

**DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

STRATEGY FOR BELARUS
**REPORT ON THE INVITATION TO THE PUBLIC
TO COMMENT**

1. INTRODUCTION

In accordance with the EBRD Public Information Policy (PIP), the draft Strategy for Belarus was posted on the EBRD web site in English and Russian for 45 calendar days from 3 January 2013. The public was invited to submit comments on the draft Strategy no later than 11 February 2013. For information, the previous Strategy was also made available on the web site in English and Russian: <http://www.ebrd.com/pages/country/belarus/strategy.shtml>

Information about the public consultation process was posted on the EBRD's dedicated "Have your say" webpage, which highlights the latest opportunities for public to comment on the Bank's policies and strategies under review. In addition, targeted notifications of the consultation process were sent to local and international civil society organisations (CSOs) that have expressed interest in the Bank's work in the country. The start of the review process was also advertised through Facebook and Twitter.

Prior to the formal consultation period and in the course of the Strategy preparation, the EBRD country team met representatives of CSOs in Minsk and Vilnius on 11-13 September 2012. Representatives of the Independent Institute of Socio-Economic and Political Studies (IISEPS), Human Rights Centre Viasna, the Research Center of the Institute for Privatization and Management (IPM), the Belarusian Association of Journalists (BAJ), Belarusian Human Rights House, EuroBelarus and PACT attended the meetings and engaged in discussion focused on the overall socio-economic and political situation in Belarus as well as the EBRD's strategic orientations for the next strategy period and the calibrated strategic approach to Belarus.

As part of the public consultation process, the EBRD held a series of consultation meetings with civil society organisations with an aim to proactively solicit comments on the draft Strategy from the CSOs active in the country and those that closely follow the work of the Bank. A dedicated meeting with a group of international CSOs was organised on 17 January at the HQ in London with the purpose to update them on the way recent political and economic developments in Belarus were taken into account in the preparation of the new draft strategy and receive relevant civil society feedback on the document.

In addition, the EBRD held a consultation workshop on 24 January at the Bank's Resident Office in Minsk to provide local civil society organisations with an additional opportunity to learn about the Bank's planned operational priorities in the country and discuss the draft country strategy.

The list of CSOs who participated in the consultation process is provided in the Annex 1.

This report captures the key themes and views received during the consultation process. It summarises feedback from the meetings with civil society held in London and Minsk, as well as comments received through the Bank's web site as of 11 February 2013; it also provides management responses to these comments.

2. SUMMARY OF PUBLIC COMMENTS

CSOs welcomed the opportunity to comment on the draft Strategy for Belarus and praised the EBRD for its continuous effort to outreach and involve civil society groups in the preparation of the Bank's country strategies.

CSOs provided their feedback on the EBRD's planned activities in a variety of sectors covered by the Bank's operations for the next strategy period. They commended the EBRD for its calibrated strategic approach and expressed their general support for the Bank's current operations in the country and main priorities identified in the new country strategy.

In general, CSOs supported the political assessment presented in the Strategy; however some CSOs felt that more emphasis should be placed on the linkages between the Bank's support to private sector and promotion of the democratic principles and human rights in the country. CSOs underlined that the EBRD should continue to encourage Belarus to reintegrate in the international community and apply human rights principles.

Some CSOs expressed concerns in relation to the vertical power structure that exists in Belarus between the central government and municipalities. They urged the EBRD to be cautious about the actual power relationships behind the definition of "private sector" to avoid financing of concealed state projects in the MEI sector. It was also raised that the Strategy should provide an explanation on how the Bank measures and evaluates the impact of its operations on the country's transition to market economy.

CSOs welcomed the EBRD's priorities to improve access to finance by SMEs, ensure the economy becomes more energy efficient as well as the Bank's strong focus on the environmental and social implications of its operations.

CSOs encouraged the Bank to continue raising its media profile in Belarus through independent media outlets in order to further promote its activities in the country and outreach to the local communities.

