# The Republic of Belarus (Sanctions) (EU Exit) (Amendment) Regulations 2022

| | |
|---|---|
| **Lead department** | Foreign, Commonwealth and Development Office |
| **Summary of proposal** | UK sanctions action aims at encouraging Belarus to cease supporting or enabling Russian actions destabilising Ukraine and also seeks to deter Belarus from engaging in further such action. |
| **Submission type** | Impact assessment (IA) – 4 July 2022 |
| **Legislation type** | Secondary legislation |
| **Implementation date** | July 2022 |
| **Policy stage** | Final |
| **RPC reference** | RPC-FCDO-5214(1) |
| **Opinion type** | Formal |
| **Date of issue** | 9 August 2022 |

## RPC opinion

| **Rating**[1] | **RPC opinion** |
|---|---|
| Fit for purpose | The IA provides a proportionate analysis of the impacts of the measures and direct costs to business. The calculation of some of the elements of the cost-benefit analysis should be set out more explicitly in the IA. |

## Business impact target assessment

| | **Department assessment** | **RPC validated** |
|---|---|---|
| **Classification** | Qualifying regulatory provision (IN) | Qualifying regulatory provision (IN) |
| **Equivalent annual net direct cost to business (EANDCB)** | £5.9 million | £5.9 million *(2019 prices, 2022 pv)* |
| **Business impact target (BIT) score** | £29.5 million | £29.5 million |
| **Business net present value** | -£370.2 million | |
| **Overall net present value** | -£370.2 million | |

[1] The RPC opinion rating is based only on the robustness of the EANDCB and quality of the SaMBA, as set out in the Better Regulation Framework. RPC ratings are fit for purpose or not fit for purpose.

# RPC summary

| Category | Quality[2] | RPC comments |
|---|---|---|
| EANDCB | **Green** | The EANDCB calculation is fit for purpose in this case. While there is some discussion in the IA of the underlying assumptions, the calculation of the two elements of the £5.9 million total should be demonstrated more explicitly in the narrative. |
| Small and micro business assessment (SaMBA) | **Green** | The SaMBA is fit for purpose. The IA states that, since businesses are expected to already have processes in place to comply with existing sanctions regimes, they are unlikely to be impacted by these new requirements. Overall, the SaMBA explains that, given the size of the trade relationship between the UK and Belarus, any impact on SMBs is unlikely to be significant. |
| Rationale and options | **Satisfactory** | The problem under consideration and rationale for government intervention are explained clearly in the IA which states that "*Government intervention is necessary to reconcile the disparity between the private costs and benefits found in trading the listed goods with Belarus, and the wider societal costs*". |
| Cost-benefit analysis | **Satisfactory** | The IA provides a good discussion of the economic, regulatory and administrative costs and benefits of the measures. Impacts discussed include those on financial markets, including lost equity to UK firms, and impacts from import bans on petroleum, iron and steel. The IA would benefit from testing the assumption of perfect substitution between steel produced in Belarus versus steel that is produced in the rest of the world. |
| Wider impacts | **Satisfactory** | The IA includes a satisfactory discussion of wider impacts and risks of the policy, including a so-called "chilling effect" where legitimate activity may be deterred due to uncertainty around whether particular goods or services are captured in the sanctions package. It also discusses the possibility of retaliatory measures from the Belarusian government, litigation and reputational damage to the UK. |
| Monitoring and evaluation plan | **Weak** | The IA notes the development of a monitoring and evaluation framework. However, it would have been improved by a clear commitment on how and when the packages of sanctions will be monitored and evaluated. |

[2] The RPC quality ratings are used to indicate the quality and robustness of the evidence used to support different analytical areas. Please find the definitions of the RPC quality ratings here.

# Summary of proposal

UK sanctions action, in concert with the EU and other allies, aims at encouraging Belarus to cease supporting or enabling Russian actions destabilising Ukraine. UK sanctions action also seeks to deter Belarus from engaging in further action that destabilises Ukraine by discouraging them from further participating more directly in the conflict.

The Government's objectives are to:

1. Coerce the Belarusian regime to cease actions destabilising Ukraine or undermining or threatening the territorial integrity, sovereignty or independence of Ukraine, including by supporting or facilitating Russia's actions in respect of Ukraine. They also intend to encourage Belarus to refrain from any other action which undermines or threatens peace, security or stability in Europe.
2. Constrain Belarus's ability to provide economic, military and in-kind support to Russia's costly invasion and occupation of Ukraine.
3. Signal to Belarus that the UK strongly condemns Belarus's role in facilitating the Russian invasion of Ukraine, and that the UK is aligned with international partners in the message sent to the wider international community that support for Russia's territorial expansionism is unacceptable and is being met with a serious response.

