The rapid growth of the Belorussian information technology (IT) sector can be defined as an “economic miracle”. At the end of the first quarter of 2021, IT accounts for up to 6% of national GDP and provides up to 20% of the Belarus GDP growth, about 30% of all exports of services ($0.7 billion). High dynamics of growth is still seen in the traditional IT outsourcing segment, with active product innovations, for example, in online game apps for personal electronic devices.

The unique nature of the Belorussian case is determined by number of factors. Firstly, despite undoubtedly high quality of personnel (also as a legacy of the Soviet training and education system), Belarus is still not significantly different from Russia or Ukraine. Fiscal stimulus of the Belarus authorities are also not a decisive factor in the growth of the IT sector. It is known that the Minsk Hi-Tech Park (a classic "special zone") has significant tax exemptions. However, similar incentives are used in other countries and regions without comparable effect. So, these measures were not of a key importance and cannot satisfactorily explain neither rapid growth, nor the qualitative changes in the development of Belorussian IT since the mid-2000s. Thirdly, macroeconomic factors are clearly not decisive either. Lukashenko regime cannot be classified as a “pro-developmental authoritarianism” (or “developmental state”). In turn, Belarus economy with a predominance of traditional sectors and archaic economic relations doesn`t form favorable conditions and effective demand for high-quality IT. Finally, the global economic and market trends also were not ideal for the growth of Belarus IT – be it the global financial crisis of 2008-2009 or the development of powerful IT sectors in India, China and other countries and regions. According to some estimates, an important incentive was the decline in the export potential of Russian IT. Growth of domestic demand forced reorientation of some companies to the national markets, while government purchases and import substitution caused rise of prices. Finally, the crisis in relations with the West limited the globalization potential of Russian IT. However, this factors also only partially explains the general dynamics of the development of Belarus IT, especially until 2014.

An analysis of open sources of information and expert interviews with experts and employees of the Belarus IT companies made it possible to identify several key success factors and challenges for the future. The most fundamental is the specifics of the dialogue between the authorities and the IT sector regarding the legal, political, and economic conditions of IT industry operations. The situation may be labeled as a kind of a "socio-economic contract" between the industry and the authorities. In exchange for promises of economic growth and the formation of a powerful high-tech industry in the country, the industry was provided not only with a regime of legal exemptions, but also with a policy of minimum government interventions. In 2019, this regime was expanded. A unique in the post-Soviet space “legal enclave” of a so-called English law (elements related to the IT business) was created.

Thus, deregulation and delegation of development to industry in correlation with high quality of human capital, tax exemptions, specific market factors, etc., led to the growth of economic and innovative activity.

Meanwhile, the same "contract" and general political economy factors caused new challenges to the development of the sector. Dominant political and cultural values (typical for the global IT industry) and real economic interests resulted in significant increase of protest sentiments among Belorussian IT specialists after 2020 presidential elections. As a result, the “contract” between the government and business was disrupted resulting in the economic and administrative pressure of the authorities on the IT companies, with start of so-called "Relocate" [abroad]. This process was enhanced by economic reasons since moderate internationalization of Belarus IT, oriented on E.U. and U.S. markets, seems to be rational market strategy.

In the conference report the author will focus on: a) deregulation / delegation model (the “contract” between the authorities and IT business) as a special success factor of the Belarus IT sector and its applicability to other economies; b) new political challenges to the Belarusian IT – also as an indirect costs of the “contract” model.

The report is based on both cabinet research and set of interviews with Belarusian IT specialists conducted in the summer and fall-winter of 2021.