

The ICT Sector in Belarus: From Growth to Contraction

Anastasiya Luzgina

16 May 2024



Executive Summary

The Belarusian Information and Communications Technology (ICT) sector experienced significant growth until 2022 but since then a number of political and economic factors have resulted in shortages and a subsequent crisis in the industry. The immediate prospects for the ICT industry in Belarus are not optimistic. The reluctance of many European and US partners to work with the ICT companies of a co-aggressor country, as well as the negative impact of sanctions have shrunk the Belarus ICT sector and reoriented it towards working with Russia. There are measures the European Union could take to facilitate Belarusian ICT companies in Europe and counter Russia's influence in this sector.

Drivers of the ICT Sector

In the period of 2010–2021, the Information and Communications Technology (ICT) sector in Belarus became one of the country's main economic drivers. The ICT sector accounted for 2.5% of gross domestic product (GDP) in 2010, but by 2021 it had reached 7.4%. The number of employees grew from 79,200 to 144,300 in the same period. The value of exports of computer services increased from \$217.7 million in 2010 to \$3022.4 million in 2021.

The significant growth of the sector can be explained by several factors. The first stimulus occurred when a High-Tech Park (HTP) was established in 2005. Park residents had the flexibility to work from any part of Belarus, provided their activities aligned with a list of ICT services approved by the government. ICT companies were incentivised to become HTP residents by the significant tax benefits the HTP offered. It is not surprising that the majority of ICT companies opted to become HTP residents, and there are currently over 1,000 companies operating from the HTP. Despite the flexibility over residency, which allows companies to operate from anywhere in Belarus, the majority of offices are located in Minsk, while only about 100 companies, or 10%, operate in other Belarusian cities.

Until 2017, Belarusian ICT companies had to work with foreign markets as the domestic market was too small and could not offer competitive contract prices. The Belarusian ICT sector was therefore primarily focused on outsourcing. In 2016 the share of outsource companies was 64.1%. This period is commonly referred to as HTP-1.

Towards the end of 2017, Presidential Decree No. 8 On the Development of the Digital Economy expanded the list of activities eligible for entry into the HTP to include educational, agricultural and healthcare businesses related to ICT, as well as developers specialising in artificial intelligence (AI), unmanned vehicle control, blockchain, fintech and banking software, among others. Belarus became the first country in the world to introduce cryptocurrency regulation, through a specific legislative regime. Another trend in this period was the increase in the number of product based companies from just 20 among the HTP residents in 2017 to more than 300. This period is known as HTP-2.

The national ICT sector primarily worked with US and European clients, facilitated by the high demand for Belarusian specialists worldwide. Until 2022, the global ICT market experienced rapid growth. In addition to high external demand and favourable national legislation, several factors contributed to the growth of the Belarusian ICT sector. Belarusian universities worked in cooperation with ICT companies to produce high-quality technical specialists. At the same time, salaries in the sector were among the highest in the country. For example, the average monthly wage in Belarus in 2020 was 1255 Belarusian rubles (\$515), but the average wage in the ICT sector was 4007 Belarusian rubles (\$1645). The high demand for ICT specialists led companies not only to offer high salaries, but also to provide comfortable working conditions and social benefits to employees and their families. High incomes attracted young people to the sector. The majority of specialists working in ICT were under 40 years old. People with a technical education and professionals from other sectors of the economy transitioned to ICT roles.

The rapid growth of the ICT sector in Belarus was also attributed to minimal state pressure on its activities. Unlike other sectors, which faced constant inspections and changes in leadership, the ICT sector experienced relatively little interference. This freedom, combined with the young age of workers and the adoption of western management styles, contributed to a more rapid embrace of democratic values among ICT specialists and their families. This, in turn, was one reason for the intense protests among the ICT community against the results of the 2020 presidential elections, and for their subsequent relocation outside Belarus.

The Current Situation: Challenges and Trends

In 2022, the situation in the Belarusian ICT sector began to change drastically. The persistence of negative economic and political trends, along with Russia's war in Ukraine, began a process of relocation by ICT specialists to other countries, which led to a shrinkage of the sector. This was the first time in 16 years that export growth among HTP firms was negative (see Figure 1).

