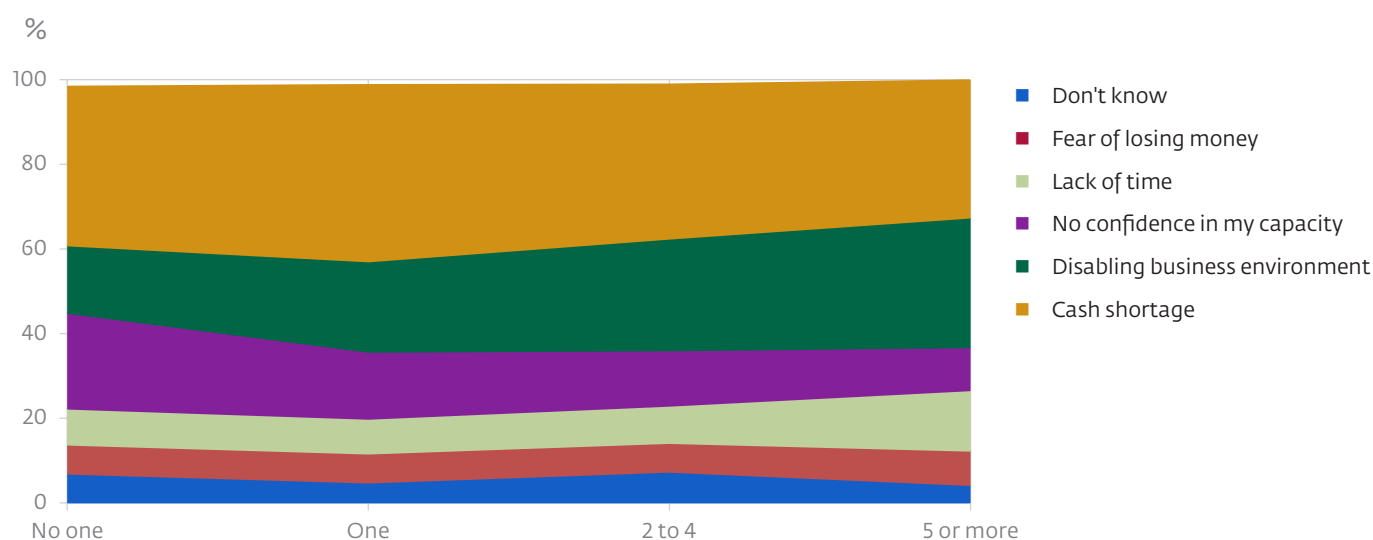
The most frequent answer to the question—What prevents you from starting a business? (one answer only)—is 'lack of funds' (38% of the corresponding group of respondents) followed by 'unfavorable business environment' (19.5%) and 'no confidence in my capabilities' (18.3%) (Figure 44). It is interesting to note that there is a relationship between choosing one of the two latter options and the variable that describes the number of people who have started a business in the last two years and who are personally known to the respondent. If we assume that the practical experience

of these particular people becomes somehow known to the respondent (through direct communication, social media, word of mouth, and so on), then one can expect that this information can affect her / his assessments of both the business environment and her/his own capabilities. This effect can be summarized as 'if she's managed, then I can, too'.

The same is shown in Figure 44: the share of those referring to unfavorable business environment increases as we move from the 'No one [personally known individual who has started a business in the last two years]' group of respondents to the 'Five or more [acquaintances]' group of respondents (from 16% to 30.6%). Also, when we do the same move, we can see that the share of those who are not confident in their capacity dramatically decreases (from 22.6% to 10.2%).

