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ATTRACTION OF FOREIGN INVESTMENT TO THE REPUBLIC OF BELARUS IN 2005-2015. PLANS AND REALITY

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Investment is one of the most important and effective engine of economic progress. Adoption of decisions about investing in the economy of a country is due to attractiveness of the area, guarantees to investors provided by the state and conditions for doing business. While talking about investment in Belarus, the attraction of foreign direct investment (FDI) to the country should be mentioned in the first place. The problem of attracting FDI for Belarus is urgent today because of the limited domestic sources for economic growth. That is why this issue is given a special attention.

FDI (foreign direct investment) is an investment made by direct investors, which accounts for at least 10 percent of the stock and (or) shares in the authorized capital of the organization. Foreign direct investment includes equity instruments, shares; reinvestment; sale (purchase) of the real estate; other direct investments.

Net inflow (FDI on a net basis) indicates the excess of foreign investment inflow on their withdrawal. This indicator objectively reflects the real dynamics of foreign investment compared to Gross income investment.

Chart 1. shows the dynamics of FDI in Belarus in 2005-2015. [1, 2, 3, 4] According to it, plans almost two times differ from the reality. The peak was reached in 2011, when the FDI on the net basis in country amounted 3.97 bln. dollars. However, it was planned to attract 6.5 bln. dollars to the economy in the same year. In 2012 it was a significant fall, a year later situation stabilized, but in 2014 there was a decrease again and 1.81 bln. was attracted, whereas 6.7 was planned to. Only a quarter of a plan was completed. It means, that year by year the plans fail catastrophically. Moreover, the tendency is unpromising: the real amount of attracted investment remains at the level of 2009 year.

What are the main reasons of inability of country to attract the necessary amount of the FDI on the net basis? To get a better understanding of the issue let's refer to the experts' opinion.

Head of the main investment department of the Ministry of Economics K. Koroteev says: *«We could see a certain potential in privatization in order to attract FDI on a net basis»*. To realize this potential the government will have to significantly adjust the privatization policy and initially find convincing arguments to get the go-ahead from Alexander Lukashenko, because the President keeps all the potential deals with major assets under his control. What is more, as the results of the auctions held in the last few months by the State Property Committee show, interest of foreign investors in the enterprises set out for bids is near zero.

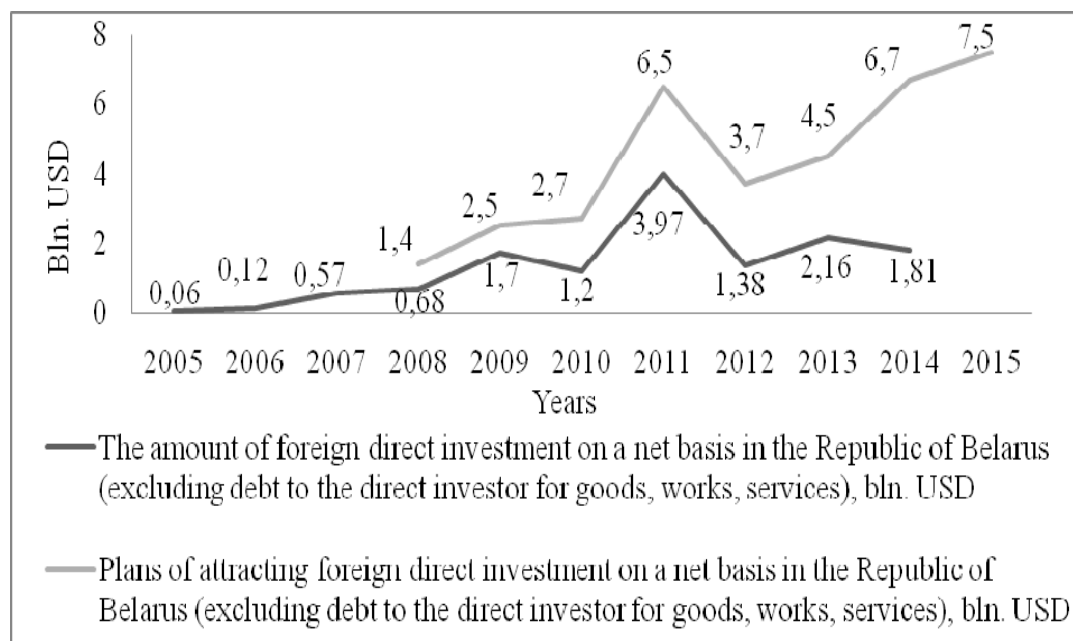


Chart 1. The comparison of the amount of FDI on a net basis in the Republic of Belarus (excluding debt to the direct investor for goods, works, services), bln. USD. And plans of attracting FDI on a net basis in the Republic of Belarus (excluding debt to the direct investor for goods, works, services), bln. USD

