



Аб'яднаны
Пераходны
Кабінет
Беларусі

G | M | F Transatlantic
Foundation

PUBLIC VERSION OF THE CONCEPT

REFORM OF THE STATE SECTOR OF THE BELARUSIAN ECONOMY

ECONOMY
PEOPLE
THE FUTURE
OF BELARUS

UNITED TRANSITIONAL CABINET OF BELARUS
OFFICE OF THE REPRESENTATIVE FOR ECONOMY AND FINANCE
ALISA RYZHYCHENKA

SEPTEMBER 2026



Contents

About this document	3
1. Diagnosis: an economy of postponed change	3
1.1. Half of value added, two thirds of investment	4
1.2. Financial fragility and the system for appointing managers	5
1.3. The external context: Russia, the war, sanctions	6
2. Sequence matters more than speed: the principle of sequencing and lessons from other countries	6
2.1. Sequencing: the right order of steps	6
2.2. The danger of premature privatisation	6
2.3. Why the state should own enterprises	7
2.4. Lessons from the experience of others	7
3. How enterprise health is measured: the Belsoe.org platform	7
3.1. Nine indicators, six dimensions, four categories	8
3.2. Results of the pilot testing	9
3.3. Routing: from profile to decision	10
4. Privatisation: institutions, methods and protection of the national interest	11
4.1. Why privatisation does not work	11
4.2. Target institutional architecture	12
4.3. Methods of sale by asset type	13
4.4. Protection of the national interest	14
5. Crisis management: a culture of rehabilitation instead of a culture of taboo	15
5.1. The de facto taboo on bankruptcy and its price	15
5.2. Why the current system does not work	15
5.3. Specific changes	16
5.4. Liquidation as an honest option and a bridge to social protection	18
6. Social guarantees as a precondition for reform	18
6.1. What the current system actually guarantees the worker	18
6.2. How it should work	19
6.3. What it costs and where the money comes from	20
6.4. Territorial transition plans and the contract with society	22
7. Financial model: what the reform costs and who pays	22
7.1. Costs today, benefits tomorrow	22
7.2. Three scenarios instead of a single estimate	22
7.3. The financing gap and the role of external support	24
7.4. Balancing the books: sources and uses	24
8. Roadmap and risks	25
8.1. Five stages	25
8.2. What can be done now and how to synchronise the processes	25
8.3. Risk map and risk management	26
Conclusion	26

The Concept was prepared by Alisa Ryzhychenka, Representative for Economy and Finance of the United Transitional Cabinet of Belarus. The team of the Office of the Representative for Economy and Finance took part in creating the Belsoe.org analytical platform and in developing the crisis-management reform.

About this document

This document is the Concept for the reform of the state sector of the Belarusian economy, prepared by the Office of the Representative for Economy and Finance of the United Transitional Cabinet. Its purpose is to give a future transitional government, international partners and the expert community a ready practical basis for transforming the state sector: an open methodology for the financial diagnostics of enterprises and their routing, that is, for determining the further course of action for each of them; an institutional architecture for privatisation, crisis management and social guarantees; and a scenario-based assessment of the cost of the reform and of the need for external financing. The document is neither a programme for selling off assets nor a set of political slogans; it is the documentation of the reform, in which every proposed solution is tied to data, procedures and an allocation of responsibility. The document is conceptual in nature and is subject to refinement as full access to state statistics becomes available after the democratic transition.

The document rests on a single principle: **sequencing matters more than speed**. Large-scale privatisation and deep restructuring of the state sector are possible and beneficial only after the country has gone through the democratic transition and a period of macroeconomic stabilisation. First comes the restoration of institutions, the rule of law and the normalisation of relations with the outside world through negotiation. Then comes the stabilisation of the currency, prices, the budget and the banking system. And only once these conditions have been met does large-scale privatisation become an admissible instrument of reform; the creation of institutions and the preparatory restructuring of enterprises begin earlier, in parallel with stabilisation. Breaking this sequence turns the reform into a sell-off, and the sell-off into a new form of property seizure, this time under the banner of the market.

On the basis of this principle, the document proposes an integrated system of four interconnected parts. The first is

the Belsoe.org analytical platform, which assesses the financial health of each enterprise using nine verifiable indicators grouped into six dimensions and derives from its financial statements a preliminary route: preparation for privatisation, in-depth restructuring diagnostics or an assessment of whether liquidation is advisable; the route determines the next mandatory stage of analysis, not a final decision on the fate of the enterprise. The second is modern crisis management modelled on European preventive restructuring law, which is to replace the current *de facto* ban on the bankruptcy of state-owned enterprises. The third is a transparent, competitive privatisation mechanism: an independent institution for the management of national assets, an electronic tendering platform and built-in safeguards against insider rent-seeking and against capital from states that pose a threat to national security. The fourth is the social protection framework, designed as a precondition of the reform rather than a by-product of it.

The financing of the reform and the returns on it are asymmetric in time: costs are concentrated in the first years, whereas the results arrive gradually and are not confined to budget revenues. The financing gap in the first years is expected to be covered from the proceeds of privatisation itself and from external support from the international financial institutions and European partners. The size of this gap differs substantially across scenarios and is set out in Section 7; in this introduction it is deliberately not reduced to a single figure, since the largest item of expenditure, the clean-up of bank balance sheets, can be estimated only on the basis of an independent asset quality review of the banks. The main value of the proposed approach, for partners and for society alike, is that every decision within the reform can be verified: it rests on real data, is transparent in its method and is open to correction. A reform that cannot be verified turns into redistribution. A reform that can be verified becomes a foundation of trust.

1. Diagnosis: an economy of postponed change

Belarus is one of the few post-Soviet economies in which the rejection of privatisation and the dominance of the state have been a deliberate political choice rather than a temporary condition. International financial institutions and independent research centres produce consistent estimates: the **state sector** generates about half of gross value added, accounts for more than half of employment and receives about two thirds of investment in fixed capital.

For the purposes of statistical analysis, an extended perimeter of the state sector is used throughout this document, one that includes organisations with state participation. Three concepts need to be distinguished here: the state form of ownership as defined in official accounting; enterprises under state control, in which the state holds a controlling stake; and the broad perimeter of organisations with any state participation, including minority stakes. Official statistics work with the first of these



concepts, and the difference is fundamental: an enterprise in which the state owns ninety per cent of the shares is recorded not as state property but as private property with a state share. On this definition, the state sector's share of investment in fixed capital was 40.0 per cent in 2012 and 40.6 per cent in 2024. If, however, state ownership and private ownership with a state share are added together, organisations with state participation account not for forty per cent of investment but for about seventy. At the same time, the share of organisations with any state participation is not the same as the share of enterprises under state control.

1.1. Half of value added, two thirds of investment

The macroeconomic context sets the scale of the problem. Gross domestic product in 2025 amounted to 286.7 billion Belarusian roubles and in dollar terms reached a historic high of 93.5 billion. However, between 2012 and 2019 dollar GDP did not grow at all but declined slightly, from 65.7 billion to 64.4 billion, and over 2012-2025 real GDP grew by roughly ten per cent, or about seven tenths of a per cent a year. The contrast with the preceding period is stark: average annual growth of 7.1 per cent in 2000-2011, much of it driven by economic rents and recovery, against 0.7 per cent in 2012-2021. The pick-up to 1.1 per cent in 2022-2025 is linked to defence demand from Russia, the temporary withdrawal of Western competitors from the Russian market and the running of existing capacity at its limit. All of these factors are temporary by nature.

Table 1. The state sector: weight in the economy and allocation of investment resources, 2019 and 2024.

Indicator	2019	2024
State sector share of employment, %	57.1	54.3
State sector share of employment in commercial organisations (% of commercial-sector employment)	43.4	42.0
State sector share of gross value added, %	51.3	50.3
State sector share of investment in fixed capital, %	61.4	64.2
Ratio of investment share to GVA share, times	1.20	1.28
State sector gap in GVA per person employed, %	≈21	≈15
Ratio of GVA to the current flow of investment: state sector gap, %	≈34	≈44

The state sector is defined broadly to include organisations with state participation; employment indicators include the budget sector, with a separate row for commercial organisations. Shares of employment and investment are based on official data; the share of value added is a model estimate, since official statistics do not publish value added by form of ownership; the ratio of shares and the row on the ratio of GVA to the current flow of investment are the author's calculations based on this estimate, and the gap in GVA per person employed is taken from BEROc estimates. The last row relates investment in the reporting year to value added in the same year and characterises the resource intensity of current activity, not the return on accumulated capital. Source: BEROc, Policy Paper no. 124 (2025).

The most informative aggregate indicator in the table is the ratio of the investment share to the GVA share. In 2019, for each unit of its weight in value added the state sector received 1.20 units of investment; by 2024 the figure was already 1.28. While generating roughly half of value added, the state sector receives about two thirds of investment in fixed capital, and by 2024 this gap had widened rather than narrowed.

This disproportion does not in itself prove that capital is allocated inefficiently: industries with a high share of state participation, such as oil refining, potash fertiliser production and metallurgy, are capital-intensive. But the indirect evidence, taken together, points consistently to a single hypothesis. The first sign is soft budget constraints: a loss-making enterprise does not go bankrupt but receives budget support and loans from state banks; money, in other words, flows on the basis of losses rather than profitability. The second is the administrative nature of investment decisions: capital is allocated through state programmes, decrees and directed lending rather than

through a comparison of projects by expected return. The third is the persistent lag of the state sector in value added per person employed: roughly twenty-one per cent in 2019 and fifteen per cent in 2024 according to BEROc estimates; for the early 2010s, Daneyko and KEF experts put the gap at roughly ten per cent, but using a different methodology based on wage ratios, and the two sets of figures cannot be compared directly.

Taken together, these signs give grounds for the hypothesis that administrative mechanisms of capital allocation may reduce the efficiency of part of the investment resource; the available aggregate data, however, do not allow the effect of the form of ownership to be fully separated from sectoral capital intensity. The narrowing of the gap in 2020-2024 should not automatically be read as structural convergence: one possible explanation is compositional shifts between sectors, another is the move of industry to a regime of exceptionally high capacity utilisation, and the available data do not allow the effect to be decomposed into its components.

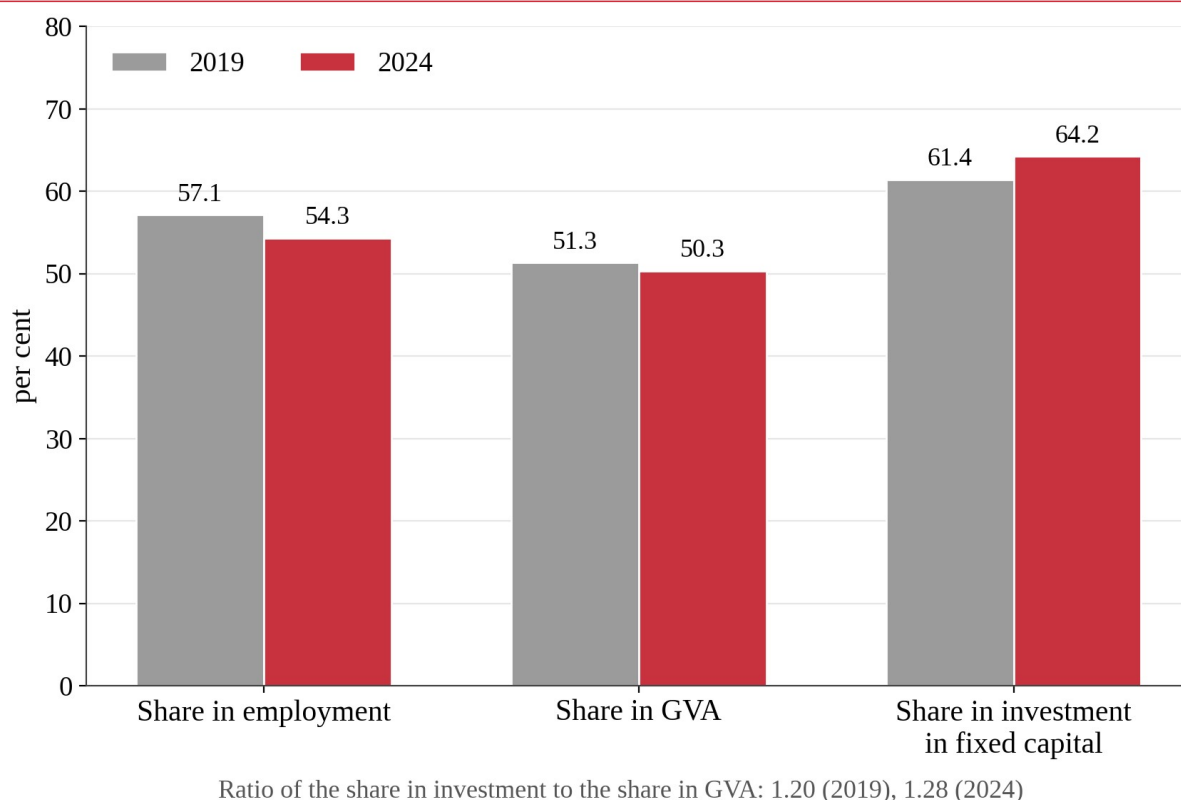


Figure 1. The state sector: share of employment, value added and investment in fixed capital, 2019 and 2024.

