

Local Self-Governance in the Republic of Belarus

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June 2015

This policy brief summarizes the results of our research on the development of local self-governance in the Republic of Belarus. The aim of this study was to analyze the existing system of local self-governance in the Republic of Belarus and to suggest directions for its improvement. The results show that the development of local self-governance should be directed to the reduction of concentration of the administrative-territorial division, real empowerment of local Councils of Deputies, improvement of the mechanism of alignment and balancing of local budgets, as well as the development of a financial base of local financial management and intergovernmental relations.

Local self-governance is a fundamental element of decentralization. It strengthens the freedom of action, the organization and activities of citizens for independent solutions of local issues in accordance with the interests of the population, and facilitates sustainable and socially oriented regional development. Decentralization assumes the existence of locally elected authorities, separate from the central government, who exercise, on the basis of the law, their own powers and responsibilities for which they have a degree of self-governance, under the control of the state.

System of Local Self-Governance in the Republic of Belarus

The structure of local self-governance in Belarus includes regional, district and basic levels (see Table 1) with corresponding sub-national governments (SNGs) that exercise control over the activities of lower level governments accountable to them.

Table 1. Country Characteristics and Structural Aspects of Local Self-Governance, 2014

Characteristics	Value
Population, in millions	9468.2
Area, in 1000s of sq. km	207.5
Number of regional SNGs	7 (6 regions and Minsk city)
Average regional population	1,199,800
Number of district SNGs	130 (118 districts and 12 cities with district rights)
Average district population	60,000
Number of rural SNGs (basic level)	1344
Average rural population	41,500

Source: Belstat

SNGs contain two parallel governance structures:

1) *Executive Committees* are appointed by and directly subordinate to higher levels of government. The Executive Committees are responsible for the realization of sub-national service functions including preparation and

execution of local budgets and supervision of local services. The President designates the chairmen of the regional Executive Committees, in agreement by majority votes of the regional Councils of Deputies. The chairmen of the regional and district Executive Committees, in turn, appoint the chairmen of the district and rural Executive Committees, in agreement with the district and rural Councils of Deputies,

2) *Councils of Deputies* are elected locally for four years. The Councils of Deputies approve budgets of corresponding levels, and prepare and adopt local bylaws in accordance with the interests of local residents. However, the competitiveness of local elections at all levels where they are organized is very low (often less than 1 person per seat) suggesting low progress in local democracy.

State employees of SNGs comprise of approximately 22,000 persons or one for every 430 citizens, on average (see Table 2). Regional and district SNGs operate on a more professional level. Rural units have far fewer employees, and their knowledge of local management and marketing is low. The improvement of their professional level is still a serious problem in the development of local self-governance. Overall, SNGs are highly dependent on the central government; local interests and needs are equalized across jurisdictions by central government, which leads to an absence of initiative and dependent moods.

Table 2. Staff of Sub-National Governments

Name	Value
Staff	22,000
Regime	Public law; contract state service
Status (law or contract)	Legal status is defined by the Law «On State Public Service in the Republic of Belarus»
Recruitment procedure	Employees are appointed by heads of local government bodies on the basis of exams
Training	Training courses

Source: The Law «On State Public Service in the Republic of Belarus».

Local Budgets

SNGs' budgets in Belarus are divided on a territorial base including budgets of regions, budgets of districts and cities with regional rights, rural budgets, and budgets of cities with district rights (Budget Code, Article 2). They play a substantial role in financing social protection spending (see Table 3). Its share in consolidated government expenditures is equal to 44.2%.

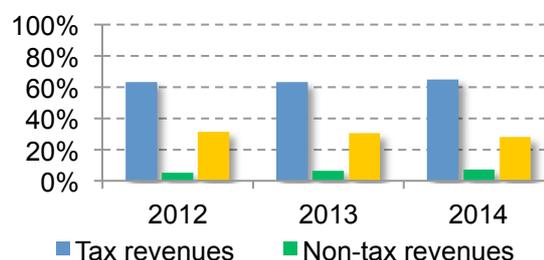
Table 3. Structure of Local Budgets, 2014

Level	Subnational share of total government spendings, in %
Health	81.7
Education	82.8
Communal Services	99.4
Recreation & Culture	62.6
General Public Services	69.9
Social Security & Welfare	19.9

Source: On the state of public finances of the Republic of Belarus 2014.