3. PUBLIC COMMENTS AND STAFF RESPONSES

Reference	Comment	EBRD Response
The Bank's portfolio		
1. Overview of Bank activities to date	1.1. There is a discrepancy between the total number of projects per team under the Financial Institutions sector (28 projects) and total figure of projects for this sector (20 projects) in Table 1.	The table has been revised to correct this.
2. Transition impact of the Bank's portfolio	2.1. Despite the fact that all 13 operations in the Bank's active portfolio are on track to achieve their transition potential, there is no real change in the economic situation on the ground. The Strategy should provide a better explanation on how the Bank measures and evaluates the impact of its operations on the country's transition to market economy.	As the Bank's portfolio in Belarus is still relatively small and not very seasoned, its cumulative impact is yet to transform whole sectors of the economy. However, the Bank's operations already had significant demonstration effects in Belarus, allowed our private sector clients to expand market activities and develop skills in the private sector. Over time, we expect to affect sector-level transition over time, in particular in the corporate, financial and municipal sectors.
Operational environment		

<p>3. Macroeconomic context</p>	<p>3.1. The draft Strategy contains a balanced analysis of the political and macroeconomic situation in the country. However, the Strategy should further elaborate on the complex issues facing the private sector development in Belarus (e.g. corruption, state intervention) and the actual power relationships behind the definition of “private sector”. It should be noted that 32 Belarusian “private” companies are banned from receiving the EU funds or any other economic resources by the decision of the Council of the European Union. However, the list of legal entities that are private in form, but in fact are controlled by the state is much wider. The EBRD should ensure that such entities do not benefit from the Bank’s support. During the due diligence phase the EBRD should take into consideration the information and reports by the independent journalists and CSOs (in particular, reports by the Working Group on Investments of the Committee on International Control over the Human Rights Situation in Belarus).</p>	<p>The Bank has developed detailed integrity due diligence procedures and guidelines to address integrity issues in its countries of operations. These integrity guidelines and procedures help the Bank to assess the potential risk associated with a particular client or sponsor while providing clear guidance as to what is not acceptable. The procedures rely on a risk based approach whereby higher risks are subjected to increased levels of scrutiny and control.</p> <p>Before providing any financing to a new client, the Bank strives to identify any potential client related integrity concerns. Among others the Bank investigates any alleged criminal activities, any political affiliations or dealings with government, general corporate conduct, and ultimate beneficial ownership. In the course of its integrity due diligence, the Bank relies on wide variety of sources including media, industry experts, country specialists, sanctions lists and databases like World-Check and other comparable systems. Where appropriate the Bank hires an external consultant to investigate particular areas of concern. Potential areas of concern are cleared by the Bank’s compliance department before proceeding with the project.</p>
	<p>3.2. The Strategy should provide a more detailed economic growth assessment and elaborate on the privatisation and property rights issues in Belarus; Russia’s accession to the WTO and its implications for Belarus as well as the labour market effects of immigration to Russia.</p>	<p>The Strategy has been updated to reflect recent economic growth developments and potential implications of Russia’s commitments under WTO for Belarus. We feel the document already captures our concerns about slow progress of privatisation and its recent reversals.</p>
<p>Strategic orientations</p>		
<p>4. Promoting private sector development</p>	<p>4.1. The EBRD should consider increasing its support to micro, small and medium private enterprises in Belarus in order to contribute to the</p>	<p>One of the main objectives of the Bank’s strategy is to strengthen financial intermediation to support private sector development. In this respect the Bank actively works with eight partner banks to provide long-term financing to micro,</p>