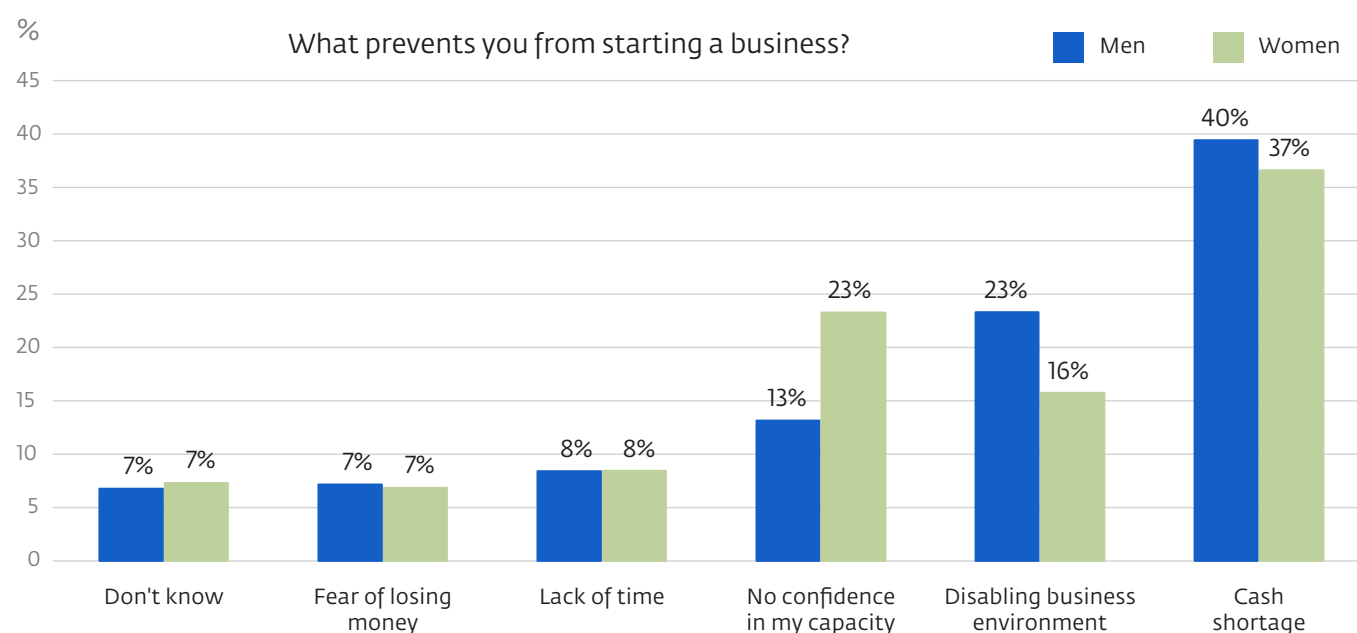
It is appropriate to note that lack of self-confidence is more typical to female respondents (Figure 45).

Figure 44. Reasons preventing from starting a business



Source: GEM Belarus, 2019.

Figure 45. Reasons preventing from starting a business among men and women



Source: GEM Belarus, 2019.

The survey shows that the answers to the question about the main source of information 'on the rules and procedures', which the respondents would rely on in case of a hypothetical need to register and start up their own business, differ significantly between age groups (Figure 46). Half of the respondents ages 55–64 years presume that their main source of the information would be the state authorities, while only 22.4% of respondents ages 18–24 years would rely on this information source. An exactly opposite picture is observed for 'Friends/colleagues' response

option: the significance of this channel of information is twice as much among young people (36.9% in the 18–24 years age group versus 18.2% in the 55–64 years age group).

