

# BELARUS: ADDRESSING IMBALANCES IN THE ECONOMY AND SOCIETY

NATIONAL HUMAN DEVELOPMENT REPORT 2004 – 2005



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\* \* \*

## **Belarus: addressing imbalances in the economy and society**

National Human Development Report 2004/2005

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## FOREWORD

It gives me great pleasure to present to the Belarusian decision-makers, the public and the international community the eighth National Human Development Report for 2004 – 2005.

The focus of this Report is on the imbalances affecting the nation's progress towards higher levels of human development. As emphasized in the 1990 Global Human Development Report, human development has two important aspects: the formation of human capabilities – such as improved health, knowledge and skills – and the use that people make of these capabilities for leisure, productive purposes, and for being active in cultural, social and political affairs. Belarus' success in maintaining high levels of educational attainment among its population and securing broad access to health services has contributed greatly to expanding its capabilities for human development. The challenge is to translate these capabilities into greater choices by balancing these two sides of the human development scale.

A national team of authors have set out to examine the most relevant aspects of this challenge and to explore the options for addressing it. The issues raised in the Report range from the implications of globalisation and EU enlargement, through international competitiveness and regional policies, to social capital and civil society development in Belarus. I am hopeful that the Report's findings and recommendations will be the subject of increased attention among policy makers and encourage debate across different sections of the Belarusian society.

Addressing imbalances in development is a theme relevant not only to Belarus, but also to other countries making their way towards a market economy. I hope that this Report will also be of interest as a source of ideas for other societies in similar circumstances.



Cihan Sultanoglu,  
UN Resident Coordinator / UNDP Resident Representative  
in the Republic of Belarus

# FROM THE GOVERNMENT OF THE REPUBLIC OF BELARUS

I am pleased to bring to the attention of the readership this latest National Human Development Report. This is the eighth such Report, which examines the varied challenges faced by Belarus from the human development perspective. Human development is about putting people's choices and opportunities at the centre of all policy. In this respect, the human development ideal is consistent with the principal goals of the Belarusian Government.

Recently, Belarus has made indisputable progress in achieving rapid economic growth while avoiding many of the social costs experienced by other countries in transition. The analysis of the development imbalances contained in this Report can lead to effective action aimed at providing all Belarusians with equal opportunity to benefit from these recent achievements in order to improve their living standards and expand the room for their creative self-realisation. In this view, the theme of the Report is very relevant for the country.

Similar to the previous Reports, this edition was authored by a team of national consultants working on private title. Although its findings do not necessarily reflect the views of the Belarusian government, this Report could nevertheless provide the basis for further policy debate and become a useful source of information and ideas for government institutions, public organizations, the media, and the international community.



N.P. Zaichenko,  
Minister of Economy of the Republic of Belarus

# ACKNOWLEDGEMENTS

The preparation of the 2004/2005 National Human Development Report (NHDR) involved a large number of individuals and institutions. This publication would have been impossible without the contribution, valuable insights and constructive criticisms from all of these participants.

## Lead authors and editors

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UNDP Belarus and the NHDR team are grateful to the following authors for their contributions to the Report's chapters: Lev Krukov (Chapter 1); Ivan Abramov, Yevgeni Medvedev and Irina Novikova (Chapter 2); Nina Bogdan, Ludmila Borovik, Tatyana Vertinskaya, Ludmila Kozlovskaya, Dmitry Semenkevich, Vladimir Fateyev, and Olga Shimova (Chapter 3); Alexander Bondar and Ludmila Shakhotko (Chapter 4); Svetlana Naumova and Anatoly Rubanov (Chapter 5). Appendix 3

«Environmental impact measurement: regional disparities» was written by Olga Shimova and Appendix 4 «Demographic security and the role of the state» by Ludmila Shakhotko.

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## Editing, production and translation

Style editing and proof-reading of the Russian version of this Report were provided by Ludmila Makeichik and of the English version by Lera Hamilton and Harold Smith. The Report was translated into English by Alexander Piskounov and Vitaly Velent.

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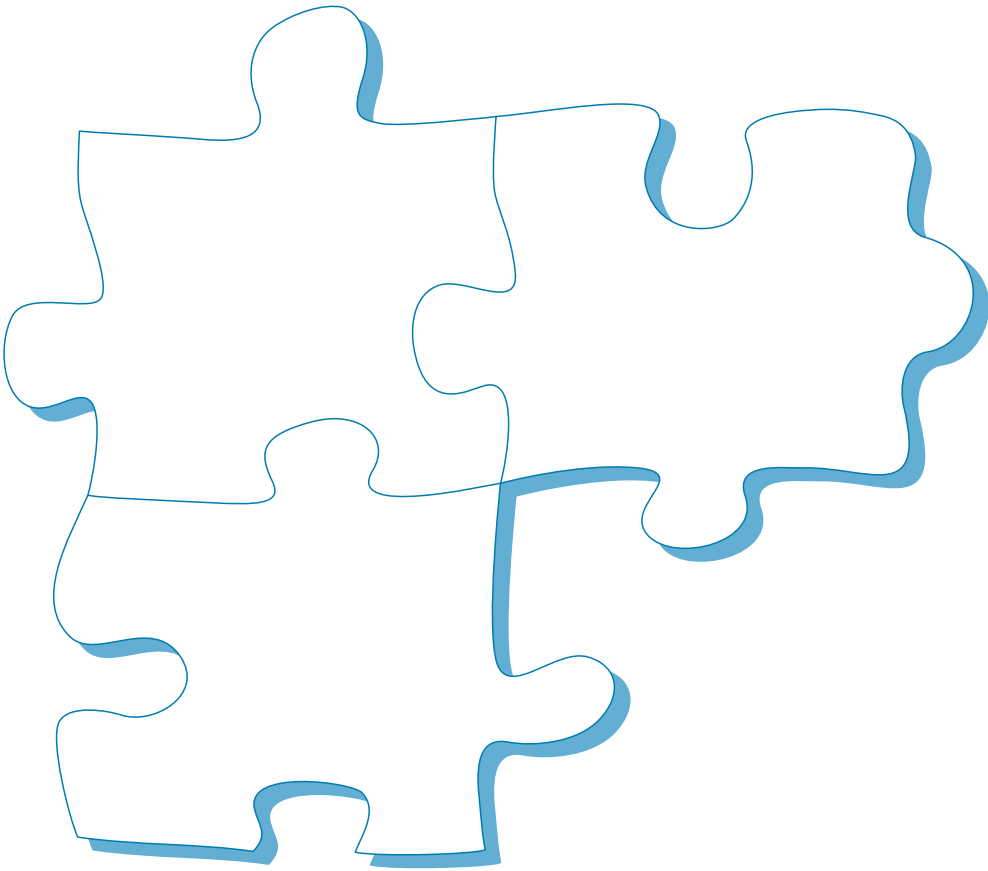
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## BELARUS: ADDRESSING IMBALANCES IN THE ECONOMY AND SOCIETY

