

BELARUS

UNITARY COUNTRY

BASIC SOCIO-ECONOMIC INDICATORS

INCOME GROUP: UPPER MIDDLE INCOME

LOCAL CURRENCY: BELARUSIAN RUBLE (BYN)

POPULATION AND GEOGRAPHY

Area: 207 600 km²
Population: 9.508 million inhabitants (2017), an increase of 0.03% per year (2010-2015)
Density: 46 inhabitants / km²
Urban population: 78.1 % of national population (2017)
Urban population growth: 0.7% (2017 vs 2016)
Capital city: Minsk (21.1% of national population)

ECONOMIC DATA

GDP: 179.2 billion (current PPP international dollars), i.e. 18 848 dollars per inhabitant (2017)
Real GDP growth: 2.4% (2017 vs 2016)
Unemployment rate: 0.5 % (2017)
Foreign direct investment, net inflows (FDI): 1 276 (BoP, current USD millions, 2017)
Gross Fixed Capital Formation (GFCF): 25.0% of GDP (2017)
HDI: 0.808 (very high), rank 53 (2017)

MAIN FEATURES OF THE MULTI-LEVEL GOVERNANCE FRAMEWORK

The 1994 Constitution of the Republic of Belarus established the country as a unitary and Presidential Republic. The Head of State is the President, directly elected, and executive power is concentrated in the government, through the Council of Ministers. The Parliament (National Assembly) comprises a Lower House (House of Representatives, *Palata Predstavitelej*), composed of directly elected members, and an Upper House (Council of the Republic, *Soviet Respubliki*). The Council of the Republic is the main body of regional representation in Belarus. The Local Councils of Deputies of the six regions and of the City of Minsk each elect eight representatives in addition to the eight additional members appointed by the President.

Local self-government is enshrined in Section V, Articles 117-124 of the constitution and some of the most essential legislation regarding subnational governance include the 1991 and 2010 Laws on Local governance and self-governance in the Republic of Belarus, and the 2008 Budget Code of the Republic of Belarus. Changes to Section V may be adopted by the Parliament without holding a referendum. The subnational government system is organised in three hierarchical tiers, with regional governments and the City of Minsk at the top, district governments at the intermediary level, and municipal governments at the lower tier.

At the three subnational levels of government, the only elected bodies are Local Councils of Deputies, whose members are elected for a period of four years. The number of local deputies varies according to the population size of each local jurisdiction. On the other hand, the executive committee, the subnational executive body, is composed of representatives of the state administration, appointed according to procedures established by the President. Overall, local executive committees have supremacy in local government over the elected councils' powers, and although the latter are elected and have a self-governing status, they act as representative bodies of state administration.

In 1995, local councils of deputies were abolished through presidential decrees, in cities with district divisions. Most districts and administrative-territorial units (ATU) were thus merged with their administrative centers (i.e. cities and urban settlements) into a single administrative territorial unit. In addition, the executive committees were withdrawn from the jurisdiction of Councils and re-subordinated to the President. The 2010 Law on Local governance and self-governance in the Republic of Belarus further defined the legal and institutional framework of local governance.

Belarus is the only country in Europe that has not signed the European Charter of Local Self-Government. The Council for Cooperation of Local Self-Government Bodies in the Council of the Republic has the responsibility of coordinating the intergovernmental relations between the self-governing units, while the Council of Ministers coordinates the relations between the subnational executive and administrative units.

TERRITORIAL ORGANISATION

2017	MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGS
	14 towns of district subordination 10 urban settlements 1 166 rural councils	118 districts (<i>rayon</i>) 10 cities of regional subordination	6 regions (<i>oblast</i>) City of Minsk	
	Average municipal size: 7 990 inhabitants			
	1 190	128	7	1 325

OVERALL DESCRIPTION. Belarus is divided into three territorial levels organised in hierarchical order, according to the principles of "parent executive and administrative body" and "parent representative body" (Article 122 of the Constitution). Subnational levels of government include regional, basic and primary levels.

REGIONAL LEVEL. The regions include six *oblasts* (Brest Oblast, Vitebsk Oblast, Gomel Oblast, Grodno Oblast, Minsk Oblast, and Mogilev Oblast) and the City of Minsk. Local Deputy Councils (*Soviets*) at the regional level are superior to the councils of basic and primary territorial levels. The capital city of Minsk has a special status as a 'City of republican subordination' set out by law in 1960. Minsk tends to concentrate more and more population, accounting in 2017 for more than 21% of the total population.

