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**Aiming for a “Weatherproof” Environment
for Purposeful Development**

by

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The role of the services sector in the development of Belarus

I. Introduction

The development level of service sector is the major indicator of a society well-being. The service industry is important in building an effective non-resource innovative economy. Many countries that do not have sufficient scientific resources, technological and raw materials provide economic growth based on innovative development of the service sector. This way is acceptable for Belarus.

The share of added value in the gross output of services in Belarus is 68 per cent and exceeds the similar indicator in industry and agriculture by 39 and 24 percentage points, respectively.

The share of employed in the service sector in the total number of employees in the republic was 56,6 per cent in 2012 and 59,2 per cent in 2016. Women have the highest share of jobs in the sector – 70,3 per cent.

Structural transformation of the Belarus economy assumes increase of the importance of sphere of services in social and economic development of the country and its position in the world market. The Republic of Belarus is the small state with open economy. The republic ranks in the world – 84 in the territory, 92 in population. The share of Belarus in the main indicators in the world: GDP – 0,07 per cent, exports – 0,16 per cent, imports – 0,18 per cent.

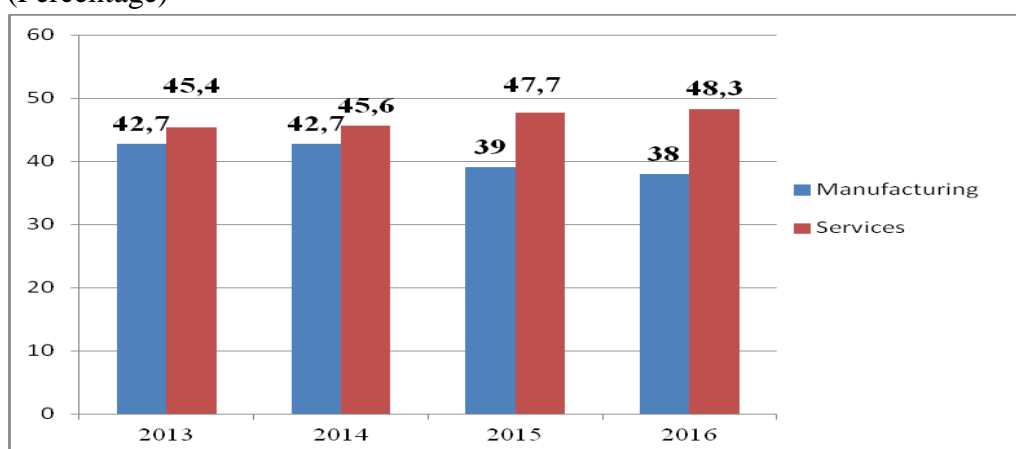
II. Services as a growing part of the Belarus economy

The development of the service sector and the national economy are interdependent phenomena: the development of the country's economy stimulates the growth of the services sector, and the service sector in turn increases the efficiency of production, and, therefore, activates economic growth.

In developed economies the share of services in the gross national product is 76%. In the Republic of Belarus this indicator reached 48,3 per cent in 2016 (figure 1).

Figure 1

Share of manufacturing and services in the GDP of the Belarus
(Percentage)



Source: Belarus in figures 2017, National Statistical Committee of the Republic of Belarus

The share of the industrial sector in the country's GDP has grown from 42,7 per cent in 2013 to 38 per cent in 2016 (according to the National Statistics Committee). The services sector has grown from 45,4 per cent in 2013 to 48,3 per cent in 2016 that is by 2,9 percentage points in three years.

The largest share in GDP in 2016 was occupied by such services as wholesale and retail trade (10,8 per cent), transport (5,7 per cent), real estate transactions (5,4 per cent), information and communication (5,1 per cent), education (4,3 per cent), financial and insurance activities (4,0 per cent) (table 1).