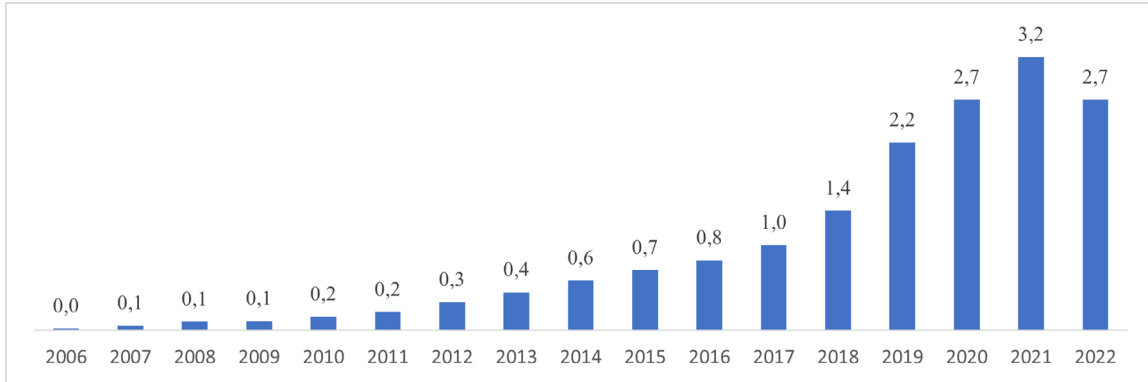


Figure 1. Export dynamic of High-Tech Park firms (US \$ billion)

It was not only individuals and their families who left the country. A range of famous Belarusian ICT companies also decided to change their strategies in Belarus. In 2022–2023, companies such as IBM, EPAM, Wargaming, Flo, WorkFusion, OneSoil, Wannaby, Kreosoft and Playtika either left Belarus or downsized their operations. The number of layoffs consistently exceeded the number of new hires. Nonetheless, the net shortage in the labour force in the sector exceeded 19,000 people (see Figure 2).

Furthermore, the ICT sector's contribution to GDP between 2020 and 2024 almost halved. In January 2020, the ICT sector contributed 7.3% of GDP, but by January 2024 this had decreased to 3.7%.

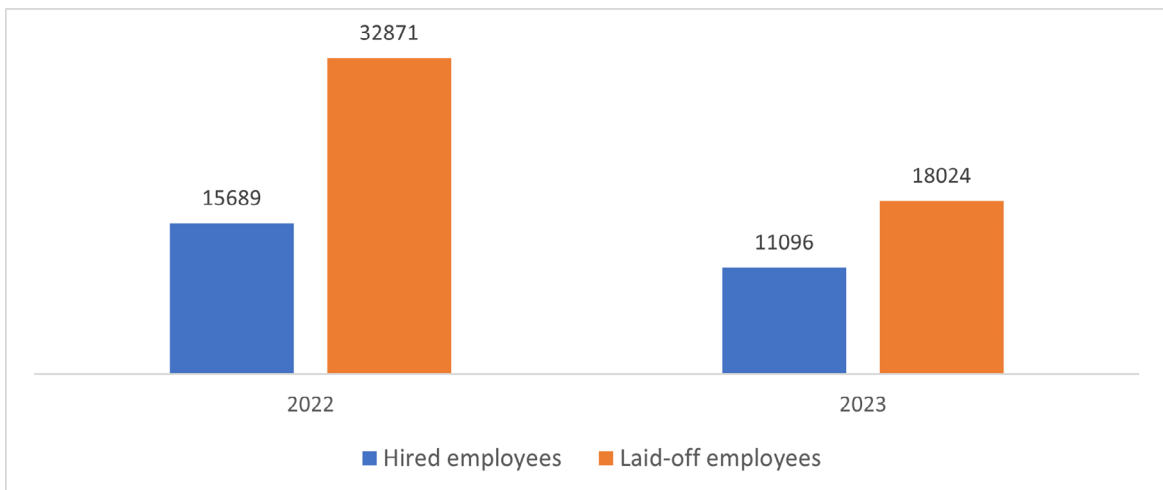


Figure 2. Number of hired and laid-off employees in the ICT sector

The Belarusian government has taken steps to respond to these challenges. Aliaksandr Lukashenka held meetings on the situation in the ICT sector in 2022 and 2023. In April 2023, a Decree On the High-Tech Park was signed, establishing a management company for the HTP with the aim of promoting the expansion of the its exports, establishing international cooperation, strengthening the business reputation of the HTP and attracting investments. Before the end of 2024, the government is expected to adopt a special act defining the legal basis for HTP activities. Despite adoption of the Decree in the first half of 2023, however, the situation in the ICT sector has continued to deteriorate.

Improving the environment for the ICT sector through market mechanisms presents severe challenges today due to the country's negative investment environment and political image. The Belarusian government has unilaterally begun paying off euro bond debt in Belarusian rubles and has drawn up a list of company owners who are prohibited from selling their shares. According to resolution no. 382 of 10 June 2023 of the Council of Ministers, this list includes about 1800 legal entities. A similar ban on companies with capital from unfriendly countries was subsequently lifted, but these were required to obtain authorisation from local authorities for the sale of their assets and to pay to leave Belarus.

Western sanctions also create problems for the successful operation of the ICT sector. Although there are no strong restrictive measures targeted at the ICT sector itself, business relations with residents of Belarus can affect a company's reputation, given that the majority of partners of Belarusian ICT companies are located in EU member states or the US.

