KEF-2016 "Reforms for Inclusive Growth": Key Findings and Recommendations[*]

I. Global economic trends

1. **The global economy is entering a new cycle phase characterized by decreasing share of active consumers and absence of new growth factors.** *Andrey Movchan*, Senior Associate and Director of the Economic Policy Program at Moscow Carnegie Center, proposed the idea. During the previous phase, declining poverty and high birth rates played an important role in driving consumption. The current level of global poverty is relatively low, and the birth rate – which has dropped significantly – continues to fall. In other words, emergence of new consumers and, thus, economic growth per se will witness a major slowdown. Migration (even now, in the midst of the EU migration crisis) is marginal to generate a noticeable boost in consumption in developed economies. All this is taking place against the background of ageing population constituting one of the key midterm challenges for both regional and world economy. According to *Marek Dabrowski*, Non-Resident Scholar at Bruegel (Brussels, Belgium), another challenge is the decreasing share of employable population in most developed and developing countries and its simultaneous increase in less developed states, which will produce additional disparities and become a factor inhibiting global economic growth.

2. **Monetary policy of developed countries does not affect long-term global economic growth – in fact, its short-term stimulating effect has disappeared.** Money velocity fell due to increased money supply, while savings increased without additional opportunities to invest. Thus, the cost of borrowing dropped to its historical minimum, and the excess money supply will remain. Yet, this does not mean that budget revenues will grow, since surplus non-invested assets are not taxable. Moreover, despite the positive borrowing environment, utilizing debt to fund state investment into fixed assets appears inefficient – it does not yield expected payback, generates additional budget burden and eats into other important budget line items.

3. **Trade barriers will fail to support home producers and ensure growth, but will rather become a challenge for countries practicing them due to shrinking domestic markets and national economies becoming overly interdependent as the result of external trade and international value chain development.** A way to respond to it is to tap into such chains exactly in points of generating the highest value added, which – in the context of the new cycle phase – will be mar-

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keting and R&D. Marketing will play a special role, as the competition for active consumers will escalate.

4. **As the post-2008 crisis comparative advantages have changed, management gaps and the interests of the elites – which did not impede national economic development at the time of strong global economy – suddenly became factors limiting growth recovery.** *Hans Timmer*, Chief Economist for the Europe and Central Asia of the World Bank, noted that when the situation came around the first reaction of politicians, business and households was trying to go back to pre-crisis setting, which turned out impossible due to drastically altered environment. Mr. Timmer believes politicians should seize new opportunities and foster the emergence of new companies. To this end, China serves a good example of a country where institutional enhancements and adaptation to external fluctuations are continual. In fact, the Chinese government was able to establish a social contract model within which the demand for change and stability are balanced out, thus maintaining the reform momentum.

5. **China previously generating more than a quarter of global GDP growth, will maintain its significant impact on global economy, with its approach to "rebalance" dictating the nature of this impact.** *Ikka Korhonen*, Head of Bank of Finland's Institute for Economies in Transition (BOFIT), stated that whereas gradual shift from investment to consumption will benefit the global economy, sharp cut in the growth of investment will negatively affect major China's trade partners due to reduced demand for unfinished and investment goods. The complexity of slow rebalancing lies in the fact that fast capital accumulation caused China's production assets to excessively expand, which led to significant underutilization of their capacity. In its turn, this created conditions for accelerated contraction of productive investment.

6. **Russia's growth prospects remain dim – reaching the 2% annual growth rate requires growing capital accumulation and common factor productivity (so that their contributions to GDP growth remain at 1.2% and 0.8%, respectively).** The comment came from *Andrey Klepach*, Chief Economist and Board Member of Russia's Vnesheconombank, who presented the 2015-2016 data demonstrating the same share of capital accumulation with declining productivity. Furthermore, in 2013-14 the rate of productivity growth was twice as low as required for securing the 2% GDP increase. Finally, GDP investment has never reached the 25% level, without which even the 2% long-term growth stands no chance. Thus, without changing the investment climate (i.e. structural reforms) Russia's growth rate will be rather slow. Soft monetary policy cannot help growth recovery – it will simply lead to accumulation of excess assets without their further investment. Another aggravating factor is that oil production is at its peak and will soon start to drop (the next decade might see its twofold cut), whereas in absence of oil revenues Russia will fail to keep up the development of its non-oil sectors by stimulating domestic consumption. Effectively, Russia placed its bet on growth factors (re-industrialization, agriculture development, focus on public investment, etc.) irrelevant in the context of the new cycle phase.