1.2. Financial fragility and the system for appointing managers

At the level of individual enterprises' balance sheets the picture is even more alarming. The incidence of losses in state and private organisations cannot be compared directly: official statistics do not publish these indicators by form of ownership with the same coverage and methodology, and for the same reason the exact share of enterprises unable to operate sustainably without state support is unknown. Official statistics for the first half of 2026 cover the economy as a whole and industry, and they record a deterioration: the proportion of loss-making organisations rose to 19.8 per cent from 15.2 a year earlier, and in industry one organisation in four was loss-making (24.9 per cent against 16.9). There are 2,252 organisations without working capital of their own, or 26.5 per cent of the total; 61.7 per cent of industrial organisations have overdue accounts payable. Total liabilities of organisations as at 1 July 2026 reached 273 billion roubles, equivalent to 96.8 per cent of sales revenue for the first half of the year, and two thirds of debt on credits and loans is accounted for by industry.

Even these figures do not show the whole picture. The financial statements of state-owned enterprises need to be read with two corrections in mind. The first concerns capital created by the revaluation of fixed assets: for many enterprises, positive equity is maintained mainly by the accumulated revaluation reserve; the value of buildings, equipment and land rises with each periodic revaluation,

and equity grows regardless of the real capacity of these assets to generate cash flow. Indicators that rely on the size of assets or capital in isolation look better under revaluation than under a conservative valuation, and growth in capital from revaluation therefore cannot automatically be regarded as an improvement in financial condition. The second correction concerns the squeeze on margins in recent years. This is not a reporting distortion but a real deterioration in financial results: revenue grows in nominal terms in line with inflation, while the operating margin steadily contracts under pressure from costs, dearer imports and sanctions-related discounts on exports. An enterprise that sells more and earns less is in a hidden crisis. In the pilot sample of the Belsoe platform, a simultaneous fall in return on sales, net profit margin and operating cash flow was observed in roughly half of the enterprises; the sample is purposive, and it would be incorrect to extrapolate this share to the sector as a whole.

All the problems listed share a common institutional root: the system of governance. The current system for appointing the heads of state-owned enterprises does not provide sufficiently transparent competitive selection, independent assessment of professional competence or accountability for long-term financial results; in such a system, administrative subordination can outweigh the incentives to increase the value and competitiveness of the enterprise. When a career depends on the favour of senior leadership, the rational strategy for a manager is to meet the gross output targets handed down from above, avoid visible failures, take no risks with modernisation and steer clear of conflict with sectoral supervisors. Hence the



focus on physical output volumes as the main reporting indicator, chronic underinvestment in technology and the sector's inability to develop its own class of professional managers. Ownership reform without governance reform risks doing no more than changing the sign on the door.

1.3. The external context: Russia, the war, sanctions

About seventy per cent of manufacturing output goes to external markets, and these flows have shifted almost entirely in one direction: the share of the Russian market in total exports of Belarusian goods rose from 41-45 per cent in 2019-2021 to 63-65 per cent in 2023-2024. This jump is the result of the closure of Western markets under sanctions and the forced redirection of flows towards the only outlet that remained. When two thirds of exports go to a single market, a country loses its bargaining autonomy, and the survival of state-owned enterprises

comes to depend ever more heavily on Russian orders, Russian lending and Russian supplies of components.

This context is not permanent, and the reform must be designed with its future change in mind. Sanctions imposed by democratic states are by their nature an instrument for changing behaviour, not an indefinite punishment, and the path to their lifting passes through the same gate as the reform itself: the **democratic transition**. The Concept proceeds from a working scenario of gradual normalisation of external economic relations following a change in political and foreign policy conditions; the specific timing, sequence and scope of a review of restrictions cannot be determined in advance and will depend on the decisions of the relevant jurisdictions. The lifting of sanctions creates the necessary conditions for restoring access to export markets, technology and international capital, but does not in itself guarantee the return of investors, banks and clients. Today's restrictions are the initial conditions of the problem, not its permanent parameters.

2. Sequence matters more than speed: the principle of sequencing and lessons from other countries

2.1. Sequencing: the right order of steps

The success or failure of post-socialist transformation is determined not so much by how radical or cautious reforms are as by whether they are correctly sequenced. This is borne out by three decades of Eastern European transition experience. Countries that began privatisation before macroeconomic stability and basic market institutions were in place ended up with assets sold off for the benefit of narrow groups, the loss of national control over strategic industries and a wave of social disillusionment. Countries that kept to the right sequence, with political normalisation and monetary stabilisation first, market institutions next and large-scale privatisation only after that, achieved sustainable growth and, in time, integration into European structures.

For Belarus, this sequence is a practical imperative: **democratic transition**, then macroeconomic stabilisation, and only after that privatisation and deep restructuring of the state sector. Large-scale privatisation should begin once minimum readiness conditions have been met: macro-financial stabilisation, a functioning legal and competition environment, a banking system that is ready, social protection mechanisms and institutions for the transparent governance of state assets; preparatory restructuring of individual enterprises may proceed in parallel with stabilisation. Breaking this sequence does not accelerate reform; it undermines it. Privatisation amid political instability, a non-convertible currency, high inflation and non-functioning institutions ceases to be

privatisation in the economic sense: it is a giveaway of property, and its result is capture, not efficiency.

Selling, restructuring or liquidating enterprises makes sense only in an environment in which these actions have economic meaning at all, and such an environment is created at the stage of macroeconomic stabilisation. Its components are well known from the experience of successful transitions: monetary stabilisation, with the restoration of full convertibility of the national currency and of confidence in it; fiscal consolidation and the conversion of hidden subsidies to the state sector into explicit subsidies under budgetary control; the rehabilitation of the banking system, with an independent asset quality review, the transfer of problem debts to a specialised entity at real rather than book value and an end to directed lending; and a gradual exit from those structures of Eurasian integration that entrench dependence on a single market. Only when the currency has been stabilised, budget flows are transparent, bank balance sheets have been cleared of problem assets and the external economic orientation has been reversed is the economy ready for the next stage.

2.2. The danger of premature privatisation

The cost of breaking the sequence is easy to gauge: one need only imagine large-scale privatisation before stabilisation. Without a stable currency, assets will be valued incorrectly, as a rule too low, and will go for a pittance. Without functioning institutions and transparent sale procedures, assets will go not to the most efficient owners but



to those closest to power or to capital of dubious origin. The result is predictable: an oligarchic structure instead of an efficient economy, external control over strategic sectors of the economy instead of national capital, and a widespread sense of injustice instead of public support for reform.

For Belarus, this danger is very real and is aggravated by proximity to Russia. With the transition incomplete and Russian influence persisting, hasty privatisation risks turning into the buying up of key Belarusian assets by Russian capital, whether state-owned or state-linked. That would not break dependence but entrench it in the form of ownership. Protection against unscrupulous and geopolitically motivated capital is therefore a matter of national strategy, not a secondary technical detail.

2.3. Why the state should own enterprises

Before asking which enterprises can be privatised, a more fundamental question must be answered: why should the state own a commercial enterprise at all? The Concept sets out the basic **grounds for state ownership**: national security and defence; critical infrastructure and natural monopolies; significant market failure that cannot be remedied by regulation, above all subsidised socially important services; systemic technological competence whose loss, or whose passing under external control, creates a national risk; and temporary ownership resulting from rehabilitation or crisis intervention. From this list follows a rule that inverts the current logic. Today it is the sale that has to be justified; in the proposed model it is ownership that requires justification. For every asset outside the five grounds a presumption applies: the state must either show why it continues to own the enterprise or prepare it for transfer to the market. The list is to be specified in the state ownership policy and is subject to periodic review; the retention of each significant commercial asset in state ownership requires public justification. The state is not obliged to privatise the entire state sector; it is obliged to stop managing fundamentally different enterprises in the same way.

2.4. Lessons from the experience of others

The Polish case shows the strength of well-considered gradualism in a large economy with a significant industrial sector, that is, in the situation closest to that of

Belarus: large strategic enterprises were brought to market gradually, through public offerings and the search for strategic investors; small and medium-sized ones were privatised faster; and under the National Investment Funds programme citizens received stakes in the enterprises being privatised, although these holdings were managed by professionals. Estonian privatisation was rapid and relied largely on foreign capital, but it was conducted through a centralised agency modelled on the German trust agency, with open tenders and clear rules, and only after a monetary reform that pegged the national currency firmly to the German mark: Estonia's speed was possible not in spite of sequencing but because of it.

Hungary conducted large-scale privatisation through a specialised agency and achieved notable successes in the first stage, but insufficient attention to building a broad and independent national capital base and to protecting institutional rules from political capture allowed the results to be partially reversed years later through politically motivated "renationalisation". The Georgian reforms of the second half of the 2000s proceeded under the slogan "everything is for sale except conscience", and their design had a fundamental flaw: the absence of any screening of buyers on criteria of strategic security and origin of capital.

The German trust agency that managed the privatisation of the former GDR's economy succeeded within a few years in restructuring, selling or liquidating thousands of enterprises transparently and under public scrutiny, but at the cost of large-scale redundancies and the deindustrialisation of entire regions; this is why social guarantees are treated in the Concept not as a cushioning supplement to reform but as its precondition.

The success of transformation was determined not by pace as such but by a combination of several conditions: privatisation followed macroeconomic stabilisation, methods varied with the type of asset, buyer screening and the protection of strategic assets were built into the design, and a national investor class was deliberately cultivated. The Belarusian economy is structurally closer to the Polish one, and a path of gradual transformation with strong protection of national capital is most likely to suit it; from the Estonian experience it is worth taking the organisation and transparency of procedures, from the Hungarian the lesson on the need for institutional protection of results, and from the Georgian the absolute necessity of buyer screening.

3. How enterprise health is measured: the Belsoe.org platform

Reform of the state sector begins with an inventory. What has not been measured and classified cannot be reformed. The **Belsoe.org** analytical platform proposed in the Concept takes this work to a new level: one-off research snapshots give way to a system for monitoring and cat-

egorising state-sector enterprises that is continuously updated, transparent and open to public scrutiny. The platform is an open analytical tool, and its purpose is not to pass verdicts on individual enterprises but to create a



common factual basis for decisions: justified, comparable and protected from arbitrariness.

A fundamental clarification frames the entire section. The platform is a system of early financial diagnostics and routing, not a mechanism for taking ownership decisions automatically. It deliberately uses only indicators that can be reproducibly calculated from the available financial statements; missing data on employment, technological condition and markets are not replaced by expert assumptions. The platform does not answer the question "what should ultimately be done with the enterprise" but the question "what next stage of analysis does this enterprise need".

3.1. Nine indicators, six dimensions, four categories

The platform rests on an assessment of financial health built on two levels. The lower level consists of nine indicators. Each is calculated directly from the enterprise's

official financial statements - the balance sheet, the profit and loss statement and the cash flow statement - and answers one specific question. The upper level consists of six dimensions, in which the indicators are grouped by meaning and, with weights, form a composite health score. The starting point is the framework for the financial analysis of state-owned enterprises applied by the IMF, with each indicator targeting a particular way of masking financial instability that is characteristic of the Belarusian state sector. Asset revaluation conceals over-leverage; it is exposed by the ratio of total liabilities to adjusted total capital. This adjustment does not mean that revalued assets have no economic value; it reflects a conservative approach: revaluation generates no cash flow and does not in itself confirm that the book value of an asset can be realised on the market or used to cover liabilities, and the final valuation of such assets takes place at the stage of comprehensive review (due diligence). Profit is a promise; cash flow is a fact. The platform uses the criteria of European law as a legal and comparative benchmark, not as a universal model for assessing solvency.

Table 2. The nine platform indicators and their grouping into six dimensions.

Dimension	Indicator	What it shows
Liquidity	Current ratio	Whether current assets are sufficient to cover liabilities falling due within the next year
Liquidity	Cash ratio (absolute liquidity in Belarusian terminology)	What share of short-term liabilities the enterprise is able to repay immediately, in cash
Capital	Own working capital ratio	To what extent current assets are financed from long-term sources
Debt burden	Debt burden: liabilities to adjusted total capital	What proportion of adjusted total capital consists of liabilities
Profitability	Return on sales	Whether the enterprise's core activity is profitable
Profitability	Net profit margin	Whether profit remains after all expenses, including interest and taxes
Cash flow	Operating cash flow margin	Whether accounting profit is confirmed by real cash flow from operations
Dynamics	Year-on-year change in revenue	Whether revenue is growing or shrinking
Dynamics	Year-on-year change in debt	Whether the debt burden is decreasing or increasing

The cash ratio is shown on the enterprise profile but is not included in the composite score, so that the same thing is not counted twice alongside the current ratio. Source: Belsoe.org platform methodology.

