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Circular Economy in Belarus: What Hinders the Transformation?

The transition towards a circular economy has accelerated in response to increasing environmental challenges and the need for more sustainable and cleaner production. Many countries are mainstreaming a circular economy into their policy agenda. In particular, the European Commission's new Circular Economy Action Plan, adopted in March 2020, will be a key element of the EU Industrial strategy. In Belarus, similar policy agendas that promote circular economy have not been developed yet, however, this concept is now attracting increasingly more attention. Therefore, it is essential to identify barriers that hamper the implementation of circular economy business practices in the country. This policy brief presents the results of a survey that studied 452 Belarusian companies and their prospects and opportunities of circular transformation both within enterprises and at the national level. The findings show that high levels of capital and technology spending and lack of state-provided economic incentives are the most pressing barriers to circular economy development in Belarus. When it comes to enterprises' own prospects for circular transformation, lack of funding is ranked as the main impediment.



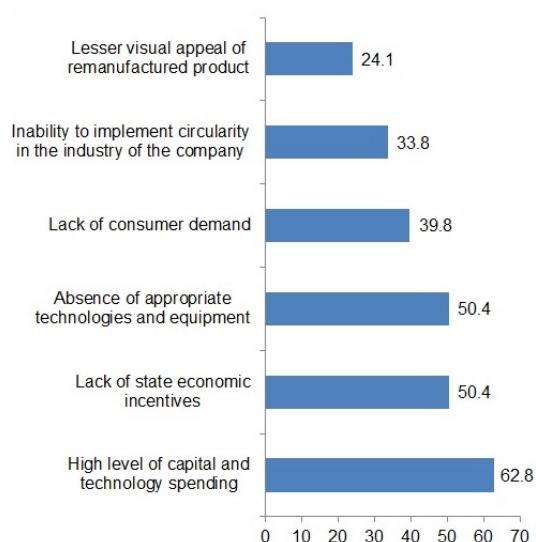
Barriers to circular economy development in Belarus

Despite the fact that there has been an increased interest in circular economy, evidence suggests that its implementation has been hampered by a variety of barriers. Based on academic literature and business case studies, these barriers can be categorized into several groups (Rizos, et al., 2015; Rizos, et al., 2016; Kirchherr et al., 2018; Ritzén and Sandström, 2017):

- Cultural barriers (e.g. social, behavioral, and managerial) - a lack of interest, environmental awareness, and/or existing differences in personal values, which hinder the development of a circular economy.
- Information constraints - a lack of consumer and producer awareness about the key principles and best practices of circular economy implementation;
- Inadequate regulatory environment – a lack of consistent legal framework, policy support, and incentives for circular economy transition (e.g., through tax relief, fiscal measures, or public procurement);
- Technological barriers - an absence of a well-managed logistic infrastructure for the collection, extraction, and processing of secondary raw materials (SRM); the lack of standardization and, as a result, lower quality of goods produced from SRM; the absence of knowledge on how circularity can be implemented in a particular industry;
- Economic impediments – barriers to circular economy transition that are due to low prices for primary raw materials and high investment costs for the implementation of circular business models, as well as lack of funding and restricted access to finance.

This categorization served as the basis for the development of our questionnaire. We surveyed enterprises on the prospects and opportunities relating to their own circular transformation as well as factors constraining the more general development of a circular economy in Belarus. The survey was conducted in 2020 by BEROCC and IBB Dortmund and included 452 companies from the Belarusian regions of Brest and Mogilev. The results show that businesses view economic, regulatory, and informational barriers as the most hindering to a circular transformation of Belarus. In particular, the respondents stated that the main impediments are high levels of capital and technology spending (62.8% of respondents), as well as lack of state-provided economic incentives (50.4%). Information constraints are also important as enterprises are not aware of circular technologies and believe that they do not exist (50.4%). Furthermore, there is a lack of knowledge on how to implement circularity in their industry (33.8%) (see Figure 1).

