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# Belarus Headlines

## Vladimir Putin Visits Minsk



*Russian Prime Minister Putin and  
Belarusian President Lukashenko  
Photo by BelTA*

On 15 March, Russian Prime-Minister Vladimir Putin arrived in Belarus with a one-day working visit to take part in a session of the Council of Ministers of the Belarus-Russia Union State and a meeting of the Interstate Council of the Eurasian Economic Community – the supreme body of the customs union between Russia, Belarus, and Kazakhstan. He also held talks with President Lukashenko. Russian Prime Minister's plane was an hour and a half late.

The Belarusian leader said Minsk has pinned high hopes on the Common Economic Space that was planned to be created within the Customs Union. "In Belarus, we have always placed great expectations on that union, and we see its great potential," Lukashenko said.

Evaluating Moscow-Minsk relations, he said "We have no problems in the economic sphere". He recalled that in the middle of 2010, the two states had agreed to iron out all the differences and start the new year on a clean slate. He admitted that both Russian and Belarusian economies are experiencing problems that had been brought from outside, but "they are not lethal". Lukashenko did not mention Belarus-Russia conflict over oil duties that started 10 day before the presidential election last year and in fact forced the Belarusian leader to join the common economic space.



*Vladimir Putin and Mikhail Myasnikovich  
Photo by BelTA*

Russian Prime Minister Vladimir Putin said Russia would help Belarus to construct its first nuclear plant, which would be more secure than those damaged by the recent earthquake in Japan.

Putin said prior to his trip to Minsk he got experts together to discuss Russian-Belarusian cooperation on the construction of a nuclear power plant in Belarus. "We will delve into it in more detail later," he told Lukashenko, reports RIA Novosti. The Belarusian first NPP will be built according to the Russian project, on Russian loan and with a Russian company being in charge for the construction. Moscow is ready to allocate \$6 billion for the construction of Belarusian NPP while Minsk is asking for \$9 billion. The corresponding agreement on the loans is expected to be signed in June-July 2011. Besides the loan for the NPP construction Belarus wants to borrow \$2 more billion from the Crisis Fund of EAEC.

**Based on the media reports**

## How to Prevent Africanisation of Foreign Aid to Belarus



*International Donors Conference 'Solidarity with Belarus' Photo by : polskapomoc.gov.pl*

**By Yaraslau Kryvoi**

As the Belarus civil society receives pledges of financial support from international community, the issue of how to make this aid effective is moving up on the agenda list.

In February<sup>1</sup>, Belarusian civil society secured pledges of \$120 million from 36 donor states at a fundraising conference in Warsaw. The United States raised its annual aid contribution from \$11m to \$15m. The European Commission plans to quadruple its aid to \$21.5m. Poland said it would double its support to \$14m. It is one thing to obtain the money, it another thing to ensure that the money is spent efficiently and minimize abuses.

Many countries in Africa receive billions in foreign aid but people and civil activists see no sign of those funds and continue to live in poverty. The absence of rule of law and transparency in those countries is the main cause of corruption and abuses. Even in a developed democracy such as the United Kingdom corruption scandals take place on a regular basis. Recently, a number of members of the British Parliament had been sanctioned for their submission of false invoices to fraudulently claim expenses from the budget. Media and law enforcement agencies had to intervene to stop these practices.

It is important to avoid "africanisation" of Belarusian aid. Belarus is more similar to many African countries than

to Britain because of its sultanistic political regime. However, Belarus is different from African countries in another important respect. It is surrounded by three European Union countries and a large portion of Western aid goes to Belarus-related institutions in those countries. It is important to distinguish between two recipients of foreign aid – those operating in the European Union and those based in Belarus. Approaches to controlling efficiency of monetary expenditures should be different for these two situations.

### Recipients in the European Union

It appears that the largest recipients of Belarus foreign aid in the European Union are the European Humanities University (EHU), Belsat, and the European Radio for Belarus. Monitoring efficiency in such institutions is relatively straightforward because they are located in democratic countries. They should publish regular reports showing how they spend donors' money and the effect of their activities on Belarus. For media projects, the effect can be measured by the growing number of their audience. It is important to make sure that the media do not preach only to those who are already converted but also reach out to the apolitical majority of Belarusians.