Any averaging has a well-known drawback: a single critical structural flaw can be offset by high values in the other dimensions. For this reason three **safeguard rules** operate on top of the composite score: negative equity net of revaluation and a current ratio below one cap the final score at a hard upper limit regardless of the values of the other dimensions, while negative operating cash flow reduces it multiplicatively, in proportion to the depth of the negative value. The accuracy of the source data is ensured by seven cross-checks of the financial statements; a breach of any of them has one consequence: the enterprise profile is not published until the reasons have been established.

The final score assigns the enterprise to one of four categories of financial health. Enterprises that are healthy across all dimensions are classed as financially strong; those operating at the norm as stable; those with a structural weakness as problem enterprises; and enterprises failing on several dimensions at once as critical. A clear rule leads from the category to the **preliminary route**. Financially strong and stable enterprises are treated as candidates for preparation for privatisation where no grounds for state ownership have been established: financial health determines an asset's readiness for further consideration but does not in itself predetermine the form of ownership. Problem enterprises are referred for in-depth restructuring diagnostics. Critical enterprises are

referred for a viability assessment, and preparation for orderly liquidation begins only when the enterprise has no functioning pillar of support left, that is, when equity net of revaluation is negative, operating cash flow is negative and revenue is falling by more than fifteen per cent, all at the same time. The fourth route, the special review regime for significant assets, is not determined by the financial

category: an enterprise's significance for the country is a non-financial fact, and the route is assigned on the basis of a separate significance test built on the five grounds for state ownership. The principle of verifiability runs through the entire chain: every score is derived from source data, transparent in its methodology and open to correction when new information becomes available.

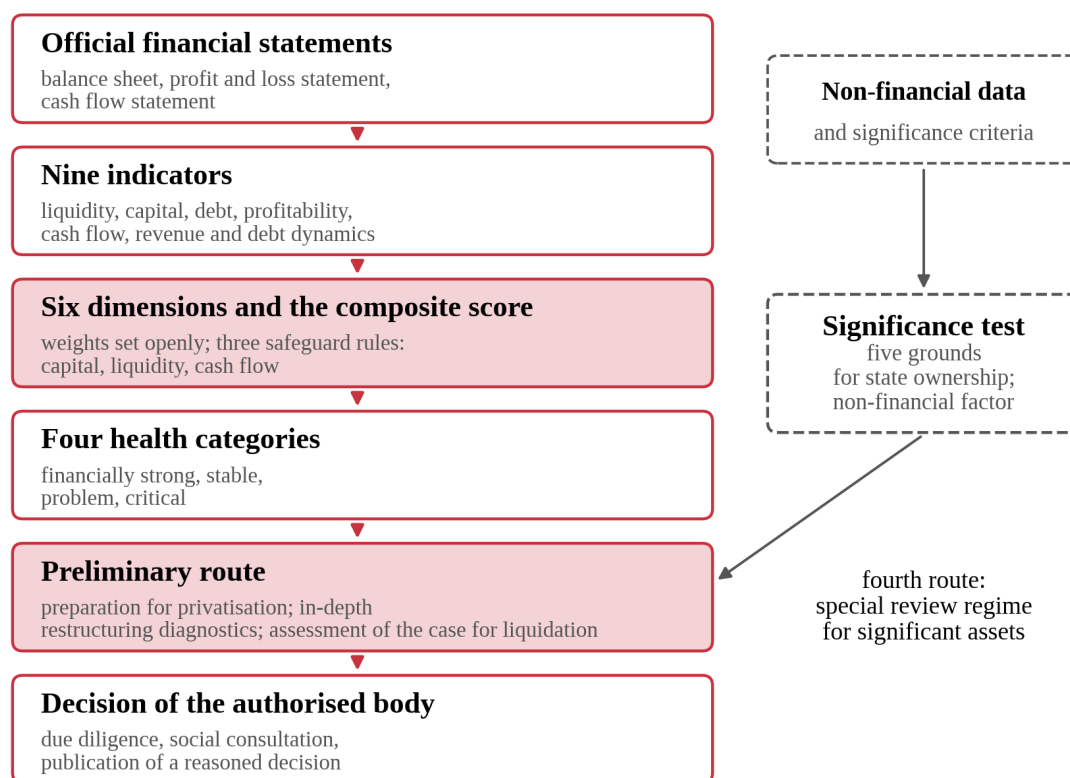


Figure 2. The path of an enterprise through the platform: from financial statements to the authority's decision.

3.2. Results of the pilot testing

The methodology has been tested on a purposive sample of one hundred state-sector enterprises. Actual financial statements for 2024 and 2025 were extracted from published documents using artificial intelligence tools; the quality of extraction was controlled by manual checking against primary sources and independent recalculation of the indicators. The sample is purposive and not statistically representative, but it covers all the main types of state-sector enterprise, from republican holding companies and exporters to monopolies, town-forming plants and district-level enterprises, and therefore gives a meaningful picture of the sector's condition.

According to the results of the assessment, twelve enterprises were classed as financially strong, and a further twenty-four are stable and operating close to break-even. Fifty-six enterprises are problem enterprises, six are in a

critical condition, and for two the data are insufficient, a gap that is not smoothed over by averaging but shown explicitly under a separate heading. Thus sixty-two enterprises out of one hundred, almost two thirds of the sample, have a structural weakness. These shares characterise the purposive pilot sample alone and are not an estimate of the prevalence of financial problems across the entire population of state-owned enterprises; extrapolating the results to the whole sector without expanding coverage is methodologically unsound. The distribution of preliminary routes confirms the practical thesis of the Concept: the most common route is restructuring (60 enterprises), preparation for privatisation has been identified for 35 enterprises, predominantly local state-sector enterprises, along with some financially healthy exporters; the special review regime for 4, and assessment of whether liquidation is advisable for 1. The main direction of future work with the sector is thus neither a sell-off nor mass closure but rehabilitation.

Health categories

62 enterprises out of 100 have structural weakness



financially strong 12 · stable 24 · problem 56 · critical 6 · insufficient data 2

Preliminary routes



restructuring 60 · preparation for privatisation 35 · special review 4 · liquidation assessment 1

Figure 3. Distribution of the pilot sample of one hundred enterprises by health category and preliminary route.

Behind the distributions lie two cross-cutting structural signals. The first is equity sustained by asset revaluation: in a significant share of the sample, equity is positive solely because of the accumulated revaluation reserve, while equity net of revaluation is negative. The second is the margin squeeze of 2025: in roughly half of the enterprises, return on sales, net profit margin and operating cash flow are falling simultaneously while the wage bill grows by twenty to forty per cent year on year. This is a macroeconomic phenomenon, not a failure of management at an individual enterprise. The healthiest industry in the sample turned out to be pharmaceuticals, and the most uniformly weak was transport. Mechanical engineering and light industry are under the greatest pressure; the condition of food-processing enterprises varies sharply, and construction accounts for the largest number of critical cases. The assessment is not a one-off exercise: the condition of the same hundred enterprises will be reassessed on the basis of the financial statements for 2027

and 2028, and the platform's coverage will be extended to the whole sector.

3.3. Routing: from profile to decision

The full design consists of three layers: measurement, routing and execution. The routing system is a set of transparent rules that determine a preliminary route on the basis of the enterprise's profile. The rules can be reproduced and verified: identical profiles lead to identical routes, and any departure requires explicit justification. Routing is based on a matrix with two independent axes: the category of financial health and the enterprise's significance for the country and the region. The significance filter sits above the matrix and takes priority: an enterprise that has passed the significance test is transferred to the special review regime regardless of its financial indicators. A significant asset in financial difficulty is not subject to automatic sale or liquidation.

Table 3. Decision matrix: category of financial health, preliminary route and next mandatory stage of analysis.

Category	Preliminary route	Next mandatory stage
Financially strong and stable, without recognised significance	Preparation for privatisation	Comprehensive review (due diligence); where the debt burden is above the norm - pre-sale debt restructuring
Financially strong and stable, recognised as significant	Special review regime for significant assets	Consideration of the form of ownership and the extent of state involvement, with public justification
Problem	In-depth restructuring diagnostics	Restructuring and rehabilitation procedure; priority in the rehabilitation queue for enterprises of high social significance
Critical, retaining at least one functioning pillar of support	In-depth restructuring diagnostics	Restructuring; the position is serious but recoverable
Critical, having lost all functioning pillars of support	Assessment of whether liquidation is advisable	Viability assessment; in the absence of an economically sound recovery plan - orderly liquidation with full fulfilment of social obligations

The significance filter takes priority over the financial category.

Within each route, additional decision rules apply based on debt and liquidity indicators. The first rule relates to the privatisation route: an operationally healthy enterprise with a debt burden above the norm is not sold automatic-

ally, either with its debts or without them. For such an enterprise a presumption of pre-sale restructuring applies, which can be rebutted by calculation: the Agency compares the expected price of the cleaned-up enterprise, net



of the clean-up costs borne by the budget and state-owned banks, with the price of the enterprise together with its debt, provided the buyer is prepared to accept the debt within the value of the business and the creditors agree to the transfer of the liabilities, and calculates the result on a consolidated basis for the budget, state-owned banks and the state as owner. Sale with debt is to be permitted where the consolidated result is no lower, the buyer has been vetted and the terms of the transferred debt contain no hidden state support; the calculation is published in the transaction record. In both cases the object of sale remains a going concern.

The second rule follows the logic of Article 2(18) of Regulation (EU) No 651/2014 without being a literal transposition of it: negative adjusted equity or a debt burden on adjusted total capital above the 85 per cent threshold rules out continued support in its previous form, and the enterprise is referred to rehabilitation procedures with debt restructuring, in which the question of write-offs and extensions of the deadlines for meeting obligations is decided by the creditors and the court, not by the sectoral ministry. The third rule is provided for the signal of an

immediate crisis: a cash ratio close to zero should accelerate routing regardless of category, and social protection measures should be put in readiness in advance.

A route is not a decision. The platform produces a preliminary route: an indication of the next mandatory stage of analysis, calculated from the financial statements. Comprehensive review, having filled in the missing data, turns the route into a recommendation. Social consultation then takes place, after which the competent body takes a decision, which is published together with its justification. Decision-making authority depends on the asset class: decisions on small and medium-sized non-strategic assets are taken by the Agency within the annual programme approved by the government, decisions on large assets by the government on the submission of the Agency and the ownership entity, and for strategic assets on the list established by law a special procedure with parliamentary approval is provided. The higher the public significance of an asset, the higher the level and the transparency of the decision; for no asset class can a decision be taken by a telephone call or a personal instruction.

4. Privatisation: institutions, methods and protection of the national interest

Privatisation in Belarus is not uncharted territory, and its past experience shifts the question from whether Belarus needs privatisation to what institutional design is capable of making it feasible, transparent and beneficial to the country and its citizens.

4.1. Why privatisation does not work

Formally, an institutional system of privatisation exists, yet decisions are determined not by law but by the power vertical. Significant stakes are sold only by individual decisions of the President; since the mid-2010s the state has abandoned public privatisation plans and lists, and what remains is piecemeal privatisation by individual decrees.

The history of the National Agency of Investment and Privatisation (NAIP) shows what happens to the right institution inside the wrong system. The agency was established in 2011 under the Ministry of Economy; a World Bank loan was secured for the project and a pilot list of eight medium-sized enterprises was drawn up for sale to international standards. The result: not a single completed transaction in all the years the pilot project ran. NAIP was given responsibility without powers: decisions on sale remained with the President, the State Property Committee and sectoral bodies, and any of them could halt a transaction without explanation; the terms of sale, which included preservation of the business profile and

headcount and a price no lower than the appraised value, rendered the assets unsaleable. The same diagnosis is confirmed by the statistics of the "large" programme of those years: the three-year privatisation plan for 2011-2013 was fulfilled for 38 enterprises out of the 181 planned, after which public plans were abandoned altogether. What Belarus lacks is not a privatisation agency as such, but an agency with a statutory mandate protected from interference by the power vertical.

The reasons for the failure come down to five. The first is the monopoly of a single decision-making centre: the throughput of such a mechanism is limited to a few transactions a year. The second is the conflict of roles within the state apparatus: the functions of seller, regulator, registry keeper and owner are not separated, the State Property Committee supervises itself, and sectoral bodies have an interest in derailing any sale; there is not a single institution in the system whose measurable interest lies in a successful transaction. The third is a deterrent package of conditions: the investor acquires not an enterprise but a contract to perform the social functions of the state. The fourth is that assets are not prepared for sale: a three-year IFRS audit, the clean-up of balance sheets and the separation of social and non-core facilities are nowhere conducted systematically. The fifth is destroyed trust: the list of de facto nationalisations, from Keramin (2011) and Kommunarka (2012) to Belgazprombank (2020) and the "special management" of the assets of Western companies that left after 2022, is not history but

an active pricing factor. Until the state demonstrates a legally irreversible renunciation of the practice of expropriation, assets will sell at discounts of tens of per cent, or transactions will not take place.