7. **Belarus's high dependency on a single large partner – Russia – makes its economy extremely vulnerable to such partner's internal economic shocks and, thus, foreign trade diversification is vitally important.** The EU has been the largest consumer of distance-sensitive Belarus-

ian goods. In this vein, even though signing a Deep and Comprehensive Free Trade Area (DCFTA) Agreement appears unreal, Belarus should become more open to mutual trade options with the European Union. Transit between the EU and Russia looks like Belarus's natural niche, and it should use it to the fullest by creating competitive advantages compared to both partners. Whereas competition with the EU might stem from tax regimes, competition with Russia might proceed from the attractiveness of Belarus's living and employment conditions. Israel is another small open economy similar to Belarus based on several parameters. It succeeded in focusing on its natural advantages and building a competitive economy with developed stock market and service sector, within which human capital investment and interface among science, education and health play a major role.

II. General recommendations for Belarus

8. **Investment into healthcare, science and education creates a "favorable cycle" as it forms, firstly, an environment for generating new knowledge and business ideas (transition to "innovation as lifestyle"), and, secondly, highly skilled workforce as a production factor.** In other words, it is possible to ensure the inclusive nature of growth by focusing on human progress. To this end, the state's role is to secure such inclusive growth not only via fostering human development investment but also by increasing investment availability and creating suitable investment climate. Specifically, *Paul van Oostveen*, Chargé d'affaires ad interim of the Embassy Office of the Kingdom of the Netherlands in Belarus, highlighted several factors that made his home country attractive for investors: a) highly educated population (the majority speak foreign languages), b) developed infrastructure, c) legal transparency and predictability, d) advanced conditions for promoting innovations, and e) rule of law, i.e. presence of clear and specific procedures to protect ownership rights.

9. **Transparency and predictability of the "rules of the game" forming the basis of "comfortable" investment climate may be ensured, for instance, by WTO membership.** *Andrea Wictorin*, Senior Regional Resident Representative for Central and Eastern Europe at the IMF European Department, pointed to the importance to the EU of stable and secure transit via Belarus as well as clear foreign trade requirements. In this respect, membership in the WTO and, thus, being subject to its "enforcement mechanisms" may foster the stability of internal Belarus's administrative procedures. *Elizabeth Hafner*, Assistant USTR for Russia and Northern Eurasia in the Office of the U.S. Trade Representative, noted that it is important to seek direct WTO membership, rather than as part of a trade block like the EAEU – the latter dominated by Russia's interests, and Russian market being the most attractive among other EAEU members for investors due to multiple mutual trade exemptions and political factors making investment into other EAEU economies with the intent of further supply to EAEU (ex., Russian) market too risky.

10. **Under current unfavorable external conditions, social and economic policy decision-making in Belarus hinges on choosing between minimizing negative short-term effects and taking steps with potential short-term adverse ramifications but important for long-term development.** Thus, according to *Nikolai Snopkov*, Deputy Chief of Belarus's Presidential Administration, the design of social and economic policy by all means should account for behavioral aspects. Only then will it be possible to neutralize short-term adverse economic consequences of economic

transition and, likewise, minimize the internal conflicts associated with certain policy decisions. Regional experiences speak in favor of swift and comprehensive reforms. As was stated by *Bas Bakker*, Division Chief of the Emerging Europe Regional Division in the IMF European Department, by embarking on quick but thought-out reforms Poland was able to achieve much better results than, for instance, the Ukraine with its slow and often inconsistent approach.