For educational projects such as the EHU, the measure of efficiency should be similar to benchmarks used for any other European universities. The only caveat is that the main target of their

efforts should be Belarus. Success can be measured by the number of publications of their teaching staff, the number of students from Belarus and their career choices following graduation and several years thereafter. Monitoring whether the students return to Belarus or remain engaged in working on Belarus-related topics is crucial. As with other universities, information about publications of teaching staff, student and scholarly projects should be available on Internet.

It is also important that decision-making and hiring policies of the EU-based institutions are transparent. They have a dual role – first, helping Belarus civil society and, second, to bringing up a new generation of Belarusian journalists, scholars and administrators.

### Recipients in Belarus

Belarus authorities made it nearly impossible for Belarus civil society to obtain financial aid through legal channels. Therefore, ensuring transparency in Belarus is more difficult. At the very least the donors should focus on several key directions – media, civil society activists, and helping the repressed and try not to duplicate their efforts.

Democratic activists in Belarusian small towns are particularly vulnerable. Once they are dismissed from their jobs it is virtually impossible for them to find another source of income. Because they do not speak foreign languages and do not benefit from networking opportunities abroad, they deserve special attention of donors. Perhaps inviting those people to work on a temporary basis abroad, even to do less-qualified jobs, could significantly help them.

It is important to limit wasting money on the so-called political tourism. This happens when democratic activists endlessly go to conferences and seminars abroad. The costs of taking part in such activities can be very significant and the benefits are questionable.

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## How to Prevent Africanisation of Foreign Aid to Belarus (continued from p.3)

For instance, the money spent on a short trip of one opposition activist to the United States would be enough for a provincial opposition activist to cover living expenses of an activist thrown out of job for half a year.

In any event, donors should make sure that their accountability mechanisms are in place. The reporting rules, however, should be adjusted to the realities of working under the most repressive regime in Europe.

### Monitoring effectiveness of foreign aid

It is unrealistic to expect that Western diplomats will micromanage financial

aid to Belarus civil society. Major donors may not also fully understand the situation in Belarus. A better solution could be setting up an advisory board composed of prominent Belarus experts and representatives of Belarus diaspora. This board should be independent both from the recipients of foreign aid and from the donors. Ideally, most of these people should also be nationals of countries other than Belarus. This would make them less vulnerable to pressure from the Belarus regime.

This body could formulate recommendations, resolve conflicts of interests and black list the abusers. They could also help with the alignment of foreign aid with the main priorities such as ensuring

that Belarus population has access to uncensored information.

Of course, exposing cases of corruption among opposition will inflict reputation damage not only to the abusers but also to the Belarus civil society in general. Belarus official propaganda will undoubtedly widely publicize these instances in the state-controlled press. But perhaps this sacrifice is worth making to make sure that most of the foreign aid reaches its target.

**Source: Belarus Digest**

## Helping Belarus Activists Stay, not Leave



By Yaraslau Kryvoi

Following the recent presidential elections, many people in Belarus lost their jobs or were expelled from universities. It is important to take measures, which would help those people stay in Belarus and remain politically active rather than seek political asylum abroad.

Belarusian legislation makes it easy to dismiss dissidents from work. The Belarus economy is very inefficient and there is a double-digit real unemployment rate, which is concealed by the official statistics. Unlike their counterparts in other European countries, most employees in Belarus are employed on the basis of short-term contract and not protected against unfair dismissal. These contracts have been introduced by administrative measures, which was relatively easy

because the government controls most of the economy.

After a period of one year there is usually a procedure for reviewing an employee's performance. The employer may decide not to renew a short term contract without any justification. Political loyalty plays an important role in such decisions which in a fact mean discrimination on the basis of political opinion. Because in Belarus most of the economy is state-owned, a conflict with the state security apparatus deprives the employees from virtually any other employment opportunities.

Belarus authorities do not prevent opposition activists from leaving the country for good. In fact, Belarus is one of few countries of the former Soviet Union that does not have two types of passport – one for domestic use and one for foreign travel. That makes leaving the country and seeking political asylum easy. Belarus authorities like when people go into exile voluntarily. They do not need to jail them or take other repressive measures because outside of the country they cause little harm to the regime.