	reduction of the state's role in the economy. For example, the Bank could consider providing financing to the consortium of the local innovative MSMEs in order to make them eligible for the Bank's funding.	small and medium-sized private enterprises. The Bank is also considering extending its network of partner banks and remains ready to provide access to the Bank's microfinance programmes to qualified non-bank financial institutions. However the Bank does not consider community based lending or cluster financing as a viable alternative to financial intermediation through financial institutions.
	4.2. In agribusiness sector, it was suggested that the Bank considers financing projects in organic farming.	The Bank aims to support private sector development across all sectors of the economy directly by providing debt and equity financing to large, well performing, corporates and indirectly by providing credit lines to partner banks for on-lending to small and medium-sized businesses. Given its potential the Bank will place a special emphasis on agro-processing. In this respect the Bank is ready to consider financing projects in organic farming that meet EBRD standards, including in terms of commercial and financial viability.
5. Improving sustainability of municipal infrastructure	5.1. The Bank should further increase its engagement with local municipal authorities and consider financing the development of new infrastructure in the areas outside Minsk in cooperation with local authorities and private sector to increase the benefits of its investment for the local population and environment. The Strategy should include a more detailed assessment of the municipal sector in Belarus. It should be noted that the vertical power structure exists in Belarus between the central government and municipalities.	As noted in the strategy, while opportunities are likely to remain limited, the Bank remains ready to support private sector investment in municipal projects. The Bank is also willing to consider public sector municipal projects that benefit the environment and have direct and tangible benefits for the population. For all public sector projects, the authorities will have to commit to implementing market-oriented reforms, improve financial accountability of utilities and adhere to EBRD Procurement Rules. The Bank will require direct participation of local authorities in project implementation and ensure that funds are disbursed directly to contractors, bypassing the central state. The Bank has already started the identification process of potential municipal projects which could be undertaken subject to the successful implementation of its existing Belarus Environmental Infrastructure Facility. For a more detailed description of the municipal sector, including its highly centralised nature, please refer to the board document for the Belarus Environmental Infrastructure Facility Phase 1 (BDS12-039).
Annex 1 – Political Assessment		
<i>Scale and independence of civil society</i>	6.1. The statement “ <i>the leadership of many of Belarus’ highest profile CSOs are also based abroad</i> ” is not correct. Although leaders of several CSOs have been forced to flee the country due to their political or public activities, the	The language has been revised to reflect the fact that the leaders of many high profile CSOs continue to live in Belarus, and now reads “the leadership of <i>some</i> of Belarus’ highest profile CSOs are also based abroad”.

	majority of civil society organisations and activists continue to be based and work in Belarus despite the challenging operational environment and active prosecution by the authorities.	
	6.2. It should be noted in the Strategy that environmental, social, religious and other independent civil society entities also come under significant pressure from the authorities.	The Strategy has been revised to reflect the fact that some environmental, social, religious and other independent civil society organisations have come under pressure from the authorities.
	6.3. The Strategy correctly states that Belarusian civil society is generally weak and fragmented. However, there are positive examples of the civil society cooperation, such as the Belarusian National Platform of the EaP Civil Society Forum. It should be noted in the Strategy.	The Strategy has been revised to reflect the successful cooperation among civil society organisations within the framework of the National Platform of the Eastern Partnership.
<i>Independent pluralistic media that operates without censorship</i>	6.4. There are still a number of independent publications that face restrictions in distribution through state-owned enterprises Belsayuzdruk and the Belarusian Post Office. However, it should be noted that <i>Narodnaya Volia</i> and <i>Nasha Niva</i> newspapers were returned to the state-controlled system of retail press distribution and subscription catalogues in 2009.	The Strategy has been revised to reflect this point.
	6.5. The statement that “ <i>the journalist Andrei Poszobut, who works for the radio station Belsat, is currently facing trial for his critical reporting on the authorities of Belarus</i> ” should be corrected. Andrzej Poczobut is a journalist of “Gazeta Wyborcza” (Poland), and he is facing charges, but is not yet on trial, for allegedly insulting the President of the country.	The Strategy has been revised to reflect these points.

<p><i>Freedom from harassment, intimidation and torture</i></p>	<p>6.6. According to the Belarusian human rights organisations, there are currently 12 people who are considered to be political prisoners. The statement that “<i>in November 2011 Ales Bialiatski was arrested, tried and convicted on charges of tax evasion</i>” should be corrected. Ales Bialiatski was arrested in August 2011, and tried and convicted in November 2011.</p>	<p>While EBRD management recognises that there are different lists of individuals deemed to be political prisoners in Belarus, we reflect on the EU’s list of political prisoners.</p> <p>The language on Alex Bialiatski’s arrest has been changed to clarify that he was tried and convicted (not arrested) in November 2011.</p>
<p>Annex 3 – Legal Transition</p>		
<p>Energy efficiency and renewable energy</p>	<p>7.1. The Strategy should include an assessment of the impacts of the recent climate change negotiations in Doha on Belarus' commitments under the Kyoto Protocol. At the moment, it is unlikely that Belarus will join the second commitment period of emissions reductions. The EBRD should promote and encourage the voluntary reduction of greenhouse gas emissions among its clients in Belarus.</p>	<p>As per agreement reached at COP 18 in Doha, all the existing commitments under phase 1 of Kyoto Protocol were extended till 2020. Based on the view of the negative effects on the country’s economic growth and limited outcomes of negotiations for the second commitment period, Belarus together with Ukraine, Kazakhstan and Russia are holding discussions on the possibility of withdrawal from Kyoto. The EBRD will continue to introduce best practises in climate change mitigation through its projects and policy dialogue, focusing on reducing energy intensity of industrial activities, promoting renewable energy development and other GHG reduction measures.</p> <p>Replicating our experience in other countries, the Bank launched a USD 50 million energy efficiency facility, BelSEFF. This facility enables partner banks to provide long-term finance to their industry clients to fund targeted investments in energy efficiency and renewable energy. In addition the Bank is also providing – with the financial support of the Czech Republic – technical assistance to the authorities to develop a regulatory framework that promotes investments in sustainable energy. These initiatives should also reduce greenhouse gas emissions. For more information please refer to www.belseff.by.</p> <p>In the context of larger projects, the Bank works directly with its clients to promote energy efficiency and reduction of greenhouse gas emissions. For instance, the Bank is assisting Baranovichy and Slonim, two cities, to generate heat and electricity from sludge biogas, improving efficiency of sludge management and preventing the</p>