4.2. Target institutional architecture

The basic principle of the target architecture is the separation of four functions that are currently combined: policy-making, the sale of assets, the exercise of ownership rights and regulation. Each of them is to be performed by a separate institution, and none of them combines its function with the sectoral management of enterprises.

The central new institution is the **Agency for Privatisation** (hereinafter the Agency), which is to be established by law rather than by decree. Legally the Agency is to be accountable to the Council of Ministers, but it is protected from operational interference by the very design of its governance. The supervisory board is to comprise nine members: three representatives of the

government, two representatives of parliament, including the opposition, two independent members with international experience of privatisation transactions, and one representative each from employers' associations and trade unions. The Director General is to be appointed through an open international competition for a term of five years and may be dismissed only by a qualified majority of the board. The Agency must have the right to decide independently on small and medium-sized non-strategic assets (decisions on large assets are taken by the government on its recommendation), a dedicated budget for the preparation of transactions and the right to engage advisers without external approvals. Its performance indicators must be public and must assess the overall outcome of a transaction rather than price alone: the competitiveness of the procedure, the transparency of the buyer's ownership, the ratio of the price to the independent valuation, the investment actually made and the change in the enterprise's productivity after the transaction. A reformed NAIP could become the organisational and staffing core of the Agency.

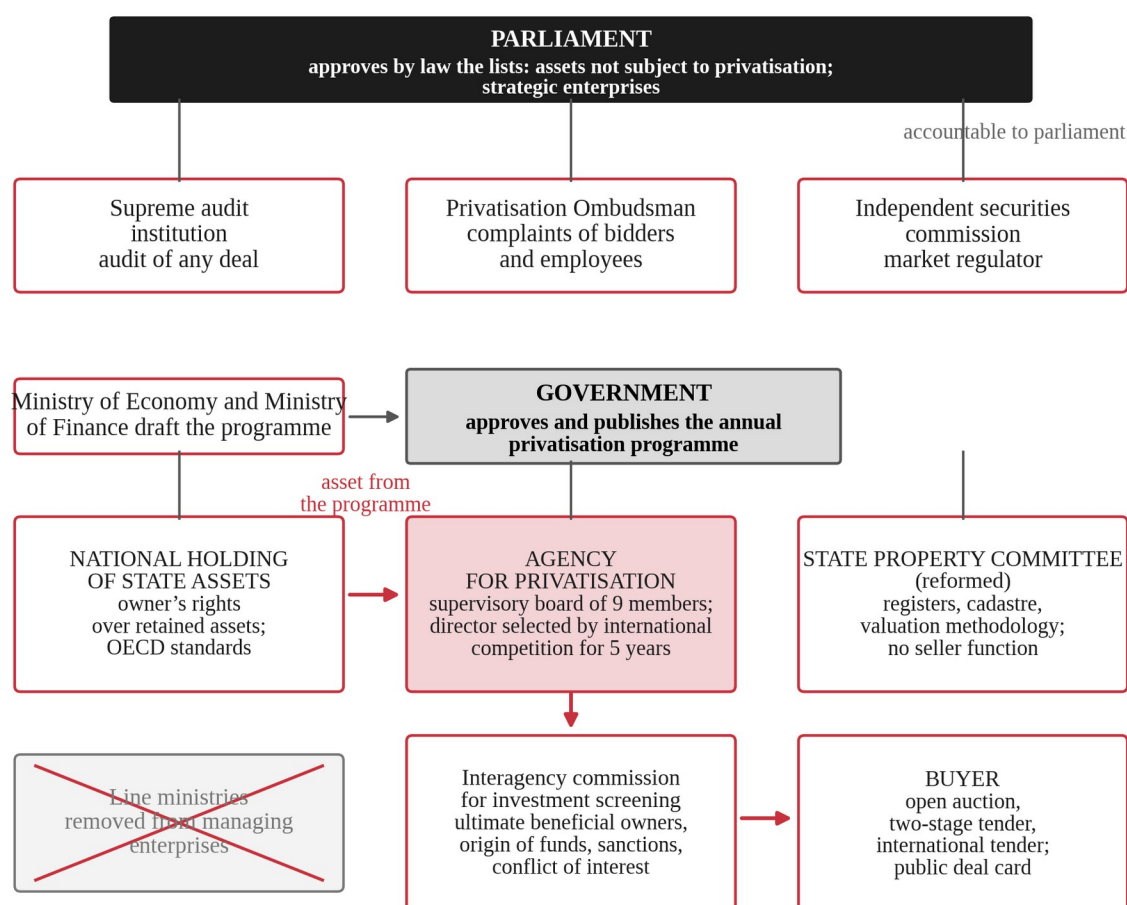


Figure 4. Target institutional architecture of privatisation: subordination, accountability, flows of decisions and assets.

The second new institution is the **National Holding of State Assets** (hereinafter the Holding), to which ownership rights are to be transferred in respect of all enterprises that remain with the state: entities on the statutory lists, significant assets retained following special review, and

enterprises awaiting their turn in the privatisation programme. The Holding is to manage state shareholdings in accordance with the OECD standards of corporate governance; this model is applied in Singapore (Temasek), Finland (Solidium) and Austria (ÖBAG). The separation



of seller and owner is a matter of principle: the Agency has an interest in a successful sale, the Holding in the value and efficiency of the assets that remain. An enterprise included in the privatisation programme passes from the Holding to the Agency.

The policy-making function must belong to the Ministry of Economy and the Ministry of Finance: they prepare the annual privatisation programme, which is approved by the government and published before the start of the year. Sectoral ministries are withdrawn entirely from the management of enterprises, which eliminates the main internal source of resistance to sales. The State Property Committee retains the keeping of registers, the cadastre, land management and valuation methodology, but loses the function of seller. Individual decisions on the fate of each asset must be replaced by lists approved by law: the first, narrow and exhaustive, includes entities not subject to privatisation, such as trunk energy and transport infrastructure and defence facilities; the second covers strategic enterprises whose privatisation is possible only with the approval of parliament. All other assets must be sold under the Agency's programme without any individual political decisions; the only exception is temporary ownership resulting from a rehabilitation procedure or a crisis intervention, the duration of which is limited by law, and once the procedure is completed the enterprise is included in the sales programme. The design is completed by external control: the supreme audit institution receives the right to audit any privatisation transaction, and a privatisation ombudsman, established by law, receives complaints from bidders and from employees of enterprises being privatised. Both institutions are accountable to parliament rather than to the government, which removes oversight from the influence of the seller.

4.3. Methods of sale by asset type

The method of sale must be determined by two objective parameters: the category assigned to the enterprise by the platform and the size of the asset. The negotiating position of an official must play no role whatsoever in this choice. For small entities and real estate, the only permissible method must be an open electronic auction on a public

online platform modelled on the Ukrainian ProZorro.Sale system: the starting price is set on the basis of an independent valuation, after two failed auctions it is reduced according to a formula announced in advance, following the Dutch auction scheme, and all auction records and contracts are published automatically.

For medium-sized enterprises, a two-stage tender with pre-qualification is proposed. At the first stage, buyers are screened against the eligibility criteria. At the second, price bids are compared, and the winner is selected on price rather than on investment promises that cannot be objectively compared. Non-financial conditions serve as an admission filter rather than a selection criterion: they are set in advance and are the same for all participants; social and non-core facilities are separated from the enterprise before the sale, and the price is formed by competition rather than by an appraised minimum. For small operating enterprises, a buyout by management and the workforce with payment by instalments over up to five years, secured by a pledge of the shares being bought out, should additionally be provided for: this will create a legitimate channel for the participation of national capital.

Large and flagship assets must be sold to strategic investors through international tenders with the mandatory engagement, as adviser, of an investment bank selected on a competitive basis. Preparation must include an information memorandum, an IFRS audit covering three years and secure electronic access to the full documentation of the enterprise for admitted buyers. Sale in stages should be permitted: first a controlling or blocking stake is transferred to a strategic investor together with commitments, and minority stakes are placed publicly later, as the market develops. Enterprises in the crisis categories must first undergo preventive restructuring or a rehabilitation procedure and be sold already cleared of their debt burden, or be disposed of as property complexes within liquidation. Sale for one base value should be retained exclusively for hopeless assets encumbered with investment and social obligations, and only through the same open auction: at a symbolic price, the subject of competition must be the obligations assumed rather than an individual decision on the transfer of the asset.

Table 4. Privatisation methods by asset type.

Asset type	Method of sale	Key condition
Small entities, real estate, stakes of up to 25%	Open electronic auction (platform modelled on ProZorro.Sale)	Full transparency; price reduction by formula after two failed auctions; automatic publication of contracts
Medium-sized enterprises (viable categories)	Two-stage tender with pre-qualification	Screening of the buyer at stage 1; at stage 2 the price wins; bank guarantee of performance of obligations, where there are any
Small enterprises - buyout by the workforce	MBO/EBO (management or employee buyout)	Instalments over up to 5 years secured by a pledge of shares; independent valuation



Asset type	Method of sale	Key condition
Large and flagship assets	International tender with a strategic investor; sale in tranches	Investment bank as adviser; IFRS audit covering 3 years; secure electronic access to documentation; investment and employment commitments backed by penalties
Crisis enterprises	Through restructuring or rehabilitation procedures, then sale; or disposal of the property complex in liquidation	Sale of an asset cleared of its debt burden; social protection measures put in readiness in advance
Hopeless encumbered assets	Auction "for one base value" with competition on obligations	Open bidding only; obligations fixed in a contract backed by a guarantee

The method is determined by the category assigned to the enterprise by the platform and the size of the asset.

4.4. Protection of the national interest

The first mechanism must be the screening of buyers, modelled on the European foreign investment screening regime, Regulation (EU) 2026/1386, which from January 2028 replaces Regulation (EU) 2019/452, and on the American CFIUS. It is proposed to establish an inter-agency investment screening commission with the participation of the Ministry of Economy, the Ministry of Finance, the security bodies and the Agency; it is to review the acquisition of any asset on the strategic list regardless of the amount, and any transaction whose amount exceeds a threshold established by law; the latter is a Belarusian addition to the European model. The buyer is to be checked against four criteria: disclosure of the natural persons who are the buyer's ultimate beneficial owners, with structures from jurisdictions that do not ensure disclosure or that are included in EU and FATF lists not being admitted; the lawful origin of the funds; absence from sanctions lists and, in respect of strategic sectors, absence of links with foreign state structures; and absence of a conflict of interest with Belarusian officials, with the participation of persons connected with members of the government, the administration or the leadership of the Agency itself prohibited on pain of the transaction being void. The review period must be limited by law, and a refusal must be reasoned and open to appeal in court.

The second mechanism must be limited contractual obligations instead of open-ended administrative control. Obligations should be imposed only where the nature of the asset requires it, for example in the sale of a large employer; their scope is limited to an investment programme and a transitional employment threshold for two to three years, announced before the auction and identical for all participants. They must be secured by a bank guarantee amounting to ten per cent of the transaction price and a contractual penalty; liability for a breach is borne by the party in breach rather than by the enterprise, and termination of the contract with the return of the asset to the state is permitted only by court decision, in cases of proven fraud or a material breach of fundamental conditions expressly listed in the contract. Resale of a controlling stake within three years of the transaction should be made conditional on the consent of the Agency, which will cut off speculative intermediaries.

The third mechanism must be antitrust control. Transactions that result in the concentration threshold established by competition law being exceeded must undergo an in-depth antitrust analysis assessing market boundaries, import competition and barriers to entry, rather than one based on arithmetical market share alone; the specific numerical threshold should be set by competition legislation. The same control must serve as the main barrier against the buying up of the economy by the state capital of a single external power: for buyers directly or indirectly controlled by a single foreign state, an aggregated concentration calculation should be applied, under which all such structures are treated as a single group, together with an enhanced screening regime.

The fourth mechanism must be the participation of citizens and employees in the capital. Each public offering of shares in flagship companies may provide for a separate retail tranche amounting to five to ten per cent of the stake being placed, for employees of the enterprise and citizens on transparent and equal terms, with a cap on the maximum amount acquired by a single participant and a restriction on resale for one year; the specific terms of the placement, including possible incentives for long-term holding, are determined in the preparation of the transaction and disclosed before the placement begins. Citizens receive not an abstract share in all state property, but the right to acquire shares in specific companies, the best ones.

The fifth mechanism must be full transparency as an anti-corruption safeguard. Privatisation contracts should be published as fully as possible; only information protected by law may be withheld from publication, and the ground for each exclusion must be stated publicly. The Agency must commission the valuation of each asset from two independent valuers and, where their results diverge by more than twenty per cent, appoint a third; the limitation period for transactions involving corruption offences must not run for as long as the offence is concealed. For each large transaction a public transaction record must be maintained, containing a description of the asset, the independent valuation, the list of admitted participants and their beneficial owners, the terms of the bids, the decision with its justification, the post-privatisation commitments and a report on their fulfilment; the record is published before the transaction closes and is maintained

after it. Transparency is not an embellishment of the system but its main protection.