This is why it is important to make sure that democratic activists remain

in Belarus. It is right to accept true political refugees, but it is also important to give them an opportunity to stay at home. The main reason why people leave Belarus are economic – it is very difficult to find a job in general and even more difficult for opposition activists. The vast majority of activists would be happy to stay in Belarus with their families and friends. Many are determined to continue their work as long as they can make ends meet. It is crucial to establish grant programmes and temporary job opportunities abroad to enable the repressed to remain socially and politically engaged in Belarus.

The poll organised by Belarus Digest shows that easing visa and work restrictions for Belarusians is the most popular choice. It should be noted, that reducing visa fees is not enough. Because most opposition activists are left without any official employment in Belarus their visa applications are usually denied because of suspicion that they will try to work abroad illegally. At that point it does not matter how high the visa fee is. There are not so many people in Belarus. If Europe lets them work without restrictions in the European Union – that would help civil society activists in Belarus more than anything else.

**Source: Belarus Digest**



## Former Presidential Candidate Ales Mikhalevich Escapes from Belarus



*Ales Mikhalevich at the press-conference after his release from KGB prison*

*Photo by nn.by*

Ales Mikhalevich, a former Belarusian presidential candidate who testified publicly that he was tortured in KGB custody, has fled the country, the Independent reports.

The 35-year-old father of two daughters is just one of several opposition politicians who ran against Belarus strongman Alyaksandr Lukashenka and were promptly charged with mass rioting in the aftermath of last December's disputed elections.

In a posting on his own blog, Mikhalevich announced that he was now "out of reach of the KGB" after being summoned to return for questioning at a detention centre run by Belarus' secret police.

"I have grounds to believe that I would not be able to leave the build-

ing of the KGB any more," he wrote. "So I'm not going to visit the KGB. Now I am in a safe place out of reach of the Belarusian KGB. I am going to continue the work on putting an end to tortures and release of everyone who are unlawfully imprisoned on political reasons."

Ales Mikhalevich was arrested alongside hundreds of democracy activists in the immediate aftermath of a pro-democracy rally on 19 December. The 30,000 strong rally was called to protest the results of Belarus' presidential election, which has since been judged flawed by international observers. It was crushed by riot police after a small number of protestors began attacking a government building.

Mikhalevich was held in "Amerikanka", a KGB detention facility in central Minsk, until 19 February when he was released on the condition that he told nothing about his nine weeks in pre-trial detention. But two weeks later he appeared in public and gave an emotional press conference in which he publicly stated that he and other pro-democracy activists were tortured.

Speaking about his time in jail Mikhalevich said guards repeatedly made him stand outside naked in the cold, used excruciating stress positions dur-

ing searches, forced him to sleep in a cell where the temperature was kept at 10C and refused him access to defence lawyers.

In one particularly brutal interrogation on 10 January, he claimed he was physically tortured by a group of masked men. "Some people wearing camouflage uniforms and face-masks, with no insignia, dragged me out [of my prison cell], handcuffed me behind my back and pulled my arms so high my face was hitting the concrete floor," he said. "They took me down a spiral staircase into a separate room and started pulling my arms up so high that my bones cracked, demanding that I promise to do whatever I was told to do by State Security officers. And they kept pulling my arms up until I said yes."

A spokesperson for the secret police, which still uses its pre-Soviet independence name, said Mikhalevich's descriptions of conditions inside the jail "did not match reality". But his testimony adds to a growing body of evidence collected by human rights groups on what they say is as a vicious crackdown inside the country.

**Source: the Independent, nn.by**

## Trial on 19 December Demonstration Participants Start in Belarus

On 17 February, a Belarusian Court jailed Vasil Parfiankou for four years after a mass protest against the re-election of President Alyaksandr Lukashenka.

Mr Parfiankou, 28, was convicted of breaking a window at the parliament building during the December unrest. He admitted taking part in the rally but denied being involved in mass unrest.

He had campaigned for opposition candidate Uladzimir Nyaklyayeu in

the 19 December election and was the first activist to go on trial.