		release of methane greenhouse gas into the atmosphere. For more detailed information on this project please refer to the board document for the Belarus Environmental Infrastructure Facility Phase 1 (BDS12-039).
General remarks		
	8.1. It was stressed that the Bank should focus on encouraging its clients in Belarus to adhere to the UN Global Compact Principles.	The Bank promotes good corporate citizenship among its clients. Many if not all of the ten UN Global Compact Principles are covered directly or indirectly by the positive and negative covenants included in the Bank's investment agreements which clients have to comply with.
	8.2. It was recommended that the EBRD continues raising its media profile in Belarus to promote its activities and improve the image of European actors as political partners, in particular in order to provide a counterweight to Russian dominance. The Bank should send a clear message that the international community is helping the people of Belarus, but restrain from supporting the current regime. It was suggested that the EBRD cooperates with the Belarusian Association of Journalists, a major independent association of media workers in Belarus, in disseminating information about its activities and outreaching to independent press and online publications in Belarus.	The Bank actively cooperates with locally and foreign-based media outlets and welcomes queries from the press regarding its activities. Press releases are issued for most projects or events and can be accessed on the Bank's website www.ebrd.com .
	8.3. The EBRD should consider fostering links and cooperation with the EU initiative "The European dialogue on Modernisation in Belarus" to promote necessary reforms for the modernisation of Belarus.	The Bank welcomes close cooperation with and supports initiatives of the EU as well as other donors and IFIs in sectors within the scope of its mandate. The Bank regularly attends EU Donor Coordination Meetings on Belarus. The Bank also participated in the "Privatisation and Private Entrepreneurship - Scope for International Assistance" seminar organised in the framework of the European Dialogue on Modernisation in Belarus in Warsaw in April 2012. The Bank remains ready to cooperate with the EU and other actors to promote policy dialogue on investment climate issues and structural reforms.

List of civil society organisations who participated in the consultation process

11 September 2012, Minsk

1. Independent Institute of Socio-Economic and Political Studies (IISEPS)
2. Human Rights Centre Viasna
3. Research Center of the Institute for Privatization and Management (IPM)
4. Belarusian Association of Journalists (BAJ)

13 September, Vilnius

5. Belarusian Human Rights House
6. EuroBelarus
7. PACT

17 January 2013, London

8. Open Society Foundations
9. Index on Censorship
10. Belarusian Human Rights House (via phone)
11. Human Rights Watch (via phone)

24 January 2013, Minsk

12. NGO “Lev Sapieha Foundation”
13. New Eurasia Establishment
14. Centre for European Transformation
15. EuroBelarus
16. Legal Transformation Centre “Lawtrend”
17. National Public Association “Belarusian Organisation of Working Women”
18. Public Association “Ecohome”
19. Belarusian Helsinki Committee

20. Scientific Research Mises Center

11 February 2013, written comments submitted by:

21. EuroBelarus

22. Ecological Association “Green Network”

23. Legal Transformation Centre “Lawtrend”

24. Centre for European Transformation

25. Civic Solidarity Platform

26. Initiative “Clearing House” (Office for a Democratic Belarus)