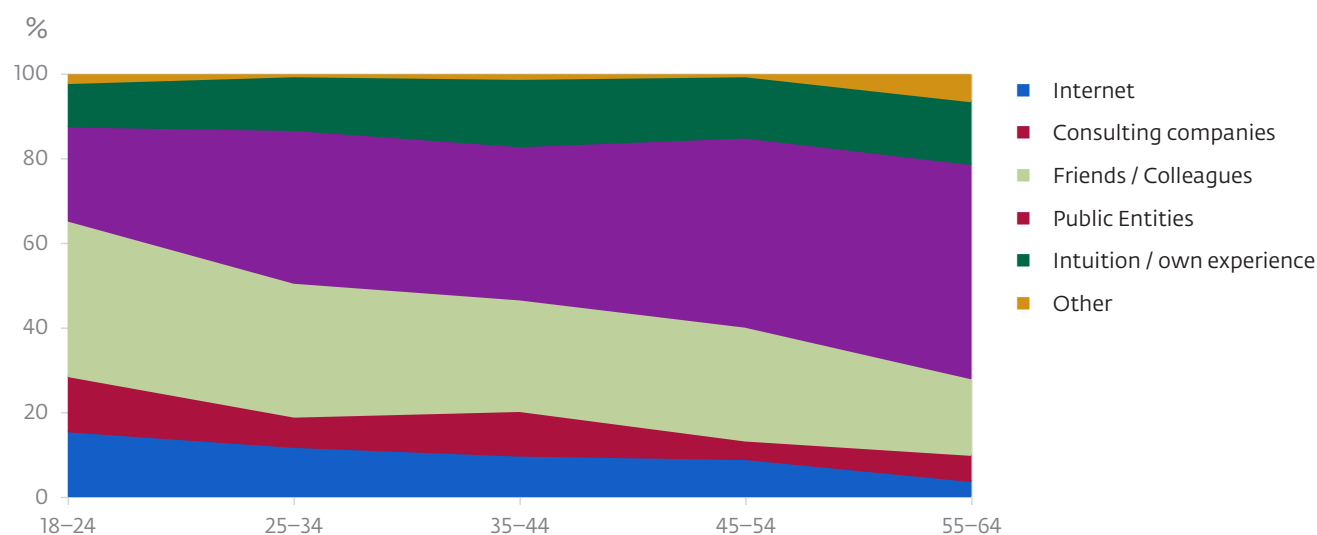
This result further strengthens the thesis that respondents who critically assess the quality of the business environment can be well informed about its current state for the most part, since this information is shared with them by start-up entrepreneurs with whom they are personally acquainted.

Based on the abovementioned findings, it can be concluded that stimulating entrepreneurial activity among people not involved in it through improving the business environment (for example, through simplifying administrative procedures) is not likely to produce quick results. A reasonable expectation would be that it will take several years for someone in a potential entrepreneur's immediate surrounding to encounter the introduced simplifications in practice and to assess them positively. It is also likely that publicizing just the fact of reforming/optimization of state regulations will not be enough; sharing

success stories of specific entrepreneurs and detailing how their businesses have benefited from a certain legislative change is a much more promising route for enhancing entrepreneurial activity.

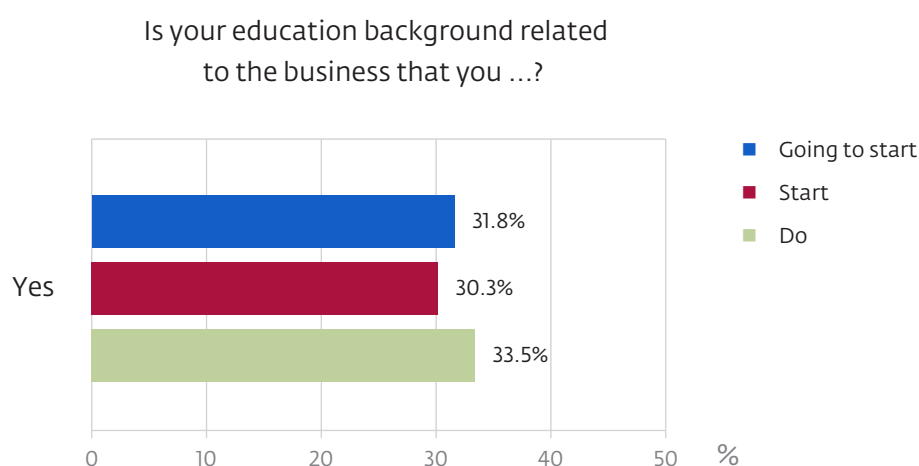
At the end of the section, it should be added that according to the survey, only one-third of working, started-up, or planned businesses are directly related to the education background of its founder (Figure 47). In light of this fact, one cannot but question the efficiency of the country's system of occupational orientation for school graduates.

Figure 46. Sources of information when starting a business



Source: GEM Belarus, 2019.

Figure 47. Relation of educational background and business



Source: GEM Belarus, 2019.

General Conclusions

Recognition of different roles and forms of entrepreneurial activities and related motivating factors is vital for all the stakeholders. The increasing quantity of entrepreneurs is in many cases the response to the lack of jobs in the area. Therefore, stimulating of self-employment and entrepreneurship “of any type and scope” may be the solution to unemployment issues. At the same time, the entrepreneurial activity in medium- and hi-tech sectors associated with innovative products, export orientation is an important determinant of the total factor productivity and economic growth.