On 2 March, a Minsk court handed jail terms of up to four years to three to three more activists.

Alyaksandr Malchanau was sentenced for three years and Dzmitry Novik for three-and-a-half years in prison.

Alyaksandr Atroshchankau, a spokesman of opposition candidate Andrei Sannikau, received a four-year term.

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*Vasil Parfiankou in the court room, Photo by: bymedia.net*

## Trial on 19 December Demonstration Participants Start in Belarus



*Alyaksandr Atroshchankau at the trial*  
*Photo by svaboda.org*

Atroshchankau vehemently denied the charges of using violence in a bid to enter government buildings, saying in his closing arguments that "I have done none of the things of which I am accused."

Both Novik and Malchanau admitted to pushing aside a wooden barrier that had been put around the government headquarters in Minsk.

On 10 March, Artyom Breus and Ivan



*Alyaksandr Malchanau*  
*Photo by newsby.org*

Putin.

Moscow had repeatedly called for the pair's release.

Gaponov and Breus were arrested on 19 December along with hundreds of Belarusian opposition activists who gathered with thousands of others in central Minsk to protest the official results of the presidential election, which declared incumbent President Alyaksandr Lukashenka the runaway winner.



*Dzmitry Novik*  
*Photo by svaboda.org*

than those pronounced earlier against Belarusian citizens who were tried in the same case. She attributed the discrepancy to Putin's visit.

Another Minsk-based rights activist, Valyantsin Stefanovich, likewise said the verdicts were directly connected to Putin's visit. He added that another



*Artyom Breus and Ivan Gaponov after the trial*  
*Photo by ERB*

Gaponov were found guilty on March 10 of participating in mass unrest in Minsk on December 19 and fined \$3,000 each.

The sentences sparked suggestions by rights activists that Belarusian authorities made the punishments relatively mild in light of planned March 15 visit by Russian Prime Minister Vladimir

A total of 42 men and women have officially been charged with organizing and/or participating in the "mass unrest in Minsk on December 19." They include five opposition presidential candidates, two of whom are still in detention. Two young activists are also kept in custody on charges in malignant hooliganism (Article 339, part 3 of the Criminal

Code). One of them, the Youth organisation Malady Front Leader, Zmitser Dashkevich, is to stand trial on 21 March.

Lyudmila Hraznova, chairwoman of the Rights Defending Alliance officially registered in Vilnius, Lithuania, told journalists after the March 10 trial that the verdicts were much more lenient



*Dzmitry Myadzved*  
*Photo by: svaboda.org*

defendant in the case, Belarusian citizen Dzmitry Myadzved, whose verdict was also pronounced on March 10, was sentenced to three years of restricted freedom and left the courtroom a free man only because if he had gotten a harsher sentence, it would have been too obvious that the preferential treatment shown to the two Russians was politically motivated.

The Russian Embassy in Minsk said last month that Belarusian secret services "exerted pressure" on Breus and Gaponov during the investigation into their cases.

**Based on the media reports**

### Directive on Development of Entrepreneurship: more market mechanisms, difficulties in implementation

I. At the end of 2010, president Lukashenko signed a directive "On the Development of Entrepreneurship Initiative and Stimulation of Business Activity in Belarus, says a monthly economic review prepared by the Belarusian IPM Research Centre.

The specialists from the IPM believe that this directive can be seen as a sign of the government's readiness to introduce more market mechanisms in the economy. The directive stresses the following priorities:

- Enhancing more completion;
- Abolishing administrative barriers;
- Harmonizing taxation mechanisms with EU countries;
- Reshaping the control activity to make it preventive and prophylactic only;
- Developing infrastructure for private entrepreneurship;
- Liberalizing labour market;
- Developing public-private partnerships;
- Providing stability of legislation

Following the directive some changes were made in the tax system: the territory development fee (with a rate up to 3% of profit) and the local tax on

services (5% of revenue) were abolished. The specialists expect some other changes in the near future, for instance the pension insurance tax burden redistribution between the employers and employees.