The creation of a developed stock market is not a precondition for privatisation: a share market cannot emerge before there are shares worth buying. At the first stage, indicatively during the first three years, all transactions must be conducted through instruments that do not require a stock market, and the functions of the regulator should be transferred to an independent securities commission accountable to parliament; flagship companies should be given the option of a foreign listing, above all on the Warsaw Stock Exchange or on the Nasdaq Baltic venues. At the second stage, indicatively from the third to the fifth year, public offerings of minority stakes may begin on a reformed national venue, with retail tranches for citizens

and employees. A stock market emerges not by decree but through a sequence of successful offerings.

Privatisation by itself does not create competition: a state monopoly sold as a whole turns into a private monopoly. The transformation of ownership must therefore be accompanied by a new architecture of competition policy: an independent antitrust authority accountable to parliament; rules of competitive neutrality with equal access for state and private enterprises to credit, procurement, land and infrastructure; control of state aid modelled on EU rules, under which any subsidy, guarantee or recapitalisation is subject to registration and publication; separation of monopoly network functions from competitive activities; and control of concentrations not only at the privatisation stage but also after it. Competition policy is not an add-on to the reform but its load-bearing element.

5. Crisis management: a culture of rehabilitation instead of a culture of taboo

In Belarus all the elements of a system for dealing with insolvent enterprises have formally taken shape: special legislation is in force, the institution of the crisis manager (the Belarusian statutory term for an insolvency practitioner) exists, and rehabilitation procedures are provided for. Yet none of these elements fulfils its purpose. State-owned enterprises that fall into crisis do not enter rehabilitation procedures in good time.

5.1. The de facto taboo on bankruptcy and its price

In the Belarusian state sector there is a de facto ban on the bankruptcy and orderly restructuring of state-owned enterprises. The statistics confirm this. According to the Department for Rehabilitation and Bankruptcy of the Ministry of Economy, in January-June 2026 the number of insolvency and bankruptcy cases opened fell by more than 20 per cent compared with the same period of 2025, while 78.4 per cent of cases concerned debtors that had already ceased operations or were in the process of liquidation. Over the same half-year, according to Belstat, the number of loss-making organisations rose by 30 per cent, to 1,682, and in industry one in four is loss-making. Cases are initiated mainly by the tax authorities (38.8 per cent) and liquidation commissions (31.4 per cent), whereas creditors account for only 3 per cent of the cases brought: the mechanism is set in motion by the state to formalise closure, not by creditors and owners in order to restore the debtor. The position of court-supervised rehabilitation, the procedure intended to restore solvency, is particularly telling: as of mid-2026 only 27 such cases were ongoing in the entire country, and industrial enterprises remain in them for years without any visible result.

The price of this ban is high, even if it is not directly observable. Keeping non-viable enterprises afloat constantly diverts resources from the healthy part of the economy, distorts competition, blocks the redeployment of capital and staff to new production facilities and entrenches a culture of unaccountability in which failure carries no consequences. The reform must begin by lifting this ban: bankruptcy and restructuring must be transformed from a politically taboo subject into a normal, regulated and socially managed economic instrument.

5.2. Why the current system does not work

Law No. 227-Z "On the Settlement of Insolvency" of 13 December 2022 regulates the orderly termination of a debtor's activity but contains no instruments for its timely rehabilitation. Measured against Directive (EU) 2019/1023 on preventive restructuring, it lacks all five core elements: preventive restructuring, the debtor's retention of control over management, protection of new financing, confirmation of a plan over the objections of blocking creditors, and early indicators of crisis. An enterprise that enters the procedure is left with only two outcomes: liquidation, or a court-supervised rehabilitation that lacks the instruments for genuine recovery and therefore turns into indefinite administrative supervision.

The court acts as a filter for the statistics rather than as an arbiter: courts do not open proceedings even where there are lawful grounds, since initiating cases worsens a region's indicators, and the executive has created a parallel chain of command for managing procedures, in which regional executive committees, ministries and concerns determine the choice of manager and issue binding instructions to them. The training system produces

specialists who are certified but lack practical training: six months of theoretical study, an oral examination of nine questions and no traineeship. Economic incentives work against rehabilitation: the basic remuneration is 15 base values per month in the protection period and 30 in bankruptcy and liquidation proceedings, that is, 675 and 1,350 roubles per month respectively at a base value of 45 roubles in 2026, while performance remuneration for a successfully completed rehabilitation procedure is paid only in isolated cases. The system rewards the manager for the time spent in the procedure, not for its result.

What is at issue is not a set of individual shortcomings but an internally consistent system in which the incentives of all participants point towards going through the motions of the procedure. Under such conditions court-supervised rehabilitation amounts to liquidation by instalments. That is why piecemeal amendments to Law No. 227-Z are futile: the architecture of incentives as a whole must be changed.

5.3. Specific changes

In place of Law No. 227-Z, it is proposed to adopt a Law "On Restructuring and Insolvency", built on Directive (EU) 2019/1023 with elements of British practice. The law must establish three independent procedural tracks. The first must be **preventive restructuring** at the initiative of the debtor, not linked to a declaration of bank-

ruptcy: a moratorium on creditors' claims for up to four months, extendable to twelve; a restructuring plan on which creditors vote separately by class (secured creditors, unsecured creditors, employees and public authorities); the right of the court to confirm the plan over the objections of individual classes if the plan is fair to dissenting creditors and economically viable; and the debtor remaining under the control of its own management, supervised by a restructuring specialist. The second track must be court-supervised rehabilitation in the form of external administration for enterprises in deep crisis, under the direction of a crisis manager and their team, and the third - the orderly liquidation of hopeless debtors, entrusted to a separate specialist, the liquidation manager. The law should also give new and interim financing raised to rescue an enterprise priority over other claims and protect it from subsequent challenge.

A separate element of the law must be **early triggers**. It is proposed to use the categorisation of enterprises on the analytical platform as an early warning system: the entry of a state-owned enterprise into the pre-crisis categories must automatically entail a mandatory independent assessment and consideration of preventive restructuring before irrecoverable debts have accumulated. In parallel, the head of the debtor should be placed under an obligation to file an application within thirty days of the onset of sustained insolvency, on pain of subsidiary liability for delay.

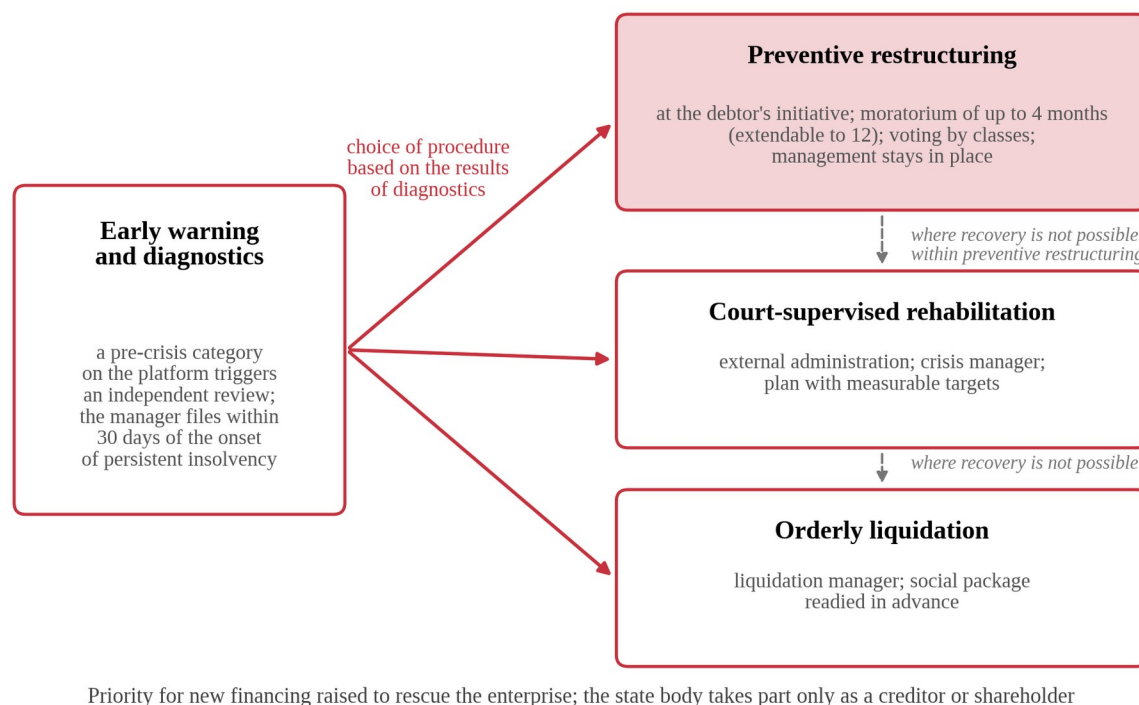


Figure 5. Procedural options under the proposed Law "On Restructuring and Insolvency".

The profession should be divided into two specialisms: the crisis manager is to deal with rehabilitation, and the liquidation manager with the sale of assets, settlement with creditors, the closure of the legal entity and the

challenging of transactions made to siphon off assets. It is proposed to provide two alternative training pathways: a university programme in crisis management or a professional programme under the national association of



managers, in both cases with a mandatory traineeship modelled on admission to the bar, of no less than six months in the final year of study and six months after it. It is proposed to replace the oral examination of nine questions with a three-part test comprising a written examination, an oral defence of a practical case study and confirmation of the traineeship, and to build national certification on the standards of the European Association of Certified Turnaround Professionals (EACTP). Appointment to a case must be depoliticised: the nomination of candidates by a state body should be abolished, and the manager for any enterprise, including state-owned ones, must be selected on a competitive basis from the association's register by an automated system that takes into account the manager's category and specialisation, their current workload, limited to two active cases at a time, and their performance rating.

Resolution No. 628 should be replaced by a system of **payment for results**. It is proposed to set the basic monthly remuneration at two national average monthly wages for a crisis manager and one for a liquidation manager. The bulk of income must consist of performance remuneration, calculated on a regressive scale according to the size of the case, with scope for the court to adjust it for the complexity of the case and the quality of the work. For rehabilitation procedures, performance remuneration must depend on achieving the objectives of the restruc-

turing plan: restoring the solvency and operational stability of the enterprise, meeting obligations to creditors and preserving the value of the business; for liquidation procedures, the key indicators are the level of satisfaction of creditors' claims and the duration of the procedure. Fixed caps on remuneration should be abolished, since a ceiling unrelated to results in effect penalises success.

The parallel chain of command is to be dismantled. Specialised benches for restructuring and insolvency cases, with automatic allocation of cases, should be established in the courts; the number of cases opened should be excluded from the performance indicators of regions and ministries; and the bankruptcy prevention commissions attached to executive committees are to be abolished. A state body must participate in the procedure solely as a creditor or as a shareholder, with the same rights as the other creditors and shareholders, and binding instructions to the manager from any executive authority should be prohibited. The National Bank's provisioning standards should be supplemented with a separate risk category for loans issued under an approved restructuring or rehabilitation plan. The rehabilitation plan must contain measurable indicators approved by the creditors and the court, quarterly reports on their fulfilment must be published, and failure to meet the indicators for two consecutive reporting periods must serve as grounds for the creditors to consider replacing the manager.

Table 5. Key elements of the crisis management system: today and what it should be.

System element	Today	What it should be
Legal basis	Law No. 227-Z "On the Settlement of Insolvency"; old cases are conducted under Law No. 415-Z of 2012	The Law "On Restructuring and Insolvency" based on Directive (EU) 2019/1023
Preventive restructuring	Absent; the only outcomes are rehabilitation or liquidation	At the debtor's initiative: moratorium of up to 4 months, extendable to 12, voting by class, confirmation of the plan by the court
Management of the debtor	Always transferred to a manager who is in effect directed by state bodies	Retained by the enterprise's management under the supervision of a restructuring specialist
Early warning	Absent; 78.4% of cases concern debtors that have already ceased operations or are in the process of liquidation	Pre-crisis categories as a trigger for independent assessment; head's application within 30 days
Profession and admission	Single qualification; 6 months of theory, oral examination of 9 questions, no traineeship; certified by the Department for Rehabilitation and Bankruptcy	Two professions; traineeship of 6 + 6 months, three-part examination, EACTP standards
Appointment	On nomination by a state body; closed circle attached to the courts, from 2 to 4 cases each	Competitive automated selection from the association's register, no more than 2 active cases, public rating
Remuneration	15 / 30 base values per month (BYN 675 / 1,350 per month); performance remuneration paid in isolated cases	Basic remuneration of 2 (1) national average wages, performance remuneration on a regressive scale based on the funds actually received by creditors: for rehabilitation, on the claims actually repaid under the approved plan; for liquidation, on the proceeds of asset sales distributed to creditors, with account taken of timeframes; no ceiling
Role of the state body	Oral instructions to the manager, bankruptcy prevention commissions	Only a creditor or shareholder; instructions prohibited, commissions abolished, number of cases excluded from regional indicators



The reform cannot be introduced all at once, and the main constraint is not legislation but people: training a crisis manager under the new model takes at least two to three years. The first phase of the transition period, about eighteen months from the adoption of the law, covers rule-making and the recertification of existing managers; the second, lasting three to five years, is devoted to building the profession as such, and the staffing gap should be closed by engaging foreign restructuring specialists on a competitive basis to work in tandem with Belarusian managers, and by starting to train personnel before the transition begins.