Table 1

GDP structure by types of services

(Per cent of total)

Indicators	2013	2014	2015	2016
Gross domestic product – total	100	100	100	100
Manufacture sector	42,7	42,7	39	38
Services sector – total	45,4	45,6	47,7	48,3
Including:				
wholesale and retail trade, car repairs and motorcycles	12,4	12,2	12,2	10,8
transport, warehousing, post and express activity	6,4	5,7	5,5	5,7
services for temporary residence and meals	0,8	0,9	0,8	0,8
information and communication	3,1	3,2	4,1	5,1
finance and insurance	3,1	3,2	3,8	4,0
real estate transactions	4,7	4,8	4,9	5,4
professional, scientific and technical activities	2,0	2,5	2,6	2,6
activity in sphere of administrative and support services	1,5	1,1	1,1	0,9
public administration	3,3	3,4	3,5	3,6
education	3,8	4,0	4,4	4,3
health services and social services	2,8	3,1	3,3	3,6
creativity, sports, entertainments and recreation	1,1	0,9	0,9	0,9
provision of other types of services	0,5	0,6	0,6	0,6

Source: Macroeconomics and the environment, National accounts

Wholesale and retail trade has the largest share in the structure of services, but characterized by a downward trend: in 2013 it was at the level of 12,4 per cent, and in 2016 already 10,8 per cent.

The share of health services and social services in total volume of services increased from 2,8 per cent in 2013 to 3,6 per cent in 2016. The financial and insurance sector have slightly increased from 3,1 per cent to 4,0 per cent in the analyzed period, education – from 3,8 per cent to 4,3 per cent, respectively.

The share of information and communication services increased from 3,1 per cent in 2013 to 5,1 per cent in 2016 that should be noted as a positive trend. In the Republic of Belarus in 2016, the Internet was used by 66,6 per cent of the republic population, cellular communication was at 93,5 per cent. Belarus took the 31 place among 175 countries in the rating of the International Telecommunication Union (ICT Development Index) in 2016 and climbed 10 positions up from 2013.

At the same time it should be noted that there has been a negative trend – a slight decrease in the share of services in the article "creativity, sport, entertainment and recreation" from 1,1 per cent in 2013 to 0,9 per cent in 2016 in the total volume of services, although the share these services is so insignificant.

Business and professional services are dynamically developing in the Republic of Belarus: marketing, insurance, leasing, real estate activities, consulting. At the same time the considerable part of the business services is carried out by own forces of the organizations. Slowly developing outsourcing, especially for the provision of legal, accounting services, services for development of new products.

Banking and insurance services are prospective directions for development. Remote servicing develops actively. The scale of operations with use of bank payment cards increases.

The change in the structure of the service sector by forms of ownership is an important trend in the transformation of this sphere at the present stage. Considerable part of services in republic belongs to the state ownership organizations. In recent years there has been a tendency for a more active development of small business in this area. As of the beginning of 2017 there were 86,901 micro and small-sized enterprises in the service sector.

The market of paid services to the population develops dynamically – 129,5 per cent for 2011-2016.

III. Exporters and importers of services in Belarus

The export of services in the Republic of Belarus has amounted 6,8 billion of dollars in 2016 (12,1% of GDP) and increased by 2,7 per cent compared to 2015 (table 2).

Table 2

Foreign services trade in Belarus

(Millions of dollars and percentage)

Indicators	Volume				Change		
	2013	2014	2015	2016	2014/2013	2015/2014	2016/2015
Total	12 759	13 613	11 004	11 060	106,7	80,8	100,5
Export	7 506	7 880	6 634	6 813	105,0	84,2	102,7
Import	5 253	5 733	4 370	4 247	109,1	76,2	97,2
Balance	2 253	2 147	2 264	2 566			