Anyway, the government should be concerned with the development of the favorable environment for entrepreneurship regardless of the type of objectives it has.

In Belarus, moderate shares of those who see good business opportunities together with relatively high perceived fear of failure signal about importance of taking on actions on raising the level of attractiveness of entrepreneurship in the country. For one part it is critical to assist people in developing personal skills and knowledge. At the same time, a more comprehensive task, it is necessary to trace its roots to the values and norms in society. Cultural and social norms such as lack of trust, fear of failure, paternalism are still a barrier. In this regard, it is impossible to overestimate the role of the educational system in fostering entrepreneurial and creative mindsets: from primary schools to higher education institutions that need new forms of management and leadership, approaches to teaching. Therefore, policymakers and other stakeholders should be warned from just implementing for-a-show measures and establishing new structures for reporting and following trends, while a holistic strategic entrepreneurial development is neglected (Marozau, 2019; Marozau & Guerrero, 2019). Acknowledging that this is a new and challenging mandate for many educational institutions, we argue there will be no other options of how to develop a generation of leaders and change existing informal institutions.

Another important aspect for improvement is R&D transfer that is also vital for the development of the

competitive entrepreneurship in the country. It is important to stimulate R&D transfer from universities and public research institutions to businesses (Marozau & Guerrero, 2016). In this regard extension of flexibility and provision of financial stimuli and some property rights to academic research institutions that are focused on commercialization of its' activities and open for the dialogue with business, should add value and increase the overall efficiency (Akulava, 2020).

Obviously, any reforms in higher education system will be incomplete and marginal without modernization of political and institutional contexts. Promotion of the dialog and cooperation between business and state should be another area of interventions for which one of the prerequisites is an equality between the public and private sector in all spheres.

In the same line, a more stable tax and economic legislation, independence of courts and mitigation of the excessive state control are strongly needed. It is also likely that publicizing just the fact of reforming / optimization of state regulations will not be enough: sharing success stories of specific entrepreneurs and detailing how their businesses have benefited from a certain legislative change is a much more promising route for enhancing entrepreneurial activity.

As for more 'tangible' state support of entrepreneurship, activities undertaken in pursuit of the Doing Business rank improvement, some specific measures and support programs (e.g. state support to unemployed in starting up a business), tax incentives and the boom in the IT-sector are highly evaluated by the expert community. This may imply that to some extent policy makers in the area of entrepreneurship manage to mitigate the negative influence of the general unsupportive political and institutional context.

Since the present report is the first snapshot of entrepreneurial activities, all the findings and insights should be interpreted with caution: neither having and arrogant faith in success, nor being too skeptic and pessimistic about entrepreneurship in Belarus. Further GEM surveys will definitely draw

a clearer picture and trends to all stakeholders of what is happening in the society in relation to entrepreneurship and what role can entrepreneurial activities play in socioeconomic development of the country. Obviously, the economic crisis caused by COVID-19 raises new challenges in front of both

entrepreneurs and policymakers and the Belarusian entrepreneurial landscape will not be the same as it was documented by GEM 2019. Nevertheless, the most important implications from this report will certainly be relevant now and in the post-crisis recovery.

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Annex 1. GEM Belarus' profile



Belarus

Population (2019)

9.4 million

GDP growth (2018, annual % change)

3%

GDP per capita (2018; PPP, international \$)

19.94 thousand

World Bank Ease of Doing Business Rating (2019)

74.3/100

Rank: 49/190

World Bank Starting a Business Rating (2019)

93.5/100

Rank: 30/190

World Economic Forum Global Competitiveness Rank (2019)

n/a

World Economic Forum Income Group Average (2019)

Upper-middle

Attitudes and perceptions

	% Adults	Rank/50
Know someone who has started a new business	50.4	32
Good opportunities to start a business in my area	29.5	48
It is easy to start a business	35.9	37
Personally have the skills and knowledge	42.3	43
Fear of failure (opportunity)	38.0	35
Entrepreneurial intentions	6.6	46

Activity

	% Adults	Rank/50	% Female	% Male
Total early-stage Entrepreneurial Activity	5.8	46	5.2	6.4
Established Business Ownership rate	2.7	46	2.0	3.5
Entrepreneurial Employee Activity	0.5	=42	3.4	3.3