5.4. Liquidation as an honest option and a bridge to social protection

Attitudes to liquidation itself, which in the present culture carries an exclusively negative, almost shameful con-

notation, must change. The orderly liquidation of a hopelessly non-viable enterprise must be seen not as a catastrophe or an admission of defeat, but as an honest and responsible decision, often more humane than the alternative. What turns liquidation from an act of cruelty into an act of responsibility must be a complete set of social guarantees on closure: severance pay, retraining, help in finding a new job and, for single-industry towns, regional development programmes. That is why liquidation must take its legitimate place in the proposed system alongside privatisation and rehabilitation as one of the equal options. What makes this option acceptable is a social protection framework put in place in advance; in the logic of the Concept as a whole, it must precede the reform, not follow it.

6. Social guarantees as a precondition for reform

Reform of the state sector affects first and foremost the people employed at enterprises whose fate will be decided in the course of privatisation, rehabilitation or liquidation. For this reason the **social protection framework** must precede the reform rather than follow it: no enterprise may be sent into liquidation, privatisation or deep restructuring until the system of support for workers made redundant has been put in place and secured with funding. A worker who knows that a clear set of guarantees, retraining and help in finding a job await them if the enterprise closes ceases to be an opponent of the reform and becomes a participant in it.

6.1. What the current system actually guarantees the worker

Formally, protection exists. The Labour Code obliges the employer, on the liquidation of an organisation, to pay severance pay of no less than three times the average monthly wage and to give the worker at least two months' notice of dismissal, while the Law "On Employment of the Population of the Republic of Belarus" provides for the registration of the unemployed, benefits, vocational training and public works. On paper the framework is complete. The figures tell a different story.

Unemployment benefit is capped at two base values, or 90 roubles a month (2026), that is, about three per cent of the national average wage. It is paid for no more than 26 weeks, and in order to keep the benefit the unemployed person is obliged to take part in paid public works. The poverty line (the subsistence minimum budget) is five times this amount. The direct consequence is visible in the

statistics: at the end of July 2026, 3,000 unemployed people were registered with the labour, employment and social protection authorities, that is, 0.1 per cent of the economically active population, whereas the household survey using the ILO methodology for the first half of the same year counted 107,700 unemployed, or 2.2 per cent. A thirty-six-fold gap between two measurements of the same phenomenon means that the overwhelming majority of those who have lost their jobs do not apply for benefit. For them, registering makes no economic sense.

When the employer goes bankrupt, the worker is even more exposed: Belarus has no wage guarantee institution, that is, a fund that pays workers the wage arrears of a bankrupt employer, and if the debtor's assets are insufficient the wage arrears remain unpaid. There is also a hidden form of the same problem, namely underemployment: at enterprises that are being kept afloat, workers are counted as employed but are temporarily idle, on unpaid leave or on a shortened working week. Formal employment without real income is the price paid for the absence of unemployment.

Other countries have addressed this problem differently. In Germany the ALG I benefit replaces 60 per cent of net earnings (67 per cent for those with children) for 6 to 24 months; when an employer goes bankrupt the worker is paid wage arrears for up to three months (*Insolvenzgeld*); and in restructuring a short-time work scheme (*Kurzarbeit*) and transfer companies are used, to which workers facing redundancy are moved for up to 12 months without ever acquiring unemployed status. In Poland, the Guaranteed Employee Benefits Fund (*FGŚP*) has operated since 1994, financed by an employers' contribution of



about 0.1 per cent of the wage bill, and the restructuring of the Silesian coal industry in 1998-2002, when about one hundred thousand miners left the sector, passed without major upheaval thanks to "miners' leave" of up to five years on 75 per cent of earnings and free retraining. Directive 2008/94/EC obliges every EU Member State to have a guarantee institution that protects workers' claims in the event of the employer's insolvency. This is the minimum standard of civilised practice. Belarus does not have it.

6.2. How it should work

The proposed system rests on four new mechanisms: unemployment insurance with a benefit linked to lost earnings; a **Wage Guarantee Fund** modelled on Directive 2008/94/EC; a **Social Adaptation Fund (SAF)**, which finances retraining, mobility and regional programmes; and transfer companies for large-scale restructurings. These mechanisms are to operate differently in the three typical reform scenarios.

In the bankruptcy and liquidation of an enterprise, a mobile employment service team is to be deployed at the

enterprise six months before the planned closure to profile each worker, draw up an individual transition plan and hold job fairs. If the debtor's assets are insufficient, wage arrears of up to three months' earnings are paid by the Wage Guarantee Fund, which then itself becomes a creditor in the bankruptcy case. For town-forming enterprises the decision to close may be taken only together with the approval and funding of a programme for the town. In privatisation, an employment commitment is not imposed by default but only where the nature of the asset requires it, above all in the sale of a large employer: the sale and purchase agreement fixes a transitional employment threshold for two to three years; the threshold is announced before the auction and is the same for all bidders, so that the investor openly factors it into the price offered. In the restructuring and rehabilitation of an operating enterprise, the task of the social protection measures is different: not to compensate those already dismissed but to prevent large-scale job losses. For this purpose a subsidised short-time work scheme modelled on the German Kurzarbeit and a transfer company are provided for, and under this arrangement the worker is not counted as unemployed for a single day, which removes the main political fear associated with restructuring.

Table 6. Three reform scenarios and guarantees for the worker.

Scenario	What the worker receives
Bankruptcy and liquidation	Repayment of wage arrears (where the debtor's assets are insufficient - up to three months' earnings from the Guarantee Fund); severance pay of no less than three average monthly wages; insurance benefit of 60% of lost earnings for the first six months and 50% from the seventh to the twelfth, with a ceiling at 150% of the national average wage; retraining voucher; mobility grant on relocation
Privatisation	Reduction to the agreed employment threshold through voluntary departure of workers, financed by the investor on terms no worse than those established by law; for dismissals beyond the agreed parameters - enhanced severance pay of six average monthly wages at the buyer's expense; the general guarantees of the support system in full
Restructuring and rehabilitation	Compensation of 60% of earnings for hours not worked for up to 12 months in the event of a temporary drop in workload; where fifty or more redundancies are planned, transfer to a transfer company for up to 12 months on 75-80% of previous earnings, compulsory retraining and help in finding a job

Proposed parameters of the support system.

Today the region in which an enterprise in republican (central government) ownership is privatised, and most large assets fall into this category, receives nothing from the transaction, even though it is the region that bears the social consequences of the restructuring. It is proposed that the privatisation law should lay down a statutory allocation of every payment received. For assets in republican ownership, 50 per cent should go to the republican budget, to be used primarily to reduce public debt and recapitalise the Wage Guarantee Fund; 25 per cent to the budget of the region or the city of Minsk where the enterprise is located, exclusively for capital investment and development programmes; and 25 per cent to the Social Adaptation Fund. For assets in communal (local government) ownership, 75 per cent should remain

in the local budget and 25 per cent should go to the Social Adaptation Fund. The regional share of proceeds should be complemented by an inter-regional equalisation mechanism that takes into account not only the value of the privatised asset but also the scale of job losses, the territory's dependence on the enterprise and the costs of structural adjustment. Statutory allocation means that privatisation proceeds are earmarked even before they arrive: the shares going to the Social Adaptation Fund and to the regional budgets finance expenditure items that are shown separately in the financial model, while the part of the republican half that goes to reducing public debt is not available to finance the reform. Gross proceeds are to be reconciled with net proceeds when the first annual privatisation programme is prepared.

National (republican) property

national budget 50 % (public debt, recapitalisation of the Guarantee Fund)	regional budget 25 % (capital investment)	Social Adaptation Fund 25 %
---	--	--------------------------------

Municipal property

local budget 75 %	Social Adaptation Fund 25 %
-------------------	--------------------------------

Figure 6. Proposed allocation of privatisation proceeds.

The core of the retraining system should be a personal training voucher modelled on the German Bildungsgutschein: every worker made redundant in the course of reform procedures receives a personal certificate that can be used to pay for training with any provider on an open register. Two denominations are envisaged: a basic voucher of up to 2,500 roubles, roughly 80 per cent of the average monthly wage, for programmes of up to three months, and an extended voucher of up to 6,000 roubles for programmes of up to nine months, granted for retraining in shortage occupations, to workers over the age of 50 and to residents of single-industry towns. The money follows the person rather than being distributed among subordinate institutions. Payment to the provider should be linked to results, and the results-based part should be adjusted for the participant's initial profile, age, duration of unemployment and the state of the regional labour market, so that payment by results does not create an incentive to select only those trainees who are easiest to place in jobs. During training the trainee should be paid a stipend equal to the unemployment insurance benefit plus 25 per cent, so that retraining pays better than passive waiting. A mobility grant equal to twice the national average monthly wage should be paid to those taking up employment in another locality, in two equal instalments, on relocation and after six months in the new job, together with reimbursement of documented relocation costs and subject to a commitment to remain in the new job for at least one year.

The full social package per worker made redundant consists of five elements and comes to about 26,300 roubles, or roughly 8,500 dollars, of which 9,500 roubles is paid by the employer or the Guarantee Fund, while about 16,800 roubles falls on the insurance and adjustment systems.

6.3. What it costs and where the money comes from

The cost of the social package has been calculated on model assumptions that are set out openly and will be refined once data on the headcount of state-owned enterprises become available. The number of workers made redundant in the baseline scenario is taken as 100,000 people over the five years of the active phase, that is, about 7 per cent of the 1.4-1.5 million employed in state commercial organisations, or less than one and a half per cent a year. The average wage is taken at its actual level of 3,172 roubles (July 2026, Belstat data).

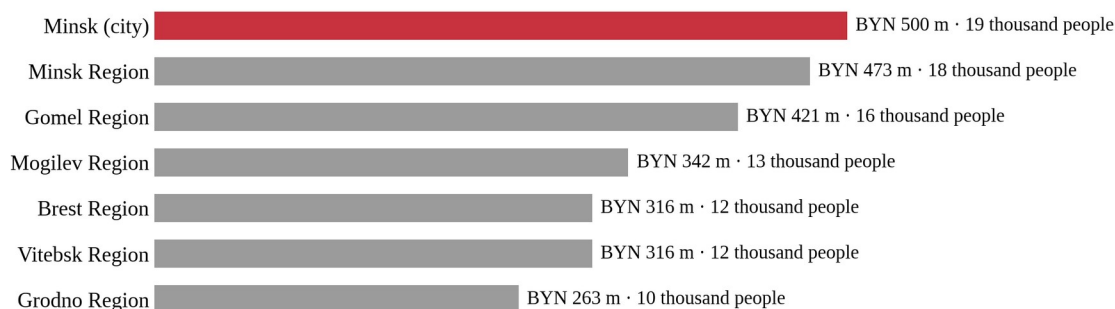
**Table 7. Composition of the social package per worker made redundant.**

Package element	Basis of calculation	Amount per worker, BYN
Severance pay	Three average monthly wages; an obligation of the employer, in the event of its insolvency - the Guarantee Fund	about 9,500
Unemployment insurance benefit	Replacement of 60% of earnings on average over six months	about 11,400
Retraining voucher	Basic denomination of 2,500 roubles for two thirds of participants, extended 6,000 roubles for one third	about 3,700
Employment assistance and worker profiling	Estimate	about 300
Mobility grant	Twice the national average monthly wage, with reimbursement of relocation costs, about 6,800 roubles per recipient; received by roughly one in five	about 1,400
Total		about 26,300

Model calculation at an average wage of 3,172 roubles.

The total cost of the programme comes to about 2.6 billion roubles over five years, or about 525 million roubles a year, which corresponds to roughly 0.2 per cent of GDP. To compare orders of magnitude, it is useful to set this sum against estimates of direct and hidden support for state-owned enterprises: according to an IMF estimate, the state's off-balance-sheet operations in favour of enterprises and banks alone amounted in 2016-2019 to between 1.0 and 2.2 per cent of GDP a year, and even the

lower of these estimates, one per cent of GDP, is five times the annual cost of the social package. The IMF's historical estimates allow a comparison of orders of magnitude but are not a precise measure of current spending on support for the state sector; the actual fiscal effect of the reform should be recalculated after an inventory of existing subsidies, guarantees, concessional lending and recapitalisations, excluding double counting.