Figure 1. Barriers to circular economy development in Belarus, % of respondents



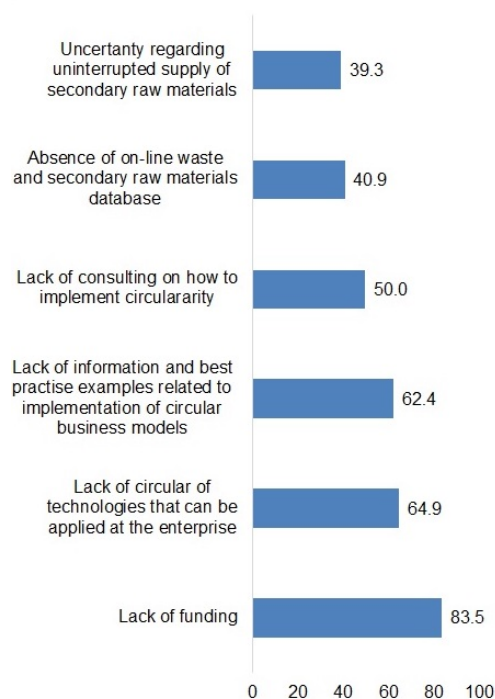
Source: Figure compiled by the authors based on the survey results.

Respondents also identified barriers that hamper a shift of their own enterprise - rather than that of



the entire Belarusian economy - from a linear to a circular business model. According to the survey, the lack of funding is considered as the main barrier to circular transformation among Belarusian companies, as 83.5% of respondents characterized its impact as high or medium. This impediment is followed by the absence of circular technologies that can be applied at the surveyed enterprise (64.9%) and the lack of information and best practice examples with regard to the implementation of circular business models (62.4%). Half of the respondents also indicated that the shift from a linear economy is hampered by the lack of consulting on how to implement circularity (see Figure 2).

Figure 2. Barriers to the circular transformation of the Belarusian enterprises, % respondents



Source: Figure compiled by the authors on the basis of the survey results.

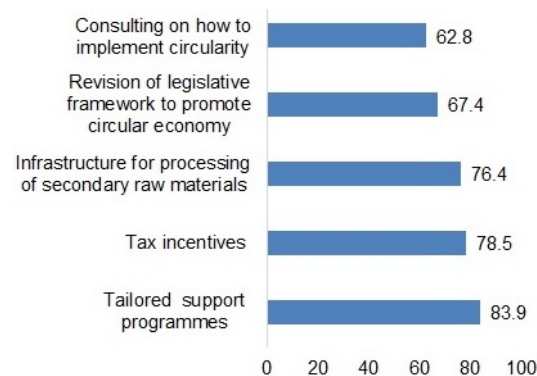
Enterprises identified specific technical challenges associated with possible supply chain constraints. In particular, 40% of respondents raised concerns about the absence of an online database on waste and secondary raw materials, and 39.3% of them worried about possible interruptions in the supply of secondary raw materials.



Stimulus for circular transformation in Belarus

Respondents also expressed their views on potential stimulus measures that could be implemented to encourage a transition towards a circular economy in Belarus. Tailored support programs (83.9%), tax incentives (78.5%), and development of infrastructure for the processing of secondary raw materials (76.4%) were identified as the strongest motivators for enterprises' decision to opt for a circular business model. Other important measures listed by the respondents were revisions of the legislative framework to prioritize the use of secondary raw materials, prevent waste generation, etc. (67.4%) as well as access to consulting on how to implement circularity in a business (62.8%) (Figure 3).

Figure 3. Stimulus for the circular economy development in Belarus, % of respondents



Source: Figure compiled by the authors on the basis of the survey results.

Surveyed enterprises stated that they had already incorporated some circular economy elements in their business model. More than 35% of respondents have used recycled materials in the production process, 19% have recycled products in the production of new materials or products, and around 19% have reused products or embedded raw materials. Moreover, more than 35% of enterprises would be ready to introduce reuse and recycling in their business within the next three years. However, they emphasized that existing regulations should be revised, and

economic incentives provided in order to encourage these efforts.

Conclusion

The results confirm that Belarus has potential for circular economy development. Yet, its implementation might be hampered by economic, regulatory, informational, and technological barriers. In particular, the surveyed enterprises stated that high upfront costs, e.g., for technology and equipment, as well as the lack of state economic incentives, are the most pressing impediments to the circular transformation of Belarus. At the company level, lack of funding is seen as the main obstacle in shifting from a linear to a circular business model. Another important barrier is lack of information, as enterprises are not aware of circular technologies and best practice examples.

The results of our survey suggest that, in order to encourage a transition towards a circular economy in Belarus, a tailored support program should be developed, existing regulations revised, and economic incentives provided. The transition will not be possible without mainstreaming a circular economy into Belarus' policy agenda.

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