This Report examines the main challenges to human development in Belarus. Similar to the previous 2003 Report, «The human capacity of Belarus: economic challenges and social responses», some of its central themes include the integration of Belarus into the world economy, paths to sustainable growth, improvements in general living standards, environmental protection, and priorities for institutional and economic reform.

To respond to these and other challenges, difficult choices must be made among differing, and at times conflicting priorities. Choices such as faster growth or greater equity, increased economic security or broader freedom for private initiative, more investments or consumption – and many others – are acknowledged in countless countries and societies.

In its pursuit of enhanced human development, Belarus also faces some very similar tradeoffs, many of which have been outlined in this report. How can it effectively integrate into a globalised economy while adhering to market-driven practices, and what would be the price of that transformation in terms of equity and social safety? What are the best strategies for aligning Belarusian institutions and policies with European practices, while sacrificing as little as possible of its sovereignty and cultural identity? How can Belarusian industries continue to benefit from the economies of scale and concentration, while also giving each of the country's regions and communities fair opportunities to participate in economic development and growth? What reforms are necessary to maintain existing high levels of education, health care and other public services, under rigid financial constraints? How can Belarus balance an atmosphere of trust among its people, and an environment conducive to social inclusion and activism, with increased competitiveness and individual responsibility characteristic of market economies?

All of these are complex choices, and there is no standard recommendation for determining the right solutions. Like many other countries in transition, Belarus has had to seek its own creative responses, often by trial and error. In these conditions, taking a gradual and staged approach to socio-economic reform can be a good strategy to avoid errors and to minimise social costs. However, this strategy also creates major risks by delaying necessary change. Serious imbalances that result in high social and economic losses can occur from premature choices as well as from delayed decisions.

The purpose of this report is to identify and analyse some of these tangible or probable imbalances in the geopolitical, economic, regional, environmental

and other domains. If not addressed appropriately and in a timely manner, all of these imbalances could negatively affect human development.

**Chapter 1** examines the challenges of globalisation in light of the eastward enlargement of the EU. The health of the Belarusian economy is dependent on foreign trade, which has been dominated by Russia and the EU, its two main partners. They hold enormous influence that is highly heterogeneous and asymmetric. To maintain multidirectional trade relations, Belarus should pursue two objectives, improving its relationship with the expanding EU as well as maintaining its traditional ties with the Russian Federation. To preserve national sovereignty, it should diversify its trade structure with the EU and the CIS and reduce its dependence on specialised markets such as primary inputs and energy. Raising the share of high-tech products in its exports to the EU remains a major priority. The fulfillment of this goal is dependent on a range of favourable conditions in the economic, institutional, political and other domains.

The focus of **Chapter 2** is on the competitiveness of the Belarusian economy. Due to its openness to trade, Belarus will not be able to maintain elevated levels of economic growth unless its enterprises are able to withstand competition from foreign producers in the domestic and foreign markets. However, many Belarusian manufacturers are finding it increasingly difficult to afford a low price on their products. Furthermore, Belarusian industries have been losing their share in the domestic market. The financial performance of many enterprises has been unstable, as evidenced by a high number of loss-making firms and a low overall rate of return relative to inflation. The slow pace of structural reform has contributed to the depreciation of fixed capital stock, which already exceeds the critical threshold of 60%. Despite having a well-educated workforce and highly skilled research staff, Belarus remains behind most EU countries in terms of innovation activity and commercialisation of science.

The chapter proposes a range of policies to increase national competitiveness. The focus on a limited number of export-oriented sectors would improve the efficiency of the Belarusian economy by making it more specialised. Introducing hard budgetary constraints when dealing with loss-making enterprises would promote industry restructuring. Encouraging firms to introduce energy and metal saving technologies would also facilitate cost reduction while making the economy less dependent on primary and energy imports. Policy proposals aimed at accelerating

*Serious imbalances that result in high social and economic losses can occur from premature choices and from delayed decisions*

*Although the demographic crisis has affected the whole of Belarus, the rural areas are the hardest hit*

the privatisation of state-owned firms, promoting small and medium-sized enterprises (SMEs), and supporting research and development are also contained in this chapter.

The success of these policies is contingent on a constructive business environment, characterised by transparency, accountability, and the rule of law. Creating such a climate would bring additional foreign and domestic investments and help reverse the decline in investment activity that happened in recent years. This chapter's section on small business examines options for easing the regulatory environment for SMEs, including reducing the barriers to market entry and exit, and curtailing the powers of government oversight over the private sector.

**Chapter 3** explores how different areas of the country are performing in terms of longevity and health, educational attainment, as well as incomes and poverty. Variations in human development levels across cities are determined by industry location and the situation of industrial enterprises. Small towns with fewer than 20,000 residents have some of the most difficult conditions for human development. Of them, some 70 urban settlements dependent on the performance of one 'formative' enterprise are particularly vulnerable. The residents of these mono-industrial towns are extremely constrained in their choices of employment. They face the highest risks of poverty and social exclusion. This Report proposes policies to engineer an economic revival in such problem cities, including by modernising enterprises and developing alternative livelihoods, such as self-employment and small business.