INTERMEDIATE LEVEL. The intermediary/basic territorial level (*bazovyy*) includes district councils (*rayoni*) and cities of regional subordination. The division of regions into districts has remained unchanged since 1966, except for one district, created in 1989. In addition, 10 cities have "Cities of regional subordination" status (including Minsk City Council). These 10 cities have at least 50 000 inhabitants and are important administrative, economic and cultural centres with a developed industrial and social infrastructure. Councils at the basic level are superior to the Councils of the primary territorial level.

MUNICIPALITIES AND INTER-MUNICIPAL COOPERATION. The municipal/primary territorial level (*pervichnyy*) includes cities of district subordination, urban settlements and village/rural councils. Cities of district subordination define settlements with a population above 6 000, and a certain number of urban facilities. Settlements comprise localities with at least 2 000 inhabitants, which can be resort settlements or industrial settlements depending on the commodities they offer. There are also 1 164 rural councils (*selsoviet*). Cities in Belarus are also divided into 24 non self-governing municipal districts, with their own local administration as defined by the city executive committee. Rural councils are further divided into rural settlements or villages (23 174 as of January 2017), which may range from agro-towns, townships, villages to *khutors*. The number of rural councils has been decreasing since 2008, with the merger of more than 450 councils.

There is no clear legislation on inter-municipal cooperation in the Republic of Belarus, although some programmes were developed and implemented across territorial units based on the regulations of planning and development (e.g. State programme on revival and development of the villages 2005-2010). Local governments are granted the right to organise themselves into associations. The Council for Cooperation of Local Self-Governments in the Council of the Republic is the primary institution with the responsibility of coordinating intergovernmental relations between self-governing units.

SUBNATIONAL GOVERNMENT RESPONSIBILITIES

The responsibilities of subnational governments are framed by the 1991 and 2010 Laws on Local governance and self-governance in the Republic of Belarus and the 1994 Constitution. The latter defines local responsibilities as resolving issues of local significance, and implementing decisions of higher state bodies. Most local public services are carried out by the executive committees appointed by the central government (they make up the vast majority of local civil servants), while the elected councils deal with administrative and legislative matters. Key subnational responsibilities encompass ensuring sustainable regional development, and particularly territorial planning, enhancing local living conditions, supervising and ensuring local institutions and facilities function properly, distributing social benefits for the most vulnerable, and ensuring high-quality service provision in culture, public order, environmental protection and fire safety. Each subnational government level exercises control over the activities of the lower levels of governments accountable to them, and the delegation of public functions from the central government to local authorities is not stated in Belarusian legislation.

MAIN RESPONSIBILITY SECTORS AND SUB-SECTORS

	REGIONAL / OBLAST LEVEL	INTERMEDIARY LEVEL	MUNICIPAL LEVEL
1. General public services	Administrative procedures of regional relevance	Civil registries	Civil registries; Notarial functions
2. Public order and safety	Fire protection; Public safety; Military conscriptions	Fire protection; Public safety; Military conscriptions	Military conscriptions
3. Economic affairs/transport	Employment promotion; Regional infrastructure development; Rural road infrastructures; Agriculture; Fuel and energy policies	Employment and public work; Urban public transport; Road infrastructure and maintenance	Farming; Communal unitary enterprises
4. Environmental protection	Environmental policy; Treatment facilities	Waste management; Sewerage	Waste management
5. Housing and community amenities	Social housing subsidies; Gasification and electrification	Urban planning; Social housing subsidies and maintenance of housing stock; Street lighting; Water-supply; Street cleaning; Gasification and electrification	Local development plans; Water supply in agro-towns
6. Health	Regional health facilities (incl. hospitals); Supervision of local level health institutions and public health	Primary health care; Implementation of national health programmes; District hospitals, clinics and polyclinics	Sanitation
7. Recreation, culture & religion	Social-cultural activities; National Youth Strategy; Sports facilities and regional sporting events	Libraries; Cultural and historical heritage; Local cultural institutions; National Youth Strategy; Sports and leisure	
8. Education	Higher Education institutions; Licensing of secondary schools	Pre-school, primary and secondary schools, and out-of-school facilities; Implementation of educational programmes	Co-ordination of education programmes at the local level
9. Social protection	Social care services; Regional plan of social assistance; Implementation of the Gender Equality Policy	Orphanages; Day care; Elderly homes; Assistance to needy families; Gender equality and prevention of domestic violence; Unemployment benefits	