The financing of SNGs is generally achieved through tax sharing and transfers (subsidies) from higher levels of government. Assigned subnational taxes as a share of subnational revenues in Belarus is equal to 64.9%. (see Figure 1).

Figure 1. Revenues of SNGs in 2012-2014

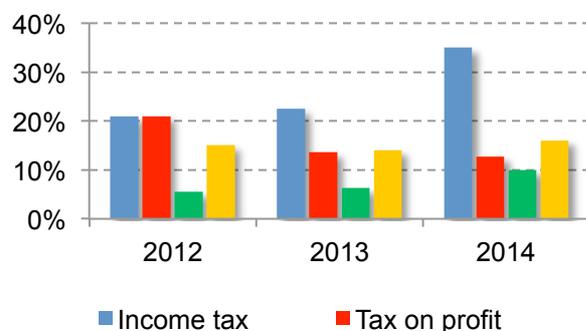


Source: On the state of public finances of the Republic of Belarus 2012-2014.

Income tax makes up the largest share (about 35%) in the total tax revenues of all SNGs' in

Belarus (see Figure 2). The second most important tax is VAT, constituting 16% of total tax revenues.

Figure 2. Tax Revenues of SNGs in 2012-2014



Source: On the state of public finances of the Republic of Belarus 2012-2014.

However, the degree of tax efficiency depends mainly on the real autonomy of SNGs in defining their own tax base, which is very low in Belarus (see Table 4).

Table 4. Fiscal autonomy of SNGs, 2014

Level	Value
Own taxes as % of total SNG revenues (excl. transfers)	3.1
Own non-tax revenue as % of total SNG revenues (excl. transfers)	10.0
Own revenue as % of total SNG revenues (excl. transfers)	13.1
Transfers from other government levels as a share of SNGs revenues, in %	27,9

Source: On the state of public finances of the Republic of Belarus 2012-2014.

The figures suggest that Belarus has not yet developed the fiscal autonomy of SNGs, which still count on the central government for the main part of their revenues. The share of own revenue (over which local governments have policy control and collect themselves) is equal to only 13.1%. Transfers constitute one of the key parts of local financing in meeting expenditure responsibilities, reflecting that the central

government is not ready to give up this tool for control over the SNGs. The gap-filling nature of the transfers compensates for the low levels of SNGs' own tax revenue, but creates negative incentives for SNGs to build their own revenue base and optimize expenditures. This is since an increase in their own revenues or budgetary savings could trigger reductions in the level of transfers from the central government.

The low level of fiscal autonomy reflects a weak subnational administrative capacity, political constraints, and central limits on subnational tax rates. Real independence of SNGs could create accountability and improve efficiency, especially under a healthy institutional and regulatory framework. However, with the inadequacy of subnational own source revenues, SNGs will probably remain dependent on the shares of central taxes and transfers for a long period of time.

Another concern is the disparity in financial solvency across the SNG units. Indeed, the number of rural residents in Belarus has declined by 27.6% since 2001, and corresponds to only 22.7% of the whole Belarusian population in 2014 (in comparison to 30% in 2001). This pattern further undermines the fiscal autonomy of rural SNGs and deepens imbalances between rural and urban districts.

In order to optimize government expenditure and increase the concentration of material, technical and financial resources, it would be reasonable to reduce the number of territorial units of the second and third levels (130 and 1344 units, respectively) and create financially self-sufficient territorial units taking into account the disproportion in their economic development.

Conclusion

On the whole, Belarus lacks a common approach to the development of local self-governance, which negatively affects the development of relevant legislation and an enhancement of the

country's administrative and territorial structure. Policymakers should direct their attention to reducing the concentration of the administrative-territorial division, a real empowerment of local Councils of Deputies, an improvements of the mechanism of alignment and balancing of local budgets, as well as to the development of a financial base for local financial management and intergovernmental relations.

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