The rural-urban disparities in demography, employment, incomes, education, and access to services emerged during the Soviet era and have deepened during the transition period. Although the demographic crisis has affected the whole of Belarus, the rural areas have been the hardest hit. Today, they experience the highest rates of depopulation, out-migration and ageing. The rural employment rate is falling much faster than employment in urban areas. Agricultural farms have been more affected by economic and financial constraints than industrial enterprises, and have been more limited in their ability to maintain the social infrastructure in rural areas. The shortage of professionals perpetuates the rural-urban gap in the quality of education and health services.

As a result of these disparities, rural dwellers have been particularly vulnerable to poverty. Poverty is a highly relevant problem in the whole of Belarus, where more than 27% are living below the official poverty line. However, it is felt particularly acutely in rural areas, where the incomes of some 50% the population are below the national subsistence level. One of the main reasons for poverty are low wages, a product of the economic difficulties affecting agricultural farms and of the economic decline suffered by many regions.

To address the underlying causes of poverty in rural areas, the introduction of effective support tools for agricultural producers is proposed, including tax benefits and access to assets. It would also be helpful to establish an ad-hoc fund for financing development programmes in poor regions.

Also explored are the environmental conditions and risks facing different regions, and an analysis is conducted of the unique circumstances in regions with special developmental needs – the areas bordering on the enlarged EU and the parts of the country exposed to radioactive contamination in the wake of the Chernobyl nuclear accident.

Many areas of Belarus have particularly vulnerable ecosystems, and are facing an elevated risk of irreversible damage to their natural environment. Special emphasis is made on the condition of the nation's major rivers, access to safe drinking water and the development of environmental monitoring.

The accession of Lithuania, Latvia and Poland to the EU has made the border with these countries less transparent to people and turned it into a barrier to the preservation of familial, cultural and personal ties between those living on both sides of the frontier. This negative impact could be limited by promoting participation of the border areas in multilateral and bilateral partnership initiatives, such as the Euro-regions.

Another region with special needs is the area affected by the Chernobyl nuclear disaster. Representing 20% of the total land mass, these territories are home to some 15% of the Belarusian population. Key priorities for the affected areas should include the provision of adequate medical care and health promotion, increasing the life expectancy to the national mean, poverty reduction and the generation of incomes through economic recovery, private enterprise development and investment support.

Many regional disparities in development could be successfully addressed through a better realignment of power between the local and national levels of government. The present policy-making arrangements are becoming increasingly problematic because they do not sufficiently reflect the immense variety of development challenges and issues arising in multiple local contexts. The strengthening of local governments should start with a clear definition of their mandates and their empowerment to generate sufficient revenue to support these mandates. It is emphasised that successful decentralisation requires strong involvement of the civil society and should rely on well-established mechanisms of local democracy.

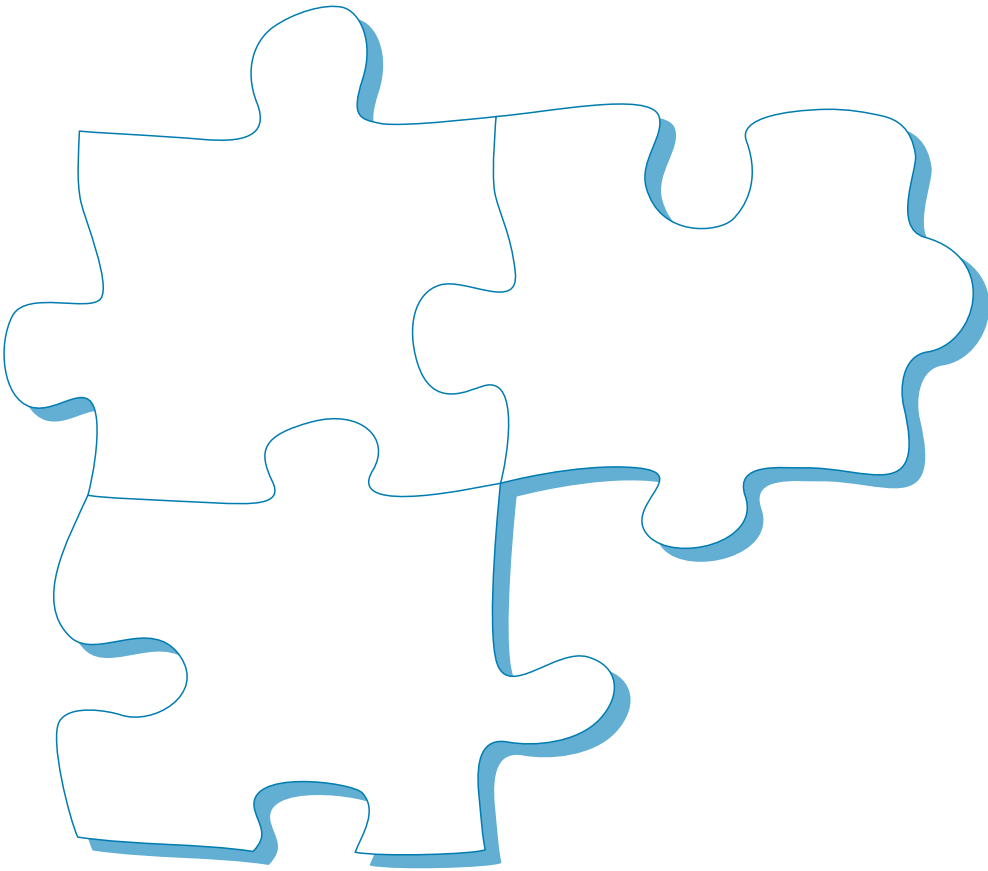
**Chapter 4** considers imbalances that exist in terms of human capital. The present demographic crisis poses significant risks to the human development of Belarus. Some hallmarks of this crisis include high rates of depopulation and population ageing, high incidence of premature deaths, falling life expectancy and the deteriorating health status of the population. The emigration of Belarus' youngest and

most educated citizens (i.e. the brain drain and the muscle drain) is accompanied by the inflow of refugees and escalation in illegal immigration.