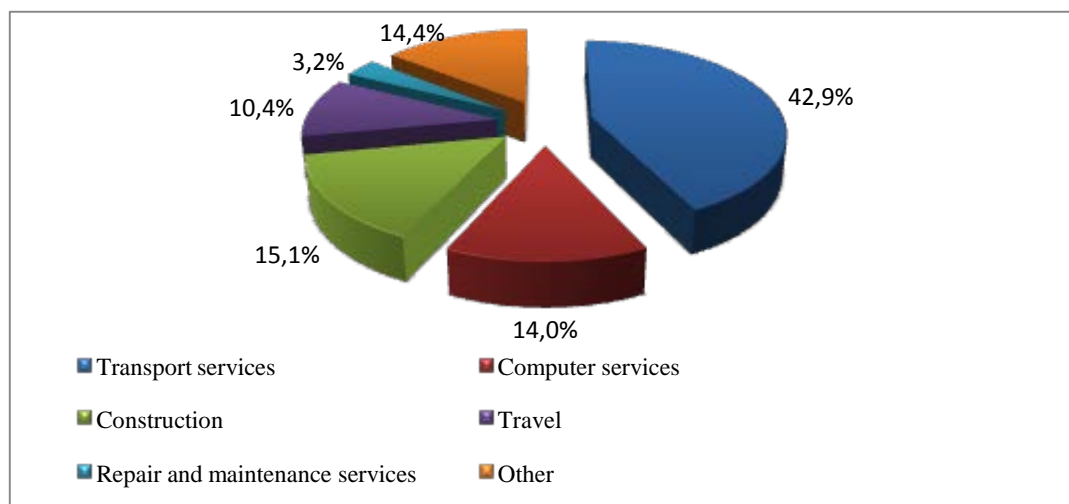
Source: Belarus in figures 2017, National Statistical Committee of the Republic of Belarus

The largest share in exports has been made by transport services – 42,9 per cent, which is explained by the favorable geographical position of the Belarus. Construction services (15,1 per cent) and computer services (14,0 per cent) also make a considerable share. Tourism services have made 10,4 per cent of total exports of services (figure 2).

Figure 2

Structure of exports of services in the Republic of Belarus in 2016

(Percentage)



Source: Belarus in figures 2017, National Statistical Committee of the Republic of Belarus

Exports of construction, computer, telecommunications services increased in 2016 compared to 2015 but decreased transport, tourism and financial services.

Export of computer and information services on one inhabitant of Belarus takes in the lead positions in Central and the Eastern Europe, exceeding identical indicators in Russia and Ukraine in two and more times. However the basic volume of export is necessary to the Russian Federation – 24,1 per cent from total exports of services.

IV. Trends in the Belarus services economy

Despite the positive dynamics of the development services economy in the Belarus, its growth rates remain low.

Trends in services trade in Belarus:

- Dominating influence the price factor on changes in foreign services trade.
- The leading part in export of transport services. At the same time, the role of such profitable services in developed countries as audit, consulting, leasing, insurance is insignificant. The main reasons of this situation are the imperfection of the infrastructure, including the financial market, shortage of necessary financial resources, absence of skills for realization of scientific and technical production on foreign markets.
- Limitations for the participation of foreign investors in the services sector. For example, services of stationary telecommunication, transfer and electric power distribution, transportation of cargoes by rail are closed for arrival of foreign proprietors.
- Low innovative and investment activity.
- Shortage of highly-skilled personnel.
- Poor development of services in small towns and a countryside.
- The slow development of small and medium- businesses in this area.
- Underdevelopment of modern infrastructure.
- Insufficient access to financing.

V. State policy of services development for structural transformation

The Concept for the Development of the Service Sector in the Republic of Belarus for 2015-2020 was developed for the purpose of definition of the basic directions of the development services economy and foreign trade in services. Its structure and content are based on the tasks, priorities and parameters of the development service sector, set in the National Sustainable Development Strategy of the Republic Belarus for the period until 2030.

Further sustainable development of foreign services trade requires the implementation of the following areas:

- stimulating privatization and attraction of direct foreign investments (FDI);
- adaptation of the services market to WTO norms;
- equal business conditions for public and private companies: reduction of subsidies to state enterprises;
- reconstruction and modernization of the infrastructure of foreign trade in services;
- liberalization of the conditions for the implementation of economic activities in the service sector;
- integration of material production and services, first of all, in science-intensive sectors of manufacturing and telecommunications;
- further development of modern forms of foreign economic activity in the service sector (for example, franchising, know-how, leasing);
- participation in international strategic alliances in the field of information, computer, telecommunications, space, aviation services, research;
- improving the advertising activities of service companies abroad;
- improvement of the system of collection taxes, fees and customs control.

VI. Conclusion

Modern development of the service sector does not enough correspond to the national economy.

One of the most important strategic directions for the development of the services economy in Belarus is wide application of modern information technologies and technologies of e-commerce.