SUBNATIONAL GOVERNMENT FINANCE

Scope of fiscal data: oblast/provincial, City of Minsk, oblast cities, rayon/districts, rayon cities, urban and rural settlements.	SNA 2008 (since 2016)	Availability of fiscal data: High	Quality/reliability of fiscal data : High
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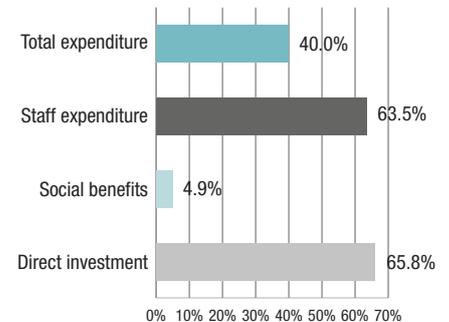
GENERAL INTRODUCTION. The 2008 Budget Code of Belarus provides legal grounds for local government finance, and grants limited freedom to local authorities in terms of fiscal planning. The subnational budgets are incorporated in the state budget, and the financial management system remains highly centralised. The Code puts forward a regulatory approach in the assessment of the needs of the local governments, and the cost of public services is centrally determined by the State. As such, local budgets are assigned to local governments as cost estimates, approved by the central government through a strict regulation of utility costs by the Ministry of Finance. As of 2016, 48% of SNG budgets were allocated to the regional level, 51% to the basic level, and barely 1% to the local level.

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SUBNATIONAL GOVERNMENT EXPENDITURE BY ECONOMIC CLASSIFICATION

2016	DOLLARS PPP / INH.	% GDP	% SNG EXPENDITURE	% GENERAL GOVERNMENT EXPENDITURE (SAME EXPENDITURE CATEGORY)
Total expenditure	2 930	16.2%	100%	
Incl. current expenditure	2 604	14.4%	88.9%	
Staff expenditure	1 089	6.0%	37.2%	
Intermediate consumption	741	4.1%	25.3%	
Social expenditure	128	0.7%	4.4%	
Subsidies and current transfers	618	3.4%	21.1%	
Financial charges	28	0.2%	0.9%	
Others	0	0.0%	0.0%	
Incl. capital expenditure	327	1.8%	11.1%	
Capital transfers	46	0.3%	1.6%	
Direct investment (or GFCF)	281	1.6%	9.6%	

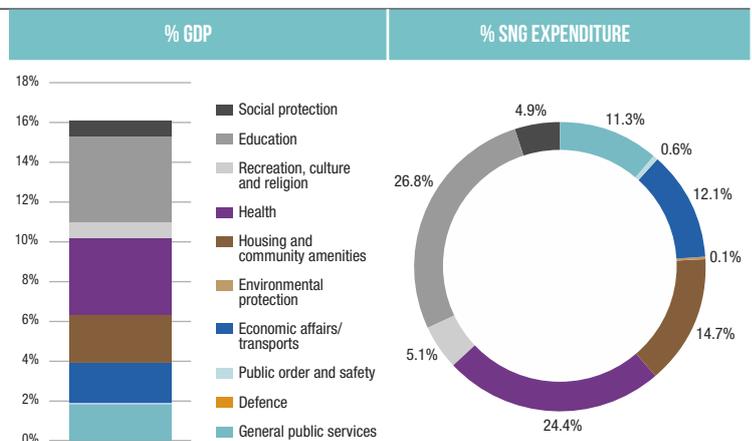


EXPENDITURE. SNG expenditure in Belarus is relatively high, in line with the EU averages in 2016 (15.5% of GDP and 33.4% of public expenditure). However, relative to their budget, SNGs in Belarus act as paying agents on behalf of the central government in many delegated areas, such as health and education, and local spending is made in accordance with centrally determined budgets. In 2016, 88.9% of subnational expenditures were current expenditure while capital expenditure accounted for 11.1%.