To reverse these negative trends, significant and rapid improvements in general living standards must be made. Proposed actions include reforming the health sector by raising the quality of care, expanding the equipment base, promoting healthy life styles and strengthening prevention services. Substantial progress in human development can be achieved by transforming education and by enhancing funding for education to levels consistent with world standards – ten per cent or more of the GDP. This chapter also proposes policies aimed at reducing disparities between men and women in terms of employment and wages, as well as in political participation.

Dealing effectively with the economic and social challenges of human development also depends on high morale within society. This is characterised by a climate of trust among people, between citizens and the institutions of the state and society, as well as by the true empowerment of informal groups and civil society organisations and their opportunities to influence the development process. All of these prerequisites are embraced by the notion of social capital, which is the focus of **Chapter 5**. This chapter examines the conditions for the formation of social capital in Belarus, including access to means of communication and NGO development. It points to the presence of active civil society groups. The report calls for the continued support of pro-social behaviour and independent social initiatives. It emphasises that such support should become a key priority for social policy.

*Dealing effectively with the economic and social challenges of human development depends on high morale within society*





# GLOBALISATION AND EU ENLARGEMENT: OPPORTUNITIES AND CHALLENGES FOR BELARUS

Human development is the process of enlarging an individual's range of diverse choices. The most fundamental of these choices are the decisions that lead to a long and healthy life, good education, and a decent standard of living. Choices are affected by a wide range of factors such as an individual's skills and abilities, their country's economic and political environment, access to education and health services, and the international context.

Chapter 1 explores the impact of globalisation and EU enlargement on human development in Belarus. Globalisation is driven by market expansion which opens national borders to trade, capital, and information. This chapter presents a set of recommendations on how Belarus can reap the benefits of globalisation and EU enlargement, while maintaining and improving its economic and trade relations with Russia.

## 1.1. Globalisation, EU enlargement, and the socio-economic development of Belarus

The global and regional context plays an important role in Belarus' socio-economic development. Belarus is party to a range of major global initiatives, including the Millennium Development Goals set by the 2000 UN Millennium Summit [1, 2]. Aligning Belarusian political and social institutions with the European practices would require further progress towards a socially oriented market economy and a mature democracy. The movement along this path is significantly affected by powerful global trends and developments, such as globalisation and regional integration.

### The impact of globalisation

Globalisation is a dynamic but also a highly controversial and asymmetric process. On the one hand, it expands international trade and facilitates investments, technological advancements, and the global exchange of knowledge and ideas. All of these factors can contribute to national economic growth and promote human development. On the other hand, globalisation sometimes poses challenges to national human development by exacerbating global inequalities. Even as the world's most powerful economies enjoy an era of prosperity, many developing nations experience increases in poverty levels, diminishing life expectancy, escalating armed conflicts, and declining levels of personal security.

For better or for worse, globalisation strengthens the influence of the global environment on national human development. Nations can benefit most from globalisation by making national policies and institutions consistent with the global market-based rules of the game. At present, the depth and scope of the market reforms in Belarus are insufficient, and its economy is significantly behind most other Central and East European nations according to the Foreign Direct Investment Attractiveness Index calculated by UNCTAD. Thus the international competitiveness of the Belarusian economy remains too low.

WTO accession is an important step towards deeper integration of Belarus in the world economy. Membership in WTO would provide it with the tools to protect and pursue its interest in international trade. However, WTO accession also creates the challenge of adjusting national economic laws and regulations to WTO rules. It demands appropriate concessions to foreign trade partners that would open up domestic markets to foreign goods, services and investments.

Another important challenge of globalisation is its potential impact on local cultures. Although it does not necessarily lead to uniformity, homogeneity or domination of one culture over another, globalisation gives wider opportunities for influences from larger nations. This risk could be addressed by strengthening and

*Nations can benefit most from globalisation by making national policies consistent with the global market-based rules of the game*

**Table 1.1.1**  
**Belarusian foreign trade by country and region (% of total)**

	Exports				Imports			
	1992	1995	2000	2003	1992	1995	2000	2003
Non-CIS, total	33.6	37.0	40.0	45.4	24.1	33.9	29.8	30.4
Europe	26.1	28.5	29.1	37.1	20.2	28.4	22.2	22.6
EU	7.7	12.0	9.4	22.9	9.4	16.7	14.9	15.4
CEE	8.0	8.7	6.2	7.1	4.8	7.8	5.3	4.8
USA	1.2	1.2	1.3	1.0	2.6	1.7	1.6	1.3
Asia	4.0	3.7	6.0	4.5	1.0	2.0	2.9	2.3
Japan	0.2	0.02	0.1	0.02	0.2	0.4	0.5	0.3
China*	0.8	0.7	2.0	1.6	0.2	0.4	0.6	0.6
Africa	0.6	2.1	1.8	0.9	0.2	0.3	0.3	0.3
Latin America	1.5	0.2	1.5	1.4	0.1	0.8	1.5	1.2
CIS, total	66.4	63.0	60.0	54.6	75.9	66.1	70.2	69.6
Russia	39.9	45.5	50.6	49.1	52.6	53.3	64.8	65.8
Ukraine	15.9	12.6	7.6	3.5	16.0	10.2	3.9	3.1

\* Data for 2000 and 2003 include Hong Kong.  
Source: Ministry of Statistics and Analysis of Belarus.

**Table 1.1.2**  
**Belarusian trade with the EU (US \$, millions)**

	1997	1998	1999	2000	2001	2002	2003
Volume	1924.3	2069.1	1847.9	1980.3	2028.0	2921.5	4055.7
Exports	492.6	515.6	526.4	689.5	804.1	1440.2	2279
Imports	1431.7	1553.5	1321.5	1290.8	1223.8	1481.2	1776.7
Balance	-939.1	-1037.9	-795.1	-601.3	-419.7	-40.5	502.3

Source: Belarusian foreign trade: selected statistics. Minsk, Ministry of Statistics, 2004, pp. 59–67; A.E. Daneyko (ed.). The global economy and Belarusian foreign trade. Minsk, Ministry of Economy of Belarus, 2004

**Box 1.1.1**  
**Belarusian trade with the new EU members**

Central and Eastern Europe are dynamic and potentially lucrative markets for Belarusian goods. In 2003, Central and Eastern Europe accounted for 10% of Belarus' foreign trade. In 2003, the trade surplus with Central and East European states was equivalent to some \$553 million (Table 1.1.3).