Motivational

(% strongly or somewhat agree)

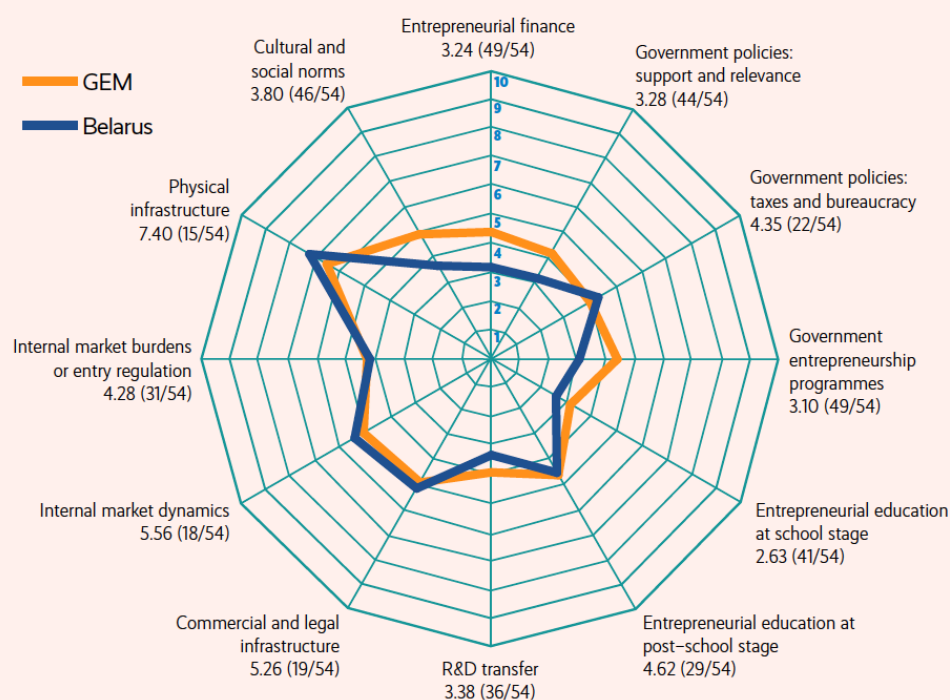
	% Adults	Rank/49	% Female	% Male
To make a difference	23.4	44	28.3	18.8
Build great wealth	75.3	8	78.5	72.6
Continue family tradition	19.6	42	14.9	23.6
To earn a living	51.7	34	57.5	46.5

Entrepreneurship impact

	% Adults	Rank/50
Job expectations (6+)	1.6	=38
International (25%+ revenue)	0.9	=26
National scope (customers and products/process)	0.4	=40
Global scope (customers and products/process)	0.1	=34
Industry (% TEA in business services)	10.7	=34

An equals sign (=) indicates that the ranking position is tied with another economy or economies

Expert ratings of the entrepreneurial framework conditions



EFCs scale:

0 = very inadequate insufficient status,
 10 = very adequate sufficient status. Rank out of 54 recorded in brackets

Source: GEM 2019/20 Global Report.

Annex 2. Methodological design

Adult population survey (APS)	
Universe	Adult population 18–64 years old
Population	6,165,907 individuals
Sample	2,001 individuals
Confidence level	95%
Margin of error	± 2.19%
Variance	P = Q = 50%
Fieldwork	June–July 2019
Methodology	Face-to-face interviews
Vendor	MIA Research

Distribution of the sample

Sample	Gender		Age					Geography	
	Male	Female	18–24	25–34	35–44	45–54	55–64	Rural	Urban
2,001	967	1,034	272	491	434	424	380	440	1,561

The used dataset is the property of the Global Entrepreneurship Monitor (GEM) Consortium composed, in the 2019 edition, of the research teams of Belarus. For further information, please visit <http://www.gemconsortium.org/>.

EVEN THE DATA USED IN THE PREPARATION OF THIS REPORT HAVE
BEEN COLLECTED BY THE GEM CONSORTIUM.

THE ANALYSIS AND INTERPRETATION ARE
THE RESPONSIBILITY OF THE AUTHORS.