Total BYN 2,631 million over five years, 100 thousand people, on average BYN 526 million a year. Regional breakdown is a model estimate.

Figure 7. Model cost of the social package by region over the five years of the active phase.

It is proposed that the social package be financed from four sources. The first is an unemployment insurance contribution of 0.5 percentage points, carved out of the existing rate of contributions to the Social Protection Fund (FSZN) without increasing the burden on employers: with a contribution base of about 100-110 billion roubles a year, it would yield 500-550 million roubles annually. The reallocation of 0.5 percentage points is treated solely as an illustrative financing scenario and is possible only if an actuarial assessment confirms the sustainability of the pension and other insurance functions of the FSZN; until such an assessment has been made, this resource is not regarded as a guaranteed source of financing.

The second source is the 25 per cent of privatisation proceeds credited to the Social Adaptation Fund: on a cautious estimate of proceeds of 2 billion dollars over five years, a quarter of this sum gives the fund on average

about 320 million roubles a year, with only 80-160 million roubles in the first two years. The third source is the Wage Guarantee Fund: its initial capital is to be formed from initial external financing and the republican share of privatisation proceeds, and it is to be replenished on an ongoing basis by an earmarked levy on employers of no more than 0.1 per cent of the wage bill, about three roubles a month per worker.

The fourth source is external financing: the EUR 3 billion Comprehensive Plan of Economic Support for a Democratic Belarus does not contain a separate component for social protection measures accompanying state sector reform, and agreements with the European Union, the EBRD and the World Bank on a dedicated financing line to form the initial capital of the funds should be prepared before the transition. In the stress scenario, with 150,000 redundancies, the annual cost would rise to



roughly 800 million roubles, and external financing would have to cover part of the ongoing costs of the adjustment system.

6.4. Territorial transition plans and the contract with society

For territories highly dependent on a single employer, protecting the workers made redundant is not enough, since the closure of a town-forming enterprise affects local budget revenues, the housing market, municipal infrastructure, small business, migration and demography. The answer is territorial transition plans: three-to-five-year programmes prepared in advance, before the restructuring of the key enterprise begins, and approved at the same time as the decision on it, covering diversification of employment, infrastructure projects, support for small and medium-sized enterprises, investment incentives for new production facilities and adaptation of social infrastructure. Financing should come from the regional share of privatisation proceeds and the Social Adaptation Fund, supplemented for the most vulnerable single-industry towns by earmarked external financing.

Social dialogue should be a mandatory element of every territorial plan, with three procedural requirements that admit no exceptions: mandatory consultation, publication of the minutes and a written response from the state to the main comments raised.

Social guarantees constitute the reform's contract with society. The state guarantees payment of wage arrears in the event of the employer's insolvency, an insurance benefit linked to lost earnings, financing of retraining and relocation, territorial plans for single-industry towns and consultation with workers before decisions are taken. The worker is expected to take part in profiling and in voucher-funded training, and to be ready to change occupation and to relocate. Each of the mechanisms described must be created and secured with funding before the active phase of restructuring begins: the Wage Guarantee Fund before the first bankruptcy, unemployment insurance before the first large-scale redundancies, the voucher-based retraining system before the first closure of a town-forming enterprise. If this sequence is observed, liquidation, privatisation and rehabilitation cease to be a threat and become a transition whose terms have been announced in advance, calculated and guaranteed by law.

7. Financial model: what the reform costs and who pays

7.1. Costs today, benefits tomorrow

The financial profile of the reform is asymmetric over time. Costs are concentrated in the first years: the social protection measures, the clean-up of bank balance sheets, the rehabilitation of enterprises and the creation of institutions. Benefits are spread over time: productivity growth, the broadening of the tax base through the private sector, an end to the open-ended subsidisation of losses, and the gradual restoration of the country's creditworthiness and of its access to external financing on market terms. The reform's need for net financing in the first years is natural and predictable. It is the alternative that is anomalous: preserving the current situation also requires funds, but they are spent indefinitely, without return and without result.

7.2. Three scenarios instead of a single estimate

A single aggregated estimate of the need for external financing is insufficient for a professional discussion, and the financial model is therefore presented in three scenarios for the active five-year phase. All parameters of the model are assumptions: they are calculated on the basis of the available statistics and, once full access has been obtained to data on the register of enterprises, the loan portfolios of banks and actual employment, they are to be

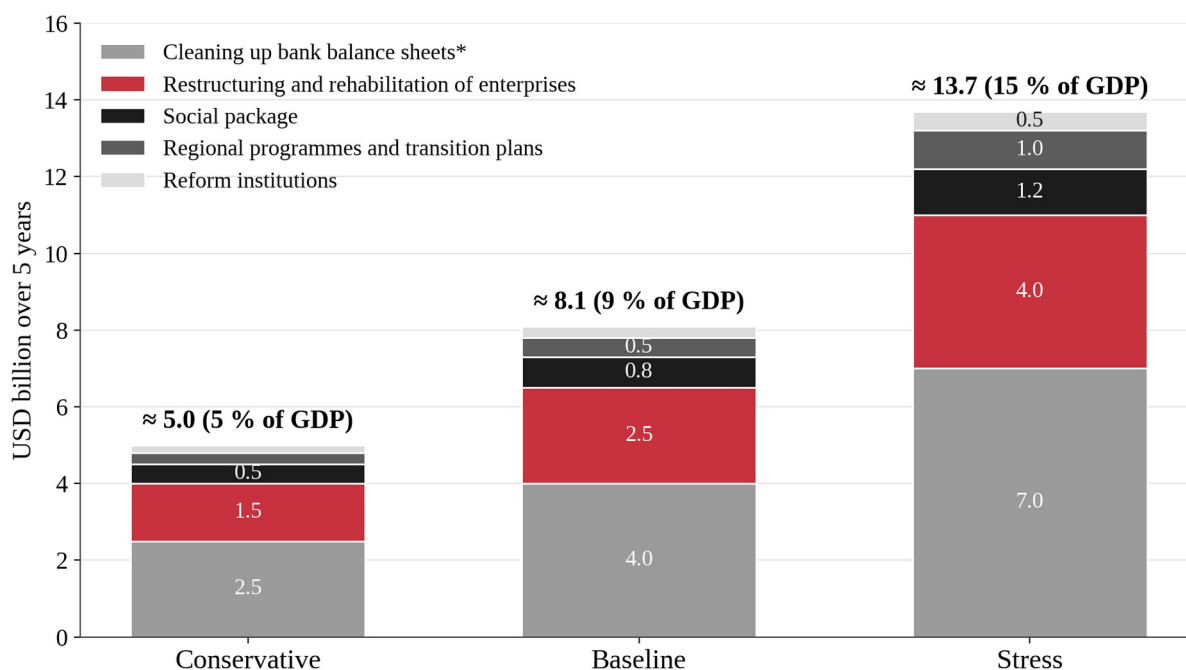
replaced by actual values without any change to the structure of the model.

In the **conservative scenario** the reform proceeds more slowly and not in full: around 60,000 workers go through redundancy procedures, privatisation is limited to small and medium-sized assets, and banks' problem claims are recognised and transferred only in part. The lower costs in this scenario are a consequence of the reform remaining incomplete, not of the problems being smaller in scale. The **baseline scenario** envisages around 100,000 workers who may lose their jobs over five years, the sale of prepared non-strategic assets and a clean-up of bank balance sheets on the scale of the baseline estimate. The **stress scenario** assumes that the scale of the problems turns out to be larger than diagnosed: 150,000 workers who may lose their jobs, a larger volume of banks' problem debts and weaker investor demand owing to external conditions. Privatisation proceeds are estimated cautiously in all scenarios: the baseline scenario envisages about USD 2 billion over five years, which corresponds to the sale of consumer sector assets, medium-sized state banks, small properties and real estate. The placement of minority stakes in the largest commodity and infrastructure companies, which could add a further USD 1-1.5 billion, is not included in the baseline estimate, since it depends on a separate political decision; if it goes ahead, these proceeds form a reserve for the model and reduce the need for external financing accordingly.

**Table 8. Financial model of the active phase (5 years): three scenarios, USD billion.**

Item (over 5 years)	Conservative	Baseline	Stress
Clean-up of bank balance sheets*	2.5	4.0	7.0
Restructuring and rehabilitation procedures of enterprises	1.5	2.5	4.0
Social protection measures	0.5	0.8	1.2
Regional programmes and transition plans	0.3	0.5	1.0
Reform institutions	0.2	0.3	0.5
Total costs ($\approx$ % of annual GDP)	$\approx$ 5.0 (5%)	$\approx$ 8.1 (9%)	$\approx$ 13.7 (15%)
Privatisation proceeds (gross, before distribution)	1.0	2.0	1.0
Savings from ending subsidisation (cumulative)	2.0	3.5	2.5
Total domestic sources	3.0	5.5	3.5
Peak need for external financing (first 3 years)	$\approx$ 3	$\approx$ 5	10-11

An illustrative scenario range based on model assumptions, not a forecast and not a commitment by potential donors. Privatisation proceeds are shown gross - before the costs of preparing and executing transactions and before the statutory distribution under Section 6, so the peak need for external financing is given pending clarification of net proceeds. * Conditional estimate: the volume of losses on loans to state-owned enterprises is unknown and will be determined by the results of an independent asset quality review of the banks; the values given set a range, not a requirement.



* Indicative estimate: losses on SOE loans will be established by an independent asset quality review of the banks

Figure 8. Costs of the active phase of the reform by item in three scenarios, USD billion over 5 years.

The largest item is the clean-up of bank balance sheets: for decades directed lending to the state sector has been accumulating claims on the balance sheets of state banks, a significant part of which will never be repaid, and their recognition, with transfer to a problem asset management company, is a one-off but unavoidable price of honest accounting. There are no direct data on the scale of the problem: official overdue debt on credits and loans as of 1 July 2026 amounts to only 1.8 per cent, but this indicator is hard to reconcile with the fact that one in four industrial organisations is loss-making, 61.7 per cent of industrial organisations have overdue accounts payable, and loans to

industry reach 98.6 billion roubles, that is, a third of GDP, and are concentrated in state banks. Such a combination is characteristic of loan portfolios whose quality is maintained by rollovers rather than by debt servicing, which is why the item is included in the model as conditional.

Until the independent asset quality review has been completed, which the roadmap envisages as one of the first steps, the Concept does not estimate the need for bank recapitalisation as a point estimate: the values from USD 2.5 to 7 billion represent a scenario range for the sensitivity analysis of the financial model, not an estimate of the losses that actually exist. After the asset quality review



these values will have to be separated: the volume of problem claims, the size of their impairment, the price of transfer to the problem asset management company, the banks' need for recapitalisation and the expected recovery are different quantities, and in the current range they are collapsed into one.

The restructuring item covers working capital and interim financing for enterprises undergoing a rehabilitation procedure. The reform institutions item includes the digital platform, the Agency, electronic auctions, the corps of managers and the regulators; it requires the lowest outlay and at the same time yields the greatest return.

7.3. The financing gap and the role of external support

The key feature of the model is a cash asymmetry: costs fall mainly in the first two to three years, whereas privatisation proceeds and savings on subsidies build up towards the second half of the five-year period, so the financing gap is correctly calculated on the basis of the peak years. In the baseline scenario the aggregate need for external financing over the first three years is estimated at approximately USD 5 billion, in the conservative scenario at about USD 3 billion, and in the stress scenario at USD

10-11 billion, that is, from 3 to 12 per cent of annual GDP, spread over three years.

External support covers the gap rather than financing the reform in full: in the baseline scenario the greater part of the costs is covered from domestic sources, that is, privatisation proceeds and the ending of subsidisation. External funds can be counted on only under two conditions which international financial organisations and the European Union invariably set for programmes of this kind: the genuineness of the democratic transition and the quality of the institutions through which the funds pass; this is why the creation of reform institutions is assigned to the first stage of the roadmap, and why agreements on support must be prepared in advance. The macroeconomic needs of the transition as a whole, namely the reserve position of the National Bank, budget support and the restructuring of public debt, remain outside the model: they are the subject of a separate macroeconomic programme. Privatisation proceeds are accounted for in the model as a gross value, before transaction costs and before the statutory distribution under Section 6; the domestic sources in the model are overstated by the amount of that part of the republican half which is directed towards reducing public debt.