DIRECT INVESTMENT. SNGs in Belarus are key investors carrying out 65.8% of total public investment, and allocating on average 9.6% of their budgets to investment, compared to 8.7% on average in EU countries in 2016. Capital investments are funded by the oblasts' budgets and covered mainly by revenues from shared taxes and central government transfers. Capital investments made by local governments are coordinated by the central government. In order to promote further municipal environmental infrastructures, a number of taxes and charges related to environmental protection were recently introduced, however their receipts remain low.

SUBNATIONAL GOVERNMENT EXPENDITURE BY FUNCTIONAL CLASSIFICATION – COFOG

Local governments' primary spending areas are education and health, which represented altogether more than half of total SNG expenditure, followed by housing and community amenities, and economic affairs and transport. However, management power in all sectors lies with the central government, whereas regional and district authorities are primarily involved in day-to-day management. SNGs are responsible for almost all public expenditures at the country level in housing and community amenities, and for more than three quarters of funding in health and education. They also play a significant role in recreation, culture and religion and economic affairs and transport. Regarding environmental protection, the role of SNGs has been increasing since 2008 with the introduction of tax and non-tax revenues earmarked to this category at the local level.



SUBNATIONAL GOVERNMENT REVENUE BY CATEGORY

2016	DOLLARS PPP / INH.	% GDP	% GENERAL GOVERNMENT REVENUE (SAME REVENUE CATEGORY)	% SNG REVENUE
Total revenue	2 957	16.3%	38.8%	
Tax revenue	2 050	11.3%	45.1%	69.3%
Grants and subsidies	640	3.5%		21.6%
Tariffs and fees	186	1.0%		6.3%
Property income	82	0.5%		2.8%
Other revenues	0	0.0%		0.0%

OVERALL DESCRIPTION. Public finance in Belarus is highly centralised. Local budgets are drafted following a top-down approach, where the Ministry of Economy and the Ministry of Finance play a key role in setting the macroeconomic indicators and target figures for total sub-national budget planning, and where superior levels set targets for the subordinate levels. Regional finance departments draft budgets for oblasts in accordance with the target set by the MoF, and establish

target figures for the planning of local budgets for rayons and cities with oblast status. Finally, rayon executive committees establish parameters for local budgets of rural and urban settlements. Tax revenue is the most important source of income for SNGs, and the structure of the tax system is specified in the 2008. Tax Code (amended in 2010). The shares of SNG tax revenues in public tax revenues and GDP are high compared to the average for EU unitary countries (24% of public tax and 6.4% of GDP, in 2016); however, most revenues come from shared taxes redistributed between three levels of government. The weight of grants and subsidies in the SNG budget is also much lower than the EU average (44% in 2016).

TAX REVENUE. The vast majority of tax revenues for both SNGs, and in particular regional governments, come from shared taxes, i.e. PIT and VAT, which represent 60% of SNG tax revenue, 42% of SNG revenue and 6.8% of GDP in 2016. Besides, SNG taxing power is very limited as tax bases and rates are controlled by the national government. Tax sharing is determined annually in the Budget Law, and shared taxes are used by central governments to regulate vertical and horizontal imbalances. PIT and VAT revenues are shared with oblast governments which, in return, reallocate them as transfers to lower-tier governments (district governments). The ratio of shared taxes transferred to subnational government is set every five years, and is relatively stable. Shared taxes account (in total for all regional governments) for around 50% of PIT and 30% of VAT receipts. In 2016, the most important tax revenue was the PIT, which represented 36.6% of SNG tax revenues and 25.4% of their total revenue. It was followed by the share of the VAT, which accounted for 23.7% of SNG tax revenues and 16.4 % of SNG revenues. VAT shares allocated to each oblast varied between 3.5% and 4.7%, and the largest share going to the City of Minsk (6.32%).

Property taxes (on land and real estate) are collected by the central administration and fully credited to subnational governments. The real estate tax is levied annually on the residual value of buildings at the general rate of 1%. The taxable bases of the land tax is based on the location and cadastral value of the plot of land. The central government sets basic real estate and land tax rates; however, local governments can increase or decrease this rate up to 150% (to be reduced to 100% from 2020). In 2016, property taxes reached 0.7% of GDP (to be compared to 1.1% in the OECD), 6% of SNG tax revenue and 4.2% of SNG total revenue. Other local taxes comprise the ecological tax (approximately 60% of air pollution taxes, taxes on waste and storage disposal and effluent charges, while the rest goes to the central government) and contributions to innovative funds, both assigned to regional governments. District-level governments receive a tax on revenues of foreign organisations, the uniform imputed income tax and the uniform tax on trade collection. Finally, municipal-level governments' taxes include the resort duty.