It intends to achieve this with financial, trade and transport measures that match existing sanctions imposed on Russia[3]. These aim to cause significant short-term disruption to Belarus's financial system and economy and, in the longer term, further constrain Belarus's economic development.

# EANDCB

The EANDCB calculation is fit for purpose in this case, and uses the same appropriate methodologies as previous sanctions-related IAs. The EANDCB is comprised of £0.8 million for trade import measures and £5.1 million for trade export measures, giving a total of £5.9 million per year over the nine-year appraisal period. While there is some discussion in the IA of the underlying assumptions, the calculation of the two elements of the £5.9 million total should be demonstrated more explicitly in the narrative.

Several other costs and benefits are discussed in the IA but these are thought to be negligible and are not included in the EANDCB.

# SaMBA

The SaMBA is fit for purpose, including an acknowledgment that "*small businesses could face proportionately slightly higher familiarisation, compliance and legal costs*" due to the extensive nature of the regulations.

[3] Link here

The IA explains that an exemption for small and micro businesses (SMBs) would not be appropriate as it could allow Belarus to circumvent the sanctions, thereby undermining the policy objectives. However, this section could reiterate any measures that are being brought in to mitigate any disproportionate impacts to SMBs (e.g. the guidance already mentioned in paragraph 37 of the IA).

Overall, the SaMBA explains that, given the size of the trade relationship between the UK and Belarus, any impact on SMBs is unlikely to be significant. It attempts to demonstrate this by considering the impacts on SMBs in the different sectors targeted by the sanctions policy. Although the data available for this is limited, the RPC considers this approach proportionate.

# Rationale and options

The problem under consideration and rationale for government intervention are explained clearly in the IA. It states that "*there is no appropriate non-governmental or private sector solution to the issue at hand*" and "*Government intervention is necessary to reconcile the disparity between the private costs and benefits found in trading the listed goods with Belarus, and the wider societal costs*".

Only one option is considered alongside the "do nothing" counterfactual – to mirror existing Russia sanctions and align as far as possible with the US and EU – and this is broken down into several financial, trade and transport measures.

# Cost-benefit analysis

The IA provides a satisfactory discussion of the economic, regulatory and administrative costs and benefits of the measures outlined above. These result in a projected net present social value (NPSV) of -£370.2 million over the nine years from 2022 to 2030 inclusive.

The IA has used commodity codes to estimate the value of trade that may be disrupted by the measures. While the commodity codes may not capture the exact items targeted by the policy, they are a reasonable proxy to use in this area of uncertainty and are considered an upper-bound estimate. Other impacts include those on financial markets, including lost equity to UK firms, and impacts from import bans on petroleum, iron and steel. These are expected to be negligible.

The IA would benefit from testing the assumption of perfect substitution between steel produced in Belarus versus steel that is produced in the rest of the world.

The regulatory costs of compliance are also expected to be negligible. As explained in the EANDCB section above, many of these costs will have already been met under previous sanctions measures. There will be a requirement for businesses to apply for licences for certain exceptions (which are needed to reduce unintended consequences), but these are expected to be minimal due to existing sanctions and self-embargoing already in place, meaning the numbers of licences in future is unlikely to change greatly.

There will be administrative costs to Government in enforcing the restrictions and licensing regime and the IA would benefit from providing quantification of these to feed in to the NPSV, since the cost of enforcement may not be correlated with the number of applications expected.

# Wider impacts

The IA includes a satisfactory discussion of wider impacts and risks of the policy, including a so-called “chilling effect” where legitimate activity may be deterred due to uncertainty around whether particular goods or services are captured in the sanctions package.

It also discusses the possibility of retaliatory measures from the Belarusian government, litigation and reputational damage to the UK.

# Monitoring and evaluation plan

No formal post-implementation review is planned, but the IA states that all Russia and Belarus sanctions will be kept under continuous review and adapted when the context changes. These assessments will draw on licence applications data and published data from the Office of National Statistics and HM Revenue & Customs to form a baseline for evaluation and monitoring impacts at a business level.

Although the RPC recognises that the department is working to build a monitoring and evaluation framework, the IA would have been improved with a clear commitment on how and when the packages of sanctions will be monitored and evaluated.

**Regulatory Policy Committee**

For further information, please contact regulatoryenquiries@rpc.gov.uk. Follow us on Twitter @RPC_Gov_UK, LinkedIn or consult our website www.gov.uk/rpc. To keep informed and hear our views on live regulatory issues, subscribe to our blog.