11. **In order to ensure maximum efficacy of reforms and growth inclusiveness, it is vital to be most specific while identifying vulnerable groups and molding measures based on country peculiarities**. For example, when putting together its reform plans, China identifies "problematic zones" and designs corresponding measures to overcome potential negative impacts in advance. *Ben Slay*, Senior Advisor of UNDP Regional Bureau for Europe and CIS, stated that international financial institutions (IFI), including UNIDO, are willing to render necessary technical assistance. To set targets and monitor their achievement, Belarus may use the system of sustainable development aims, objectives and indicators. As a mid-income economy, Belarus should pay attention to: a) economic sustainability – moving up along global added value chains to avoid middle income trap and relying on domestic development investment by cutting the share of shadow economy and subsidies associated with fossil fuels; b) social sustainability – promoting uniformity of social security, accessibility of basic services for socially vulnerable groups, introduction of minimal social security norms; c) environmental sustainability – energy efficiency, renewable energy, adaptation to external changes. According to *Sanaka Samarasinha*, UN Resident Coordinator/UNDP Resident Representative/UNFPA Representative in Belarus, it is important to see the linkages among all these elements, as disregarding them hinders both sustainable development and inclusive economic growth. *Yekaterina Paniklova*, UNDP Deputy Resident Representative in Belarus, also highlighted the role of the comprehensive approach to sustainable growth as well as focused on reducing inequality among regions with development of local self-governance, budget decentralization, engagement of civil society in addressing local-level issues being the key tools of doing so.

12. **IFI's should support Belarusian economic authorities' reform agenda with special emphasis on measures to boost productivity, which would be hard to reverse afterwards**. Such an approach would generate proponents (business owners, qualified salaried employees, etc.) who would then oppose any attempts to pull the reforms back. Among such transformations, *Marc Allen*, Senior Resident Representative in Central and Eastern Europe of the Center for Economic and Social Research, CASE (Warsaw, Poland), referred to distribution of municipal and excess public property as well as privatization and commercialization of agricultural land. This would allow landowners raising the efficiency of their investments into their operations and, likewise, increase their confidence that it would be them who would enjoy benefits associated with better productivity or losses due to lack of action. Efforts promoting flexible use of such resources and development of production factors' markets would render property rights more meaning and would leave fewer opportunities to turn the tide on the reforms.

13. **Belarus government identified the key reform avenues in the *Main Provisions of 2016-20 Social and Economic Development Program*, and so now the key task is their operationalization.** As *Alexander Zaborovsky*, First Deputy Minister of Economy of the Republic of Belarus, noted, the foremost current aim is escaping the L-shaped growth curve, i.e. the continuous stagnation forecasted

based on economic policy inertia. Return to the old "growth model" advocated by a number of Belarusian and regional experts, may have a catastrophic economic aftermath. For this reason, it is vital to make the decision of *how* to reform the economy as soon as possible (this idea was favored by *Irina Tochitskaya*, Academic Director of the IMP Research Center). Thus, the government's objective lies in spurring potential GDP growth, which is in line with IFI recommendations. The main effort should target effective management of public property under restricted budget and obligations to cut directive lending.

14. **For reforms to be effective, it is necessary to align public administration and socio-economic decision-making with the new economic model with market mechanisms at its core.** Firstly, it is essential to identify the spheres of state responsibility and stay within them. Budget funds are limited as never before, and the country's long-term development depends on their sensible allocation. Secondly, it is required to decentralize decision-making on key reforms and clearly break down corresponding powers among top public officials, public administration agencies and lower-tier organizations. Public administration structure should be harmonized with the new executive system. Thirdly, it is critical to lay the basis for judicial reform. Restoration of trust on behalf of business and investors is of vital importance for the government. It is impossible to do so without guaranteed ownership rights and the rule of law, i.e. an effective and independent judicial system. *Kirill Rudy*, former Economic Assistant to President of Belarus, presented the statistics on administrative cases related to economic charges – based on it, in 2015 their number grew from 9,000 to 13,000 with adjudications imposed in 9 out of 10 cases that made it to court. Moreover, appeals in such cases, as a rule, yielded no result – the same year, only 6 out of 112 appeals against the decisions of customs authorities and 6 out of 78 legal actions against taxation authorities were successful.

III. Reforming the public enterprise sector

15. **Reforming public enterprises is needed for their adaptation to the "new reality" – due to changes in the global economy, structural modifications should take place on regular and monitoring on ongoing basis.** For instance, in China the reform of public enterprises aimed to enhance their competitiveness and ability to quickly react to external and internal fluctuations as well as strengthening their orientation on global markets. As was stated by *Karlis Smits*, Senior Economist on Belarus and the Ukraine of the World Bank, when the external or internal environment alters, the contradicting aims set by public enterprises for themselves impede their efficient adaptation to shifting economic conditions. Thus, within the initial reform phase it is important to audit public enterprises and classify them based on the tasks set for them by the state: 1) these operating on commercial markets – generating maximum profit for public owners; 2) these working on socially significant projects – internalizing positive external effects and controlling natural monopolies. In the latter case, the government plays the role of an agent promoting economic development.