GRANTS AND SUBSIDIES. The system of intergovernmental transfers in Belarus aims to equalise the financial conditions of SNGs and funding public sector expenditures, including expenditure on welfare. All transfers and grants from the central government are strictly programmed in the annual Budget Law, and allocated indirectly to local authorities at the intermediary / basic tier of subnational government, who do not benefit from the tax-sharing system, through the oblast budget. In 2016, grants were mostly comprised of current grants (87% of total) while capital grants accounted for the remaining part (13%). The share of transfers in SNG revenue in Belarus is relatively low on average, but for some regions they may represent more than half of revenue. Most central transfers are targeted to welfare services (84%), education, public health, culture. They are allocated according to a discretionary approach, based on expenditure needs and do not take into account revenue capacities and their fiscal efforts. As such, they benefit primarily Minsk City and other regional cities. In 2002, the equalisation procedure was revised to include norms and social standards in the welfare sphere according to the population.

Other transfers include earmarked subsidies for agriculture and fishing, housing, transfers to cover for the Chernobyl catastrophe, and transfers for the payment of wages. Transfers represent approximately 23-25% of the general budget, and are implemented from the special fund for financial support of administrative-territorial units (FFSATU).

OTHER REVENUES. Regions, districts and municipalities receive revenues from penalties and user-charges, based on their respective responsibilities. However, subnational governments can neither set nor regulate municipal tariffs, which are administered at the central government level, and the share of tariffs and fees in SNG revenue is well below the EU average (11.6% in 2016). The bulk of SNG other revenue is made up of dividends, received by oblast governments only. Local water-supply sewerage companies collect fees for water management. In Belarus, local governments do not own assets or properties, but State-owned properties may be transferred to local governments for operative management or in order to carry out their public mandates. As a result, local governments receive small amounts of property income, accounting for 2.8% of SNGs total revenue, above the EU average (1.2%).

SUBNATIONAL GOVERNMENT FISCAL RULES AND DEBT

2016	DOLLARS PPP/INH.	% GDP	% GENERAL GOVERNMENT DEBT	% SNG DEBT
Total outstanding debt	421	2.3%	5.7%	100%
Financial debt*	402	2.2%	5.4%	95.5%

* Currency and deposits, loans and bonds

FISCAL RULES. The Head of the executive committee of each local government is responsible for the monitoring of local budget implementation. Rules in force require local budgets to be balanced. In case of a decrease in budget revenue leading to a reduction of more than 10% of expenditure funding compared to the planned budget (and in other emergency cases) intervention rules go into effect, including the abolishment or restriction of expenditure funding from budgetary funds, forbidding bank transactions for treasury purposes, fines, charges and collecting penalty fees.

DEBT. Local government borrowing capacities are set in the Budget Code (article 65). SNGs can access the national debt market freely, but within limits set by the Ministry of Finance. Local debt, including guarantees provided by local authorities on loans issued to local legal entities cannot exceed 20% of the total amount of expenditures of oblast, rayon and municipal budgets, except for the credits in the fields of village housing and for state-approved investment projects. Debt service should not exceed 15% of local budget revenues.

Since 2009, SNGs have been allowed to issue bonds that are backed by the central government, and local bonds have already been issued with the State bank of SB "Belarusbank". In 2016, SNG outstanding debt amounted to 2.3% of GDP. SNG debt is mainly comprised of financial debt (95.5%) with "other accounts payable" accounting for the remaining 4.5%. The financial debt essentially included bonds/debt securities (90.1%) and loans (9.9%). The share of SNG debt in public debt remains low compared to the EU average (14.4% in 2016).



Lead responsible: OECD
Last update: 02/2019

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Socio-economic indicators: World Bank // UNDP Human Development report // UN DESA // ILO // Belstat // Statistical Yearbook of the Republic of Belarus, 2017 and 2012.
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