Trade with Poland grew from \$430.7 million in 1997 to 782.7 million in 2003. In 2003, Belarus had a trade surplus of \$85.7 million, while exports and imports had gained more than 80% relative to the previous year.

From 1997 to 2003, trade with Lithuania grew from 274.8 million to 419.2 million. In 2003, Belarus had a trade surplus of 110.7 million, as exports and imports had risen significantly.

Trade with Latvia almost tripled between 1997 and 2003, from \$139.6 million to 388.5 million. Over the same time period, the trade surplus rose from \$5.4 million to almost \$300 million; but unlike exports, which have grown by a considerable amount, imports had dropped sharply, from \$67.1 to \$44.3 million.

Overall, 2003 saw a sharp decline in trade with Latvia. The foremost contributing factor has been a decline in the export of oil by-products by a total of \$217.4 million.

Source: Ministry of Statistics and Analysis of Belarus

encouraging the positive capabilities of local cultures, thereby controlling and opposing negative foreign influences [2: 25–26]. The law «On culture», drafted in the spirit of the UNESCO declaration on cultural diversity, mandates a series of government programmes designed to support the local culture and to maintain cultural freedom in a globalised context [3: 15].

Globalisation affects not only individual nation states, but also regional alliances. Established for political and economic reasons, regional blocs exist to seek coordinated responses to national and global problems, and are playing an increasingly visible role in the world economy. According to WTO, over 150 regional alliances have been established since 1948, including 64 alliances created between 1948 and 1990, and over 80 from 1991 to 2001. Belarus has membership in several major regional organisations, such as the CIS and the Eurasian Economic Community.

**Belarusian foreign trade in light of globalisation and EU enlargement**

The high dependence of the Belarusian economy on foreign trade makes national human development highly sensitive to the international environment. Belarus exports over 60% of its GDP, and its total foreign trade is equivalent to \$24 billion, or 137% of the

GDP. Of 6.1 trillion roubles in budget revenues, foreign trade contributes 0.9 trillion, or 16%. Together with the taxes and duties paid from foreign trade transactions, revenues from foreign trade represent more than one-third of the total public revenue.

Belarus is trading with more than 155 countries, and maintains the most favoured nation regime with 48 non-CIS countries. It accounts for 10 – 15% of the global sales of mining trucks, and three per cent of global tractor sales. In 2003, the Belarus Metal-lurgy Plant had a seven per cent share in the global market for steel cord (Appendix 2, Table 1).

More than 84% of Belarusian foreign trade is with the EU and the Russian Federation. These two partners almost exclusively determine its economic relations with the outside world. The role of Russia and the EU in Belarusian foreign trade has been growing steadily since independence. From 1992 to 2003, Europe's share of Belarusian exports grew from 26.1% to 37.1%, and of imports from 20.2% to 22.6%. Russia's share of the total exports reached 49.1% in 2003 and of imports 65.8% (Table 1.1.1). By diversifying the destinations of its exports and sources of imports, Belarus can make itself less vulnerable to fluctuations in the global markets.

On May 1, 2004, ten new nations – including Belarus' three immediate neighbours, Poland, Latvia and Lithuania – were admitted to the European Union. As a result, the EU's territory increased by 34% and population by 29%. The EU's enlargement raises its significance to Belarus as an export market and a source of investments and advanced technologies. In light of this development, rebuilding its relationship with the EU is becoming a growing priority for Belarus.

**Trade with the EU**

In 2003, the volume of trade between Belarus and the EU was over \$4 billion, up 38.8% from 2002. Most of the growth (58.2%) is the result of an increase in exports. Imports from the EU also gained 20%. Belarus' exports to the EU exceeded imports by \$502.3 million in 2003, its first trade surplus since 1997 (Table 1.1.2).

In terms of trade volume, Germany was Belarus' leading trade partner, accounting for 30.6% of its trade with the EU in 2003. The United Kingdom rose from fourth place in 1997 to second place, due to a sharp increase in oil exports from Belarus. In 2003, its share of Belarusian trade with the EU rose to 25.1%. The Netherlands, in third place, accounted for 12.5% of such trade, Italy, in fourth place, for 10.3% and France, in fifth place, for 4.2%. Together, these five countries represented 82.8% of Belarus' trade with the EU, including 86.2% of the exports and 78.4% of the imports.

In 2003, the main export commodities were mineral products (64.8%), textiles (8.7%), non-precious metals (7.6%), as well as lumber and wood products, charcoal, tools, optical equipment and musical instruments. Thus, primary goods were the most

*Revenues from foreign trade represent more than one-third of the total public revenue*

prevalent, while the share of high value-added products remained small. The reason is the low competitiveness of Belarusian goods and the failure of Belarusian manufacturers to meet the product quality expectations of the European consumers. Competitiveness is also affected by poorly developed marketing networks, inadequate warranties and product support services, and poor customer relations.

EU exports are also constrained by a number of EU practices, such as anti-dumping tariffs and quotas. The impact of such practices on Belarusian foreign trade has grown with the enlargement of the EU, as the newly admitted members have started applying EU trade regulations to non-EU countries (Table 1.1.3, Box 1.1.1).

Imports from the EU have been dominated by engineering products, electrical equipment, and sound recording and playing devices, which represented 36.7% of all imports. The share in total imports of chemical and other related products was 14.1%, means of transportation by land, air and water 9.8%, plastics and rubber products 7.9% and textiles 7.7%.

## 1.2. Belarus, Russia and the EU: avenues for partnership

The Russian and Belarusian economies continue to depend on one another, and to supplement each other. Russia is the main export market for Belarusian industrial products and the main supplier of energy and primary inputs. More than 8,000 enterprises in Belarus and Russia maintain direct economic ties. To support and develop this traditional economic collaboration, Belarus and Russia signed an agreement that established a Community of Russia and Belarus in April 1996, followed a year later by a treaty regarding the Union of Russia and Belarus. The latter took effect in January 2000 and determines the future integration of both countries.