16. **Effective management and supervision of state-owned enterprises are important to minimize fiscal risks.** *Brian Olden*, Deputy Chief of the Public Financial Management Division of the IMF, pointed to a whole spectrum of fiscal risks – including direct (lower revenues and larger subsidies) and indirect (state guarantees, including latent, financial dependency on directed loans, recapitalization needs, etc.) – related to improper supervision and ineffective management of public enter-

prises. Introduction of robust transparency standards and information disclosure serves an important prerequisite of effective management, as they permit addressing the issue of asymmetric data and ensure efficient stakeholder supervision. As the representative of the interest of owners, i.e. the public at large, the legislature constitutes the key consumer of information disclosed by public enterprises. Fiscal reporting should include risk assessment, including their quantitative and probabilistic analyses. In the same vein, budget reporting should incorporate strategies to mitigate fiscal risks. In this regard, it is necessary to build the capacity of economic ministries to detect and assess fiscal risks based on specialized analytical tools.

17. **Segregation between the state's roles of the owner – maximizing profit generated by its assets – and the regulator – establishing equal rules for all economic actors to prevent ineffective use of resources due to preferences for selected enterprises – manifests an overarching task.** China is addressing this issue by the following: a) shifting from operations to assets management, b) hiring specialized operating companies to manage state-owned assets, c) optimizing allocation of public funds based on strategic national interests, d) diversifying the ownership structure, e) readiness to close nonviable enterprises with simultaneous creation of systems to support laid-off workers, f) consolidating management of public capital under a single management entity and, ultimately, a specialized investment and equity management company. The performance target stipulated for these measures is raising the profitability of public enterprises by 30% by 2020 and redistributing a share of public enterprise capital in favor of the social security fund. With the account of the large number of state-owned enterprises in Belarus, in order to ensure effective management and supervision of all of them, the state should focus on these creating the highest fiscal risks and, yet, potentially profitable.

18. **Corporate and active trust management help either generating value under the conditions of effective capital utilization, acceptable level of financial risks and predictability of capital payback or fulfilling social tasks with minimal costs.** According to *Christopher Onajin*, Senior Advisor on Loans and Guarantees of the Swedish International Development Cooperation Agency (SIDA), there are only 49 public enterprises in Sweden, out of which 23 have "specific social tasks". All of them are large actors dominating their respective sectors and yielding good capital repayment. Their operations are transparent with semiannual and annual reporting, and their administration is based on Swedish corporate governance law. Line ministries appoint their board members – which ensures professional board composition – with 1/6 of board members rotated annually. Ministerial representatives are included into boards of all state-owned enterprises, and their primary goals are interacting with board chairperson and defending the state's owner interests. Additionally, each holding has an investment manager – a company rendering a specific enterprise consulting, analytical, communication, etc. services as well as participating in board appointments. As the owner, the state sets either specific financial aims – size of profit and dividends – for every public enterprise, which should not undermine its stable operation, or performance targets depending on its "specific social task". The state can also make recommendations re corporate payroll and bonus schemes. It is quite a challenge, as the model should address both motivation and efficiency issues. Another intricacy lies in the impartial appointment of board members, as it is vital to minimize potential political pressures. Yet still, the experience of some countries in the region shows that public enterprises tend serving the interests of political clients rather than society.

19. **Whereas introduction of best corporate management practices has mid-term importance for Belarus, initial reform phase requires swift decision-making to ensure recovery of the public enterprise sector.** *Young Chul Kim*, World Bank Country Manager for Belarus, believes that, first of all, it is necessary to establish new quantitative criteria to evaluate effectiveness of state-owned enterprises, i.e. move away from output to performance indicators based on financial outcomes. Second of all, initial diagnostics of the largest public enterprises showed that some of them could be rather profitable if it wasn't for the heavy debt burden accumulated in the course of technical upgrading. A potential solution would be conditional debt restructuring. During the initial phase, this approach may be used in relation to most viable enterprises capable of quick recovery and generating budget revenues and sufficient money flows to cover debt. Such enterprises should be subject to reforming corporate management systems (clear differentiation between the state's functions of the owner and the regulator); replacement/requalification of management (including, in relation to such basic competencies as foreign language proficiency); sale of non-core assets and other activities as per individual corporate restructuring plan (its implementation will be stimulated by debt/debt service amortization/rescheduling schemes). With such enterprises starting to gradually bring profit, the state could move on to reforming less effective ones (based on the initial assessment). In addition, least viable enterprises should be closed under the condition of adopting efficient mechanisms of subsequent economic engagement of their workforce.