However, at the beginning of 2011, the experts noticed also that a number of actions contradicting the prior signed Directive have been taken by the government. For example, the National Bank of Belarus (NBB) suggested that banks should reduce interest rates on previously provided loans to non-financial enterprises. This may be considered the interference of the economic authorities to mechanisms of price formation at the credit market while the Directive stipulates the necessity to abandon such practices. Further, the NBB made the currency regulations stricter, having prohibited making pre-payments for imports in foreign currency at the expense of the loans by Belarusian banks. Later on, it also imposed additional controlling tasks on

banks when servicing the settlements in foreign currency on imports. These measures were designed for weakening the pressure on Belarusian foreign reserves, which is extremely urgent for the country. At the same time, these moves by the economic authorities can limit competition and entrepreneur initiative.

Thus, the experts from the IPM research centre stress the difficulties and contradictions of the Directive's implementation.

**Based on the reports by IPM Research Centre**

### Belarus Eases Price Control for Most Commodities



As of 1 March 2011, Belarus eased price control for most commodities.

According to a presidential decree, which was signed on February 25, the State would continue to regulate

prices of socially important goods that are essential to economic security.

Prices and tariffs for the rest can be decided by companies and producers themselves. The state will now regulate only the prices of milk, bread, meat, oil products, utility, realtor, notary, education and some medical services, and a number of other goods and services.

The decree also cancels the right of the government to restrict the caps of price changes. Accordingly, compulsory registration of these prices (tariffs) is cancelled.

Belarusian Prime Minister Mikhail Myasnikov said earlier that the move would not lead to drastic price hikes growth because Belarus has a rather stable economy. Independent experts consider the decree a progressive step toward liberalization of the economy, but noted that it was 15 years late.

**Source: Telegraf, BelTA, ODB**



## Belarus Loses 20% of Foreign Exchange Reserves for Two Months. IMF Advises National Currency Devaluation



According to the National Bank of Belarus, Belarusian international reserve assets calculated by IMF standards decreased by 20 percent for two months in 2011.

International reserve assets in February fell by 319.4 million U.S. dollars, or 7.4 percent after decreasing by 687.7 million dollars, or 13.7 percent in January.

On March 1, the country's international exchange reserves stood at 4.023 billion dollars against 5.030 billion dollars on January 1. Thus, for

two months international reserves fell by 1.007 billion dollars.

In February, National Bank officials assured journalists that the second month of the year will not bring significant reduction in international reserves.

The National Bank puts the growth of international reserves in 2011 at no less than 1.2 billion dollars. The main factors for such growth must be the attraction of foreign direct investments on a net basis of 6.4-6.5 billion dollars, as well as the alignment of the situation in foreign trade in goods and services by improving the efficiency and competitiveness of the national economy.

In 2010, Belarusian international reserves decreased by more than 620 million dollars, or 11 percent year-on-year.

On 9 March, the International Monetary Fund said Belarus' expansionary economic policies have made the current

account gap unsustainable and without reforms it will become difficult to finance.

In its annual review of the Belarus economy, the IMF called for urgent and far-reaching policy adjustments to reverse damage to the economy from recent public wage increases, over-spending by the government on housing, agriculture and other sectors, and foreign currency borrowing from domestic banks.

There is a risk that "expansionary policies cannot be sustained even in the short term, and there is an urgent need for adjustment," the IMF said.

**Source: Reuters, ODB**

## Belarus to Found Development Bank to Finance State Programmes



Following the instruction of the Council of Ministers, the Economy and Finance Ministries have considered the proposals of the Association of Belarusian Banks and submitted the draft presidential decree, entitled 'On the Development Bank of the Republic of Belarus', to the Council of Ministers. The decree stipulates the creation of a national unitary enterprise, the Development Bank of the Republic of Belarus, subordinate to the

Council of Ministers. The bank's equity will be based on the budgetary funds.

Belarus Development Bank will be established to promote economic development and improve the financial system of the country. It is intended to contribute to the government investment activities and enhance the responsibility and efficiency of decision-making regarding the selection and financial support of projects that aim at spurring the economic development of Belarus.