7.4. Balancing the books: sources and uses

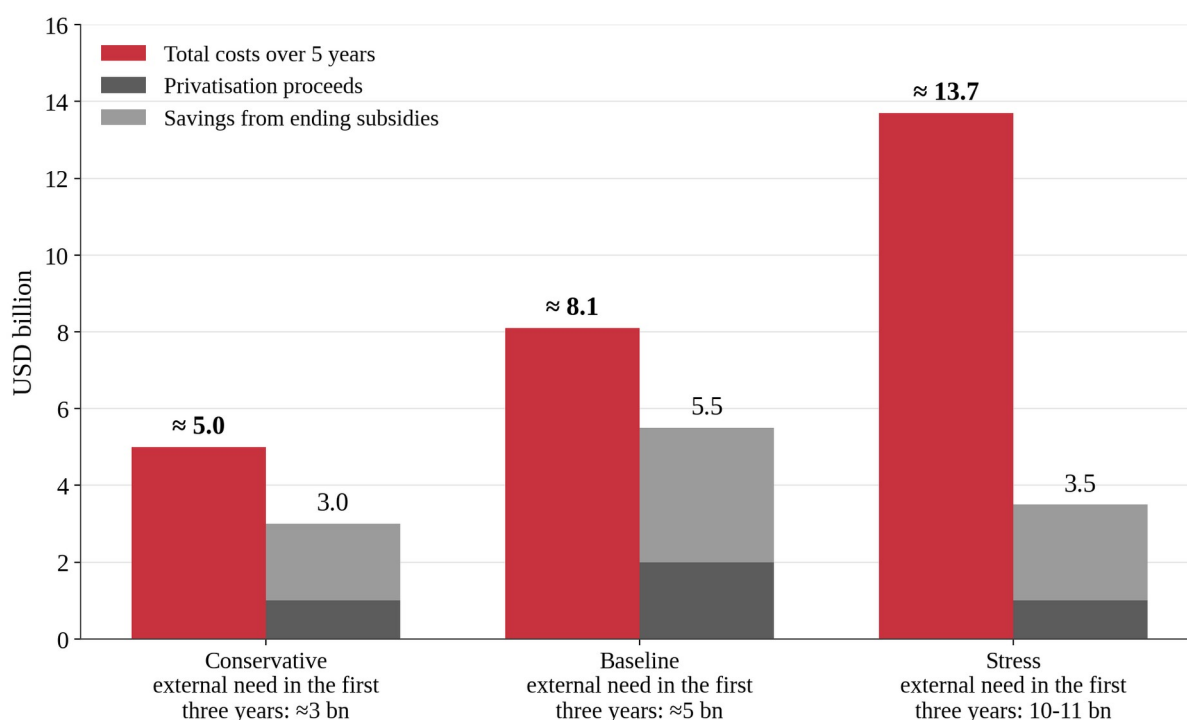


Figure 9. Sources of financing and uses of funds: how the costs of the reform are covered in three scenarios, USD billion.

The main benefits of the reform, however, lie outside the budget table: in halting degradation, overcoming dependence and restoring the country's capacity for development. The financial model does not prove that the reform pays for itself in the first years, since it will not and

should not. It demonstrates something else: with the right sequencing and sufficient external support the reform is financially feasible, and its deferred benefits are realised over a longer horizon than the model covers.

8. Roadmap and risks

8.1. Five stages

All of the above adds up to a roadmap. This is not a rigid timetable with exact dates, which under conditions of uncertainty would be a fiction, but a logic of stages, each of which creates the conditions for the next. The reform of the state sector is to unfold in four stages over approximately five years, and this period constitutes the active phase. The legislative and institutional foundation of the reform is laid in the first two stages, since without it neither privatisation nor rehabilitation procedures are possible. Beyond the active phase lies the fifth stage, consolidation and European integration, which is not a

part of the reform of the state sector but its result. This sequence is a map, not a prediction: the actual speed at which the stages are passed through depends on many circumstances, but their order cannot be rearranged at will.

The time frames are indicative. The transition between stages is determined not only by calendar time but also by the fulfilment of readiness criteria established in advance: completion of the diagnostics of the banking system, macro-financial stabilisation, and the readiness of the social mechanisms, the regulators and the asset management institutions.

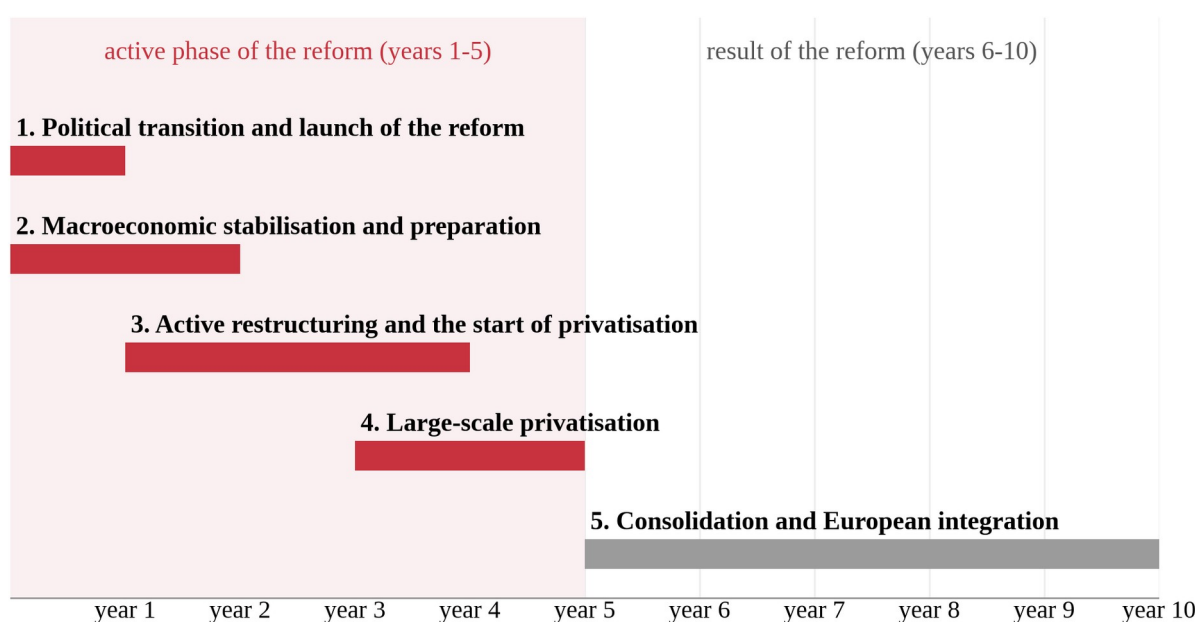


Figure 10. Timeline of the five stages of the reform (indicative horizon of about ten years).

The first post-transition reform in the state sector must be **transparency**, not privatisation: a single public register of state-owned enterprises with data on reporting, employment, debt position, volumes of state support, procurement, related-party transactions, rights to land and real estate, and the composition of governing bodies. Disclosure of data costs nothing by the standards of the reform, requires no external financing and lays the foundation for everything else.

8.2. What can be done now and how to synchronise the processes

From the logic of the stages it is easy to draw the mistaken conclusion that until the political transition there is nothing to do but wait. This is not so. There is preparatory work which, at the moment of transition, will allow a ready plan to be put into effect: the development of methodologies and institutional designs, the population of

the analytical platform to the extent that open data allow, the training of personnel, the building of relations with potential external partners, and the detailed design of the social protection measures and the regional programmes. Communication also belongs to the preparatory work: the main public question is not whether the liquidity ratio has been calculated correctly, but who will get the property and what will happen to a particular person, their wages and their town.

The final requirement of the roadmap is **synchronisation**. Three key processes, the lifting of sanctions, macroeconomic stabilisation and privatisation, must unfold in a coordinated way rather than separately or in an arbitrary order. The lifting of sanctions opens access to markets, capital and technology, without which stabilisation remains fragile and privatisation remains deficient. Stabilisation creates an economic environment in which privatisation makes sense and does not turn into a sell-off. Privatisation and restructuring realise the potential opened up by the lifting of sanctions and by stabilisation. A



breach of synchronisation devalues each of the processes individually: privatisation without stabilisation turns into capture and a sell-off, the lifting of sanctions without a ready programme of reforms opens a window of opportunity for the current controllers of assets, and stabilisation without the prospect of privatisation preserves an inefficient sector.

8.3. Risk map and risk management

A responsible reform concept must name the risks and propose ways of mitigating them. For each risk the Concept sets out specific mechanisms: risk management is built into the design of the reform rather than added to it from outside.

Table 9. Map of the main risks of the reform and the mechanisms for managing them.

Risk	How it is managed
Geopolitical: interference by Russia, up to and including attempts to derail the transition or to acquire key assets	Privatisation only after stabilisation and under the protection of institutions; screening of foreign investment and verification of the origin of capital; synchronisation of the reform with international support
Capture of the reform by narrow interest groups, domestic insiders or foreign capital	Transparency of procedures; independence of the reform institutions; an open electronic auction platform; public accountability
Social: mass discontent that undermines political support for the transformation	A social protection framework put in place in advance; an active employment policy; regional support; transparency that makes the reform understandable to society
Informational and methodological: limited and unreliable data on the state sector	A realistic attitude to data; gradual building up of a complete picture; the possibility of revising assessments provided for by the methodology
Reversibility: rollback and reversal of the reforms under pressure from domestic or external forces	Resilience of democratic institutions; verifiability and irreversibility of the changes; ensuring that broad sections of society benefit from the reform
Institutional resistance and insider capture	Disclosure of conflicts of interest and beneficial ownership links; fit-and-proper requirements (integrity and professional suitability) for managers and members of supervisory boards; independent audit and a documented trail of every transaction; strict rules on management buyouts; whistleblower protection; rotation of supervisory boards
Insufficient administrative capacity	Strict sequencing of institution-building; a single reform management centre under the government; international technical assistance; training of personnel ahead of the transition; model regulations; digitalisation of procedures; temporary engagement of foreign specialists; honest prioritisation

Two internal risks deserve particular attention. After the transition the opponents of the reform will be enterprise directors, sectoral bodies, regional administrations, banks and intermediaries extracting rent from distorted prices; a reform that does not take this interest into account will be absorbed by its own implementers, and the participation of former management in the privatisation of their own enterprise should therefore be permitted only on general

competitive terms. Even a conscientious new government may lack the staffing and organisational capacity to create all the envisaged institutions simultaneously; underestimation of this risk has ruined reforms more often than resistance to them, and the answer lies in honest prioritisation: a smaller number of institutions that actually work is better than a complete list on paper.

Conclusion

The formula of the entire Concept fits into a single sentence: this is not about selling off state property, but about a transition from managing all assets under a single administrative model to the professional management of different assets under different rules that are determined in advance and can be verified. The future of the Belarusian economy is determined by the right sequence of steps, not by a choice between fast and slow reform, nor by a preference for one ideological model over another. The design of the reform is held together by a single principle of sequencing: first the democratic transition, then macroeconomic stabilisation, and only after that privatisation and

deep restructuring under the protection of the institutions that have been created.

On this basis the Concept proposes mechanisms, each of which responds to one of the identified weaknesses of the current model. An analytical platform that measures the financial health of enterprises using nine indicators combined into six dimensions and assigns four preliminary routes according to uniform rules allows discretionary decisions to be replaced by decisions derived from data. A privatisation model with a protective perimeter against capture from outside and from within allows assets to be sold in such a way that a change of ownership means the



arrival of an efficient owner rather than a redistribution of rent. A system for restructuring and rehabilitating distressed enterprises, replacing the de facto ban on bankruptcy, allows viable enterprises to be saved and hopeless ones to be closed with dignity. Finally, the social protection framework as a precondition of the reform allows the transformation to be conducted in such a way that its costs are borne by the system rather than by the worker alone.

The Concept in its current form is a basis for discussion, not a final plan. The reform affects the interests of one and a half million workers of state-owned enterprises, their families, towns and regions, and its legitimacy cannot be secured either by the quality of the calculations or by the support of international partners if these people themselves have not taken part in formulating the terms of the transition. The next stage of the work must therefore be an open discussion of the Concept with workers and trade unions, representatives of business and local communities, independent experts, the Belarusian diaspora and the political forces of the democratic movement. A document that has passed through public discussion becomes not the authors' concept but an agreed position of society on how the country intends to deal with its legacy.

The second step, which must run in parallel with the discussion, is the translation of the Concept into the language of law. Each of the proposed mechanisms requires a legislative basis, and this basis can and must be prepared now: a law on privatisation, a new insolvency law with a preventive restructuring procedure, a law on foreign investment screening, acts on unemployment insurance, the Wage Guarantee Fund and the Social Adaptation Fund, and regulations on the Agency for Privatisation, on the National Holding of State Assets and on the public register of state-owned enterprises. A reform that has its laws in place by the moment of transition begins on the day of transition; a reform that does not have them begins with writing them and risks arriving too late for the window of opportunity for which it was conceived.

Belarus stands between a model that has failed and a moment that has not yet come but for which it must be ready. The country has what its neighbours did not have thirty years ago: time to prepare, knowledge of the mistakes of others, and the opportunity to agree with society on the terms of the transition before it begins. The aim of this work is to make use of this advantage and to meet the transition not with intentions but with a considered, verifiable and socially responsible strategy for turning a difficult legacy into the foundation of future development.