Although the EU has great priority as a trade partner with Belarus, their relationship has not been as deep as with the Russian Federation. The most favoured nation status enjoyed by Belarus de-facto has not been formalised, as the EU – Belarus partnership agreement has yet to be ratified. The EU is nevertheless one of the main lenders to the Belarusian economy, and a source of investments and managerial know-how. However, as previously stated, the bulk of Belarusian exports to the EU are primary products with low value-added and a high share of manual labour in their cost, while most of the imports are high-tech goods. Increasing the share of high value-added and high-tech goods in its exports is essential if Belarus is to fully benefit from its relationship with the EU.

In building its partnership with the EU, Belarus is guided by a number of considerations, including the need to pursue a multidirectional foreign trade policy and the evolution of the EU-Russia relationship. Its actions on this front will be grounded in the principle of sovereignty (Box 1.2.1).

## Economic integration of Russia and Belarus

The aim of the economic integration of Russia and Belarus is to promote economic growth by maximising the benefits of the intra-CIS division of labour, economic specialisation and cooperation. The latter will depend on the pursuit of coordinated policies with respect to economic reform and the adoption of common approaches to the management of socio-economic development, foreign trade and social policy [4].

The priorities, tools and further steps towards integration are prescribed by the Economic Partnership Programme for Russia and Belarus for 1999–2008, the Union State Economic Partnership Strategy for 2000–2005, and the annual socio-economic development forecasts. The governing bodies of the Union State have finalised the drafts for a constitutional act and a set of agreements on a common currency.

The integration of Belarus and Russia is progressing simultaneously with the deepening of the EU-Russia relationship. The EU-Russia Partnership and Cooperation Strategy calls for EU's support of Russia's accession to the WTO and the eventual creation of an EU-Russia free trade zone. The improvement of the EU-Russia economic ties will inevitably lead to closer collaboration between the EU and Belarus. All of this makes the EU a vital priority for Belarus.

*The EU is one of the main lenders to the Belarusian economy, and a source of investments and managerial know-how*

**Table 1.1.3**  
**Belarusian trade with Central and Eastern Europe (US \$, millions)**

	1997	1998	1999	2000	2001	2002	2003
Volume	1235.9	1456.6	1286.0	1896.3	1752.8	1738.7	2022.7
Exports	571.8	704.4	797.2	1361.3	1286.2	1245.1	1287.8
Imports	664.1	752.2	488.9	535.0	466.5	493.6	734.8
Balance	-92.3	-47.8	308.3	826.3	819.7	751.5	553.0

Source: Belarusian Foreign Trade: Selected Statistics. Minsk: Ministry of Statistics, 2004, pp. 59–67

### Box 1.2.1

#### The primacy of sovereignty

As stated in the Declaration of Sovereignty of 27 July 1990, the notion of sovereignty combines national self-determination and political independence. This idea of sovereignty was reaffirmed by the Constitutional Act of August 1991 and the Constitution of Belarus of 1994 and 1996. The primacy of sovereignty is the guiding principle on which Belarus is building its future relationships with Russia and the EU.

As emphasised by the President of Belarus at the meeting with the heads of Belarusian diplomatic missions on 22 July 2002, a sovereign foreign policy should be based on self-respect, self-worth and a realistic assessment by Belarus of its capabilities and interests. In domestic policies, the key to strengthening sovereignty is reducing the vulnerability of the Belarusian economy to the exigencies of external markets. This includes a reduction of excessive dependence on primary and energy inputs. «It is necessary to develop a professional and consistent line of action to reduce the impact of each vulnerability factor to an acceptable level,» said the President of Belarus.

Source: [www.president.gov.by](http://www.president.gov.by)

*By implementing reform-oriented policies, Belarus would create favourable conditions for realising its competitive advantages*

In the long term, integration within the EU – Belarus – Russia triangle should result in the creation of a common economic area that applies progressive EU standards and facilitates the movement of Belarus and Russia towards a post-industrial economy. [5: 16, v. 1].

In the interim, this transition will take place in several stages, each of which would change critical aspects of the national economic systems, bringing them closer to the European model of a socially oriented economy based on high-tech and knowledge-based industries [6].

In the short term, Belarus should start by developing annual action plans to expand trade with the EU. Such plans would compliment the national socio-economic development programme for 2006-2010 and help achieve consensus on the objectives of economic reform and its target indicators.

### **Partnership with the enlarged EU**

The EU requires that countries willing to integrate in its structures meet the following minimum criteria:

- A functioning market economy able to withstand competition in the European markets;
- A stable democracy that guarantees the rule of law, respect for human rights and the protection of ethnic minorities;
- Compliance of the national law with the legal standards of the EU (the Acquis Communautaire).

To a point, these criteria could guide the future partnership between Belarus and the enlarged EU. To comply, Belarus needs to develop market-type institutions, conduct legal reform, accelerate the restructuring and privatisation of large and medium-sized enterprises, as well as increase support for small and medium-sized enterprises (SMEs). By implementing these and other reform-oriented policies, Belarus would create favourable conditions for realising its competitive advantages.

First of all, Belarus should diversify the structure of its trade with the EU and the CIS to minimise its dependence on specific markets or commodities. The emphasis should be on raising the share of high-tech exports in its trade with the EU. The government can achieve these objectives by strengthening support for exporters through loans, subsidies, marketing, research, legal and other types of services. All commodities exported to the EU should be subjected to quality control to meet the EU standards in accordance with the ISO 9000 and ISO 14000 series. To facilitate trade with the EU and CIS states, Belarus should invest in a transportation infrastructure that connects the country with its trade partners. Belarus can also establish direct economic links with the EU by investing in joint assembly and manufacturing ventures, particularly in the new EU member states.

Second, to ensure international competitiveness, Belarus should adopt WTO principles and standards. WTO accession is important not only because of this organisation's role in determining the rules of global trade, but also because the national trade and economic systems of Belarus' main trade partners are guided by WTO principles and rules.