The creation of the Bank and a corresponding change in the system of funding of government programs will help reduce the cost of loans owing to minimum margins and also a possibility to fund government programs in priority areas including those that are aimed at the social and economic development and support of SMEs and export-oriented projects.

In order to mobilise foreign capital, the draft specifies that the Bank may be

authorised by the Government of Belarus to conduct operations on raising, servicing and repayment of external public loans and foreign loans raised under the guarantees of the Belarusian government.

According to the deputy chairman of the National Bank, Mikalai Luzghin, the new bank will undertake some commitments of Belarusian state-owned banks regarding the lending under government programs. "We will put lending under some of these programs on a competitive basis. This will make relations in the area of the funding of government programs more commercial and will greatly enhance competition in the banking community, and generally improve the performance of state-owned banks," he said.

**Source: BelTA, ODB**

## Lukashenka Gives Decision Making Power on Privatisation to the State Property Committee

The State Property Committee of Belarus was given the right to make decisions on sales and lowering the initial selling price of shares of open joint-stock companies (JSC), which were state-owned and included in the privatisation plan, approved by the government. The corresponding decree № 1 was signed by the President of Belarus, Alyaksandr Lukashenka, on March 11.

According to the document, the second and further issuing of shares, not engaged in processing of agricultural products and created by transformation of the republican unitary enterprises, were accepted with the consent of the State Property Committee.

At the same time, these public companies are reported to be included in the list of legal persons, responsible for the operation of strategically important sectors of the economy or other important public needs. This list is approved by the Belarusian government in consultation with the Head of State. At the same time the second and subsequent issue of shares, created by converting municipal unitary enterprises, shall be permitted with the consent of the local executive and administrative bodies.

As explained in the Presidential Administration, granting such authority to the State Property Committee would simplify the procedure for state

shares' sale, significantly reduce the time of its implementation and make it more understandable to potential investors.

Meanwhile, in order to protect the state interests, the decree stipulates that the second and subsequent issuing of shares, engaged in processing of agricultural products and created by the privatisation of state property, shall be conducted in consultation with the President of Belarus.



*Syarhey Rumas*

*Photo by Telegraf*

Last month Belarusian Deputy Prime Minister Syarhey Rumas said that the government would greatly speed up privatisation in 2011. The Belarusian State Property Committee introduced a draft plan on corporatizing the most valuable state assets, including 134 enterprises like oil giant Belarusnafta (Belarusneft) and leading agricultural equipment maker Homselmash (Gomselmash).



In February, Belarus' First Deputy Prime Minister Uladzimir Syamashka said Russia's largest truck maker KamAZ and Belarus' state-run Minsk Automobile Plant may merge in a holding company by contributing 49% of each company's shares to the new firm.

Belarus' Minsk Motor Plant, the Barysaw automotive and tractor electrical equipment (BATE) plant, tyre producer Belshyna and Russia's Tutayev Motor Plant may join the holding company as well.

Sergei Chemezov, head of Russian Technologies State Corporation, which owns 25% of KamAZ, said that Belarus was unlikely to have a blocking stake in KamAZ. That stake would depend on MAZ's value, which had not yet been established.

The Belarus State Property Management Committee said MAZ was valued at \$2.5 billion.

**Source: BelTA, the Financial, ODB**

## Standard & Poor's Downgraded Belarus

Standard & Poor's downgraded Belarus on Tuesday, lowering the Eastern European nation further into junk territory.

The ratings service cut Belarus's long-term foreign-currency rating to B from B+, leaving it five steps into junk, and the firm cut the country's long-term local-currency ratings to B+ from BB. S&P's outlook on the ratings is negative.

The cuts "reflect the country's height-

ened vulnerability to negative external financing trends because of the deterioration in usable reserves," said S&P credit analyst Ana Mates.

Further downgrade could come if the country's external-financing plans are hurt by an increase in interest rates or unexpected impediments to securing external funding, S&P said. The ratings also could stabilize at their current level if the country were to "bolster its net international reserves," which would

likely entail starting reforms to strengthen competitiveness. Moody's Investors Service late last year said it had a negative outlook on Belarus's banking system because of "significant uncertainties" surrounding the government's abilities to support the state-controlled banking system and the overall economy.

**Source: The WSJ**