20. **Applying a different approach to holdings – allowing holding divisions more leeway in executing independent commercial activities – might constitute another potential solution.** It would allow detecting ineffective operations within holdings, decreasing burden on most profitable operations as well as improving performance of public enterprises. However, *Pavel Vaskovskiy*, Head of Non-Performing Loan Management Division of the Development Bank of the Republic of Belarus, in Belarus holding management companies have the authority to "determine the procedures of centralized procurement, distribution of raw materials, materials and components, final product marketing, logistics and other activities". Finally, with the negative privatization experience of Russia and the Ukraine in the 1990s raising concerns re privatization as such, it might be feasible to focus on joint ventures ensuring clear and transparent investor guarantees as well as environment promoting workforce mobility (including, via demand-driven higher, special and vocational training programs). The opinion of *Alexei Yakovlev*, Director General of Belshina OJSC, is that in Belarus the private sector is not mature enough for swift privatization. So, according to him, decisions regarding reforming enterprises should be made on case-by-case basis based on in-situ assessment. *Alexander Mironichenko*, Head of Reorganization and Bankruptcy Division of the Ministry of Economy of Belarus, also supported the need to consider national interests when introducing international standards of managing state-owned property.

IV. Labor market challenges and solutions

21. **Upgrading the unemployment package for all categories of the unemployed to the subsistence minimum for the period of 6 months, and introducing a clear plan for replacing fixed-term with open-ended labor contracts, on the one hand, would ensure better protection of workers most vulnerable to unemployment risks and, on the other hand, would forge addition-**

al incentives for companies to manage their workforce more effectively. Decreasing payroll became the primary corporate tool of adapting to crisis, which allowed minimizing the unemployment – the conclusion made by *Anna Lukiyanova*, Senior Researcher of the Center for Labor Studies, Assistant Professor of the Chair of Labor Economics and Population of the Higher School of Economics (Moscow, Russia), based on Russian statistics. That led to spreading crisis adaptation costs over a large share of citizenry rather than on a narrow group of the unemployed. The ease of cutting salaries impedes corporate restructuring and, thus, preserves inefficient resource distribution and continues to be one of the factors of low competitiveness. In Belarus, pay cuts, likewise, became a popular crisis adaptation mechanism, but lay-offs were also common. Fixed-term employment contracts – minimizing corporate lay-off costs but leaving workers with practically no remedies in case of hard corporate situation – make personnel dismissal a simple matter.

22. **To ensure proper social protection of the unemployed and rational financial planning of corresponding measures as well as unemployment benefits, employment promotion policy should target actual rather than registered (currently) unemployment rates.** At present, actual unemployment is 6-8 times higher than official, and less than 10% of the unemployed (ILO definition) receive meager unemployment package (about 20% of subsistence minimum). This exposes the unemployed and their families to extreme poverty risk. Yet, restructuring of public enterprises is unlikely to cause drastic rise in unemployment. Based on HR diagnostics presented by *Oleg Tokun*, Head of Employment Policy Division of the Ministry of Labor and Social Protection of Belarus, in January-September 2016 surplus domestic employment amounted to 5.4% of corporate headcount for organizations with detected "surplus workforce". The latter constituted 20% of inspected entities. Thus, *based on official assessment*, surplus employment is not a serious issue, and the release of corresponding workforce will not put significant additional burden on the national budget.

23. **Introduction of specific measures to engage most vulnerable population groups in economic activities, particularly, by reforming the employment promotion system is of particular timeliness.** To this end, China's experience – focusing on maintaining work places rather than enterprises/sectors via establishing a special "industrial restructuring fund" – may be of use. At this time, the unemployment insurance proposed for Belarus is not relevant if not counterproductive, as the aim is not to preserve the consumption level among the unemployed, but rather to prevent their extended withdrawal from the labor market. *Katerina Bornukova*, BEROC's Academic Director, identified several vulnerable groups demanding special attention, including: a) pre-retirement persons (the state does not reimburse the costs associated with refresher training for 50+ women and 55+ men); b) disabled persons (extremely limited employment options and access to education, and the state does not create sufficient incentives to promote social entrepreneurship); c) women (maternity leaves lead to rather lengthy withdrawal from the labor market and, ultimately, lower wages compared to men and women without children); moreover, maternity leaves are not accounted for while calculating years of service necessary to be eligible for retirement benefits – only the years of paying dues to the Fund for Social Protection of the Population of Belarus are used for this purpose); d) residents of mono-towns, depressed regions and rural communities (the challenge of low labor mobility; grants to relocated to other areas with available employment may yield better results in this respect). As *Maxim Yermolovich*, First Deputy Minister of Finance of the Republic of Belarus, summarized it, in current conditions the government's tasks are (1) to ensure proper social protection of