Accession to WTO would require dramatic changes. To join WTO, Belarus would have to eliminate tariffs on certain goods, pursue a non-discriminatory trade policy, reform the financial and banking sectors, and ensure more stringent application of intellectual property rights.

Lastly, the legal environment should be improved, and stronger incentives should be introduced for foreign and domestic investors. In particular, the Belarusian Government should minimise the risks for investors and address such issues as non-enforcement of contracts, unpredictable changes in laws (particularly tax laws), inadequate property rights protection, and the sometimes excessive regulatory intervention of government inspectors.





# STRUCTURAL IMBALANCES IN THE BELARUSIAN ECONOMY

Since 1996, Belarus has made great strides in achieving an economic recovery and growth. In 1996 – 2003, the Belarusian economy grew faster than the Baltic States, Poland, Hungary, Russia and many other countries in transition. Averaging at six per cent per annum, this growth enabled Belarus to exceed the 1990 output level in 2003. The economic recovery has translated into the growth of real incomes and wages and significant improvements in poverty rates.

An important challenge for Belarus today is to ensure that the rates of economic growth are sustainable. Belarus will not be able to maintain rapid economic growth unless its enterprises can withstand competition from foreign producers in the domestic and foreign markets. This chapter explores the potential threats to international competitiveness in the Belarusian economy, including high production costs, low profitability, high rates of asset depreciation and other signs of poor performance of many of its enterprises. It also examines Belarus' position in science and technology development relative to the EU and considers options for improving the condition of loss-making firms and creating a more enabling environment for small business.

## 2.1. The pace of the economic transition: general trends

Unlike most of Europe's former socialist states, the transformation of the Belarusian economy has taken place under strong government control. As a result of this approach, the economic structure has improved. Having achieved high rates of growth, Belarus has avoided many of the extreme social costs of transformation experienced by other transitional economies, including high rates of unemployment and poverty, extreme income inequality, high administrative corruption, and mass bankruptcies of individual enterprises along with whole industries.

The share of the non-government sector in the GDP has increased, reaching 57.4% in 2004. Over 10% of the Gross National Product (GNP) is produced by privately owned small and medium-sized enterprises (SMEs), employing approximately the same proportion of the work force.

The output structure has become more comparable to that of the industrial nations of the West. At the time of the break-up of the USSR, the industrial sector was contributing around 70% of the GDP, while the service sector was producing about 30%.

This was very different from Western Europe, where the service sector represents 60 – 70% of the GDP. In 2003, the output of services totalled around one-half of the GDP, and the output of goods amounted to less than 50% of the GDP (Figure 2.1.1). The manufacturing sector's share of total employment has since fallen from 62 to 45%.

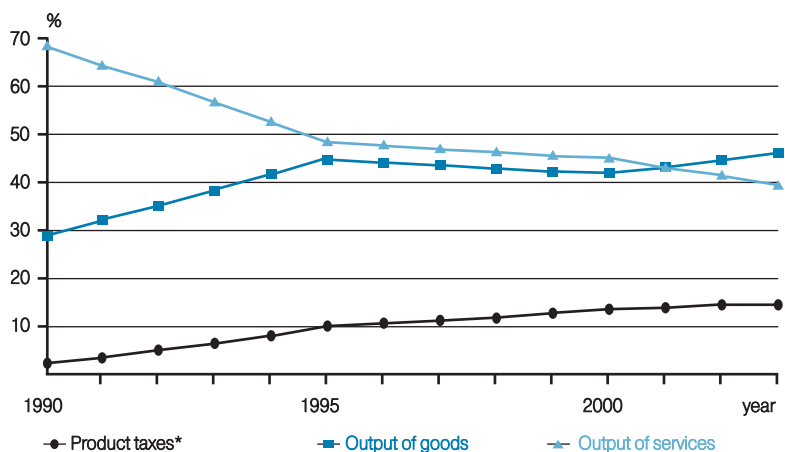
The slow decline of the ratio of manufacturing output in the GDP was offset by a gradual increase in the share of the service industries. Redundant workers from the manufacturing industries were

**Table 2.1.1**  
Export and import priorities for the Belarusian economy

Exports	% of domestic production	Imports	% of domestic production
Petrochemicals, mineral fertilizers, tractors, refrigerators, freezers, tires, bicycles, gas stoves, watches and clocks	81–100	Gas, oil, passenger vehicles, linoleum, detergents, frozen fish, starch, pasta, vegetable oil, tea, coffee	81–100
Chemical fibres and threads, clothing, television receivers, lorries and trucks, cheese and cottage cheese, motorcycles, ceramic tile, wallpaper, matches, carpets	61–80	Gypsum, wine, fruit and vegetable juices	61–80

Source: Republic of Belarus in Figures. Minsk, 2004, pp.213-224, 339-340. Analytical reports from the Ministry of Statistics and Analysis of the Republic of Belarus

**Figure 2.1.1**  
Changes in the GDP structure, 1990 – 2004 (%)



\* Product taxes include VAT, excise, sales and other taxes levied in proportion to the quantity and cost of goods produced. The figure shows product taxes net of subsidies. Source: Belarus Statistical Year-book 2004. Minsk, 2004.

*Many Belarusian producers have had difficulty maintaining a low price for their goods*

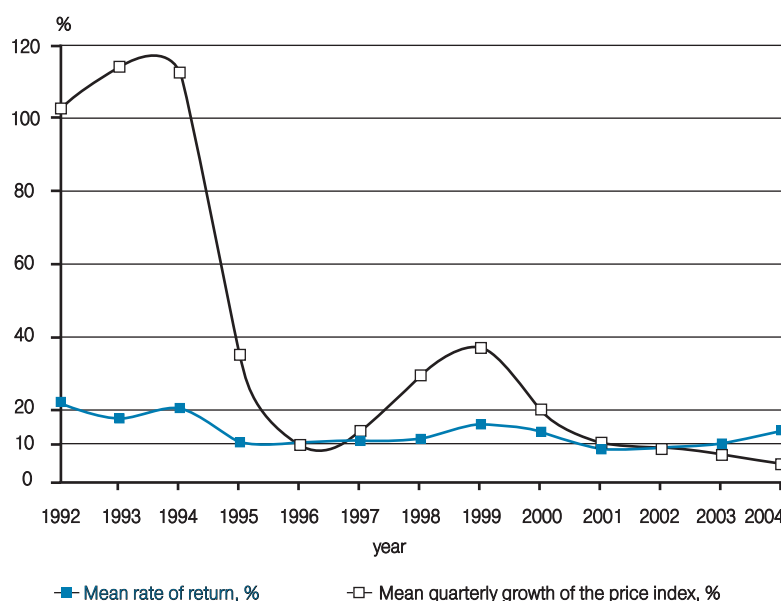
being absorbed by the service sector. As a result, employment has remained at a stable 97 – 98% of the work force.