A related problem is the sanctions against the banking sector in Belarus. In 2022, several banks, such as Development Bank, Bank Dabrabyt, Belagroprombank and Belinvestbank, were cut off from the SWIFT system. This has created difficulties with international transactions, making it difficult for companies and individuals to receive payments in US dollars or euros. As a result, many employees have experienced delays in receiving wages.

Problems with obtaining income from abroad, the discomfort of living and working under conditions of increasing government control, as well as the negative image of Belarus and risks of administrative and criminal prosecution for participation in the 2020 protests, have resulted in the widespread relocation of the ICT sector.

The migration of ICT specialists was supported by the introduction of a special Polish programme known as the Poland Business Harbour (PBH) Programme, developed for ICT workers, high-tech start-ups and ICT companies planning to relocate their employees. The PBH Programme involved a special visa that allowed ICT specialists and their families to access the Polish labour market in a simplified manner and apply for a Blue Card or temporary residence permit. In 2022 alone, Poland issued 61,365 PBH visas for Belarusians.

There is no information on how many ICT specialists relocated in 2020–2023 but there is data on how many Belarusians have resident permits in Poland. There were only 17,776 such valid documents at the beginning of 2020 but by the beginning of 2024 there were 116,789 Belarusians living in Poland permanently. This accelerated growth in the number of Belarusians with residence permits was due in part to the relocation of ICT specialists. The PBH Programme was suspended at the end of 2023 but a dialogue between the Polish government and ICT companies is continuing regarding the development of new simplified conditions for hiring ICT specialists from Belarus in the future.

Conclusions and Future Prospects

The development of the ICT sector in Belarus is currently hampered by the difficult political situation in the country, the strengthening of the planned economy over the market economy, as well as the negative economic and political image of Belarus abroad. High-risk economies, such as Belarus, cannot attract foreign direct investment. In addition, other countries have started to compete with Belarus on providing a positive legal and tax environment. For example, Uzbekistan has recently begun to provide tax exemptions, an income tax rate of 7.5%, zero-rate customs duties and the option to pay dividends and wages in foreign currency, as well as easy access to the labour market for foreign nationals.

The risk of mandatory assignment of jobs for students, uncertain career prospects and compulsory military service for men are driving many young Belarusians abroad to study in foreign universities. The number of Belarusian students in Poland increased from 2,344 in 2012 to 12,092 in 2022.

Another crucial trend focuses on the reorientation of some Belarusian ICT companies and specialists towards Russia. The exodus of certain technology companies from the Russian market as a result of sanctions has increased demand for Belarusian ICT products and specialists. Russian companies have also started to establish research and development (R&D) offices in Belarus. For instance, the fintech company Tinkoff has recently opened two R&D offices in Belarus, and companies such as Astra, Yadro and VK Holding also have R&D offices there.

All these changes in the ICT sector indicate a growing dependence on Russia, increased influence on the sector from the government and a loss of opportunity by Belarus to position itself on the global market as a regional ICT leader.

Policy Recommendations

- The EU and its member states should develop and support programmes that create favourable conditions for Belarusian students to study in European universities and, if necessary, for the migration of Belarusian ICT specialists and their families abroad, in a similar way to the PBH Programme.
- It is important that the EU seek to reduce Russian influence on the Belarusian economy in general and the Belarusian ICT sector in particular by developing appropriate restrictive measures that could curb this trend.
- The EU should acknowledge the important role of the ICT sector in fighting against the Lukashenka regime in 2020 and strengthen its ability to support the Belarusian democratic movement in exile.
- It is crucial that the EU develop policies that distinguish between Belarusian and Russian ICT migrants and minimise cases of discrimination against Belarusian ICT specialists.



Anastasiya Luzgina

PhD in Economics. Research Associate at Belarusian Economic Research and Outreach Center (BEROC).

About SCEEUS

The Stockholm Centre for Eastern European Studies (SCEEUS) at the Swedish Institute of International Affairs (UI) is an independent Centre, funded by the Swedish Government, established in 2021. The Centre conducts policy relevant analysis on Russia and Eastern Europe and serves as a platform and meeting place for national and international discussions and exchanges on Russia and Eastern Europe. Guest Commentaries are written based on the views of the writers and do not necessarily reflect the views of SCEEUS.

© 2024 Stockholm Centre for Eastern European Studies

Previous SCEEUS Publications:

[Ukraine-Belarus Relations in the Shadow of War by Pavlo Rad & Iaroslav Chornogor](#)

SCEEUS Guest Commentary No. 8, 2024

[Belarusian Civil Society Inside and Outside of the Country by Tatsiana Chulitskaya](#)

SCEEUS Guest Commentary No. 7, 2024