the unemployed and (2) to take steps to facilitate their employment rehabilitation. All components – social protection of the unemployed based on adequate unemployment assessment; re-training based on market needs; measures to enhance labor mobility with the special emphasis on reorganized enterprises – should progress simultaneously. *Robert Riley*, Charge d'affaires at the U.S. Embassy in Belarus, underscored the utmost importance of encouraging SME development, which account for the largest share of workplaces in developed economies.

V. Financial market development

24. **Transition of the banking sector to market-based operational principles is a prerequisite of lending regaining its role as an investment financing source.** Further deflation drop and recovery of trust in the national currency (with corresponding decreased dollarization) constitute necessary preconditions. Currently, monetary targeting is doing the job, but as the national currency grows stronger and the economy recuperates, it will be replaced with inflation targeting. The National Bank's policy aimed at sustaining macroeconomic stability and its mid-term development targets were endorsed by the IMF for the first time since the beginning of its work in Belarus. Today, the core objective is to restore the health of the banking sector to prevent a banking crisis.

25. **Assembling toxic assets of commercial banks under a specialized agency may constitute a viable option of rehabilitation Belarus's banking sector.** According to *Dmitro Sologub*, Deputy Chairperson of the National Bank of the Ukraine, this scheme might work in Belarus as it concerns obligations of public enterprises before public banks and transferring claims under such obligations to the national budget. Nonetheless, the question remains whether such a new entity will be more effective than commercial banks with their extensive experiences of dealing with bad loans. What authority might such an Asset Management Agency receive, and how it will apply it? What is even more important – what will make debtors with overdue obligations so effective (after being awarded a 1-year grace period or lower loan cost) that they will start repaying their debt in favor of the state budget? Mid-term prospects of Belarus's economy depend on answers to these questions. In case these measures fail, several years down the road the banking crisis will transform into a budget one.

26. **Extrajudicial financial restructuring – when viable but over-indebted enterprises negotiate restructuring terms with banks and, thus, are able to recover and start paying off their debt – is yet another option.** This is the model recently launched in the Ukraine. According to current legislation, restructuring is initiated based on borrower's appeal in absence of bankruptcy proceedings or borrower's reorganization prior to bankruptcy case. Such restructuring is possible under the condition of at least one bank participating in the process. Banks owning at least half of the total debt should agree to restructuring. The interests of insolvent banks are represented by the deposit insurance fund, while the ad hoc board and secretariat coordinate the entire restructuring procedure.

27. **Given the debt load of enterprises and the overall current volume of non-performing liabilities, stock market development appears one of few investment financing options**. *Dmitry Kalechits*, Deputy Board Chairperson of the National Bank of Belarus, specified the key measures to develop the national securities market, including: transition to free stock trade, active participation of banks in the joint stock capital of Belarusian enterprises, advancement of the corporate bonds mar-

ket, attraction of foreign investment via securities instruments, establishment of collective investor institute, and transformation of Belarus Currency and Stock Exchange into multi-purpose financial unit. *Grzegorz Jędrzejczak*, Professor at the Warsaw University, former Poland's Deputy Minister of Privatization, commented that the establishment of a national stock market is a "luxury" and even the Warsaw Stock Exchange – one of the most successful among post-Soviet countries – cannot compete with larger trading platforms, which are also more flexible in responding to technological innovations. On the one hand, the question is how to ensure securities offering in absence of privatization. On the other hand, local institutional investors are not always capable of supporting high securities demand. Under the circumstances, the main objectives include establishing a universal competitive environment for emitters and investors, setting up effective and secure securities trade operations units, ensuring efficient regulation, and subsequent integration into a larger international platform.

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