There is no market of due propositions in Belarus. *«We lack in projects»*, – director of National Investment and Privatization Agency Dm. Klevzhits reckons. He emphasized that Belarus is of interest to investors, but they don't have sufficient information about the objects that need to be privatized.

M. Akulova, junior researcher in Belarusian Economic Research and Educational Center, reputes: *«Increased economic and exchange risks have a negative impact on the investment attractiveness of Belarus. The probability of the implementation of plans to raise finance is illusory and only a stabilization of the economic situation in the country can help to smooth the difficulties. If we're talking about privatization deals, the picture is very deplorable, while in current situation it is actually the only way to attract foreign financing to the economy. There are number of reasons for such an unsatisfactory picture:*

- *Monetary and economic crisis.*
- *Revaluation of asset value.*
- *Unwillingness of enterprises' leadership and government agencies to provide reliable information.*
- *Desire to sell inefficient companies in the first place».[5]*

«Inadequacy of administrative sanctions for the formal violations noticeably worsens investment climate, – chairman of the Belarusian Union of Entrepreneurs A. Kalinin reckons. – For a minor violation entrepreneur can get a fine, and amount of that fine may simply destroy business in some cases».

A. Boltochko, an expert in economics, strategic and innovation management, says about *«the inability of officials to draw even the minimum amount of investment into the domestic economy, which in its current form is very unattractive to foreign investors» [6].*

Mina D.A., Gibezh E.A., the lecturers of the Department of Economics in the Polesie State University: *«Today the reasons for the unwillingness of investors to put up in our country's economy are the following:*

- *Belarusian economic system is too closed.*
- *The customs regime in Belarus is quite complicated and may result in increased financial costs.*
- *It is also not easy for foreign investors to understand tax and administrative policies» [7].*

Alexander Lukashenko in his appeal to the Belarusian people and the Parliament noted: *«Investment must be direct, not a disguised form of a credit».*

Although Belarus has problems, which prevent the inflow of investment, we can't talk about investment unattractiveness of the republic.

T. Babilo, a jurist in law company, says: *«Law of the Republic of «On investment» came into force in 2014. It means that legal regime and operational environment for both Belarusian and foreign investors became equal».* [8].

A. Prishchepa, associate professor in the Belarusian State Economic University, A. Shahray, master student of the same university: *«In the last five years significant efforts to reform and liberalize the economy have been made in Belarus. The purpose of such a policy is, first of all, the emancipation of an entrepreneurial initiative. Belarus has approved the strategy of attracting FDI that will provide the entry of Belarus into the thirty states with the best climate in the business area according to the World bank's rating «Doing Business», and also will improve the position in the reports of international rating agencies: «Moody's Investors Service», «Fitch Ratings» [9].*

As to date, legal framework and taxation system are improving in Belarus. Benefits and preferences are being provided to the foreign and joint enterprises.

As the result of reforms, in 2014 the share of investment in GDP fixed capital remained at a level that provides expanded production – 27.5 %. The main investors in 2014 were Russia (51 %), United Kingdom (25 %) and Cyprus (6 %). The most of investment went to transport and communications sector (37.4 %), wholesale and commission trade (34.3 %) and industry (11.5 %).

In conclusion, it should be mentioned, that the most promising ways to attract foreign investment to the country today are the participation of investors in the privatization process, the possible accession of Belarus to the WTO, constant improvement of the legal framework, training of qualified specialists in investment law and investment business.

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FRANCHISING AS A KEY TO SUCCESS IN BUSINESS

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There are various forms of the organization of business in the world, for example, sole proprietorship, partnerships and corporations. But there is one that stands apart and that has become most popular recently. It is franchizing.