The rising share of the service industries has also produced a significant economy of limited resources. The service industries have had a larger difference between output and input costs relative to product price (i.e. there is a higher share of value-added in the product price). In 2002, value-added represented 66% of the price of services and only 31% of the price of goods. Therefore, the growth of the service industries has contributed greatly towards diminishing the economy's dependence on primary inputs. Furthermore, unlike sectors such as ferrous metallurgy, which also have a high ratio of value-added to their product price, the service industries tend to be less capital-intensive. This has meant that jobs in these industries have been less expensive to create. More than 60% of all investments in 1995 – 2003 were in the service industries.

Recent economic policies have been guided by the national socio-economic development programme for 2000 – 2005, which identified export promotion as a key priority for economic development. This reflects Belarus' high dependence on foreign trade to sustain economic growth and achieve future prosperity (as discussed in Chapter 1). The output of many industries greatly exceeds domestic demand, and more than 80% of the total production of many commodities are exported (Table 2.1.1). Continued production of these goods is in turn highly dependent on imports, especially on raw materials and energy coming from the Russian Federation.

Recently, many Belarusian producers have had difficulty maintaining a low price for their goods. Furthermore, many industries have been losing their share of the domestic market. Under these conditions, Belarus' ability to maintain and increase its current rate of growth will depend greatly on how successfully its industries can withstand competition in domestic, CIS and non-CIS markets for both price and quality.

**Figure 2.2.1**  
Rate of return and rate of inflation, 1992 – 2004 (%)



Source: Belarus Statistical Yearbook. Minsk, 2003. Quarterly Statistical Bulletin. Minsk, 2004

## 2.2. Improving competitiveness in the Belarusian economy

International competitiveness is commonly understood as an economy's ability to produce goods and services that meet the test of foreign competition, while simultaneously maintaining and expanding domestic real income [1: 27].

Competitiveness has both short-term and long-term dimensions [2]. The short-term view emphasises price competitiveness, which can be restored mainly by restructuring production, reducing the costs of intermediate inputs, and making labour-saving investments. In the long run, competitiveness is achieved by creating conditions for productivity growth. The key ingredients are innovation, R&D and the development of human resources.

Both of these dimensions of competitiveness are relevant for Belarus. The difficult financial and economic situation of many Belarusian enterprises is a major concern for short-term competitiveness. An analysis of enterprise fixed capital stock reveals that,

**Table 2.2.1**  
Enterprise solvency ratio by sector at 1 January (%)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Industry	66.5	16.9	12.2	20.8	21.6	20.1	14.8	11.9	12.1	21.6
Agriculture	55.7	9.9	7.3	9.0	10.3	9.5	4.6	2.4	2.5	3.1
Transport	7.2	7.0	20.8	39.9	45.0	23.0	31.0	17.6	36.9	49.7
Construction	109.5	45.4	45.9	115.1	109.7	126.2	63.3	59.4	63.4	99.3
Trade and public catering	95.0	73.8	82.3	96.8	94.6	145.3	87.7	68.4	43.4	42.9
Housing and utilities	5.2	4.6	6.0	12.3	9.3	9.7	4.5	2.7	4.1	5.8

Source: Socio-economic situation of the Republic of Belarus. A series of monthly statistical bulletins published by the Ministry of Statistics and Analysis, 1996–2004

while much of it remains inactive, the portion that is being utilised is becoming increasingly obsolete and depreciated. A major long-term challenge is the fact that despite having a well-educated workforce and highly skilled research staff, Belarus is lagging behind most EU countries in terms of innovation and commercialisation of science.

### Enterprise financial and economic performance

Despite the overall economic growth in 2000 – 2004, the commercial sector of the economy was developing under difficult circumstances. On the one hand, the amount of money in corporate accounts grew, the share of non-monetary transactions gradually decreased, and currency revenues of exporters rose. On the other hand, many enterprises have continued to face financial problems, as the overall rate of return remained unacceptably low relative to inflation (Figure 2.2.1). From 2000 to 2004, some 15 to 30% of Belarusian firms were operating at a loss.

Loss-making and low-profit enterprises of the real sector<sup>1</sup> experienced a chronic lack of financial resources. These firms have been having great difficulty fulfilling their financial obligations to suppliers, creditors and the state, which raised liabilities and permanent outstanding debts. The size of outstanding debts was several times higher than the financial resources of companies and organisations of the real sector. Enterprise solvency, representing the ratio of funds in company accounts to outstanding accounts payable, has somewhat improved in the last two years. Despite such improvements, these companies have experienced serious cash flow problems (Table 2.2.1, Figure 2.2.2).

The early 2000s brought few changes to the situation of Belarusian enterprises. For several years, outstanding debt payable invariably exceeded outstanding debt receivable (Figure 2.2.2). At the national level this suggests that the sustainability of the positive gains in the GDP, employment and real income levels may be questionable.

### Do income policies need adjustment?

Ever since 1996, Belarus has experienced a positive dynamic in all indicators related to the GDP, cash incomes, and expenditures. The average monthly salary increased from \$60 in 1997 to \$200 in December 2004. The average pension was \$80 in 2004 and \$32 in 1997. These positive indicators however, do not appear to correlate with the other economic performance indicators, (Appendix 2, Table 3). Firstly, real cash incomes have been growing faster than the GDP for most of the past decade, and secondly, fluctuations in cash incomes were not aligned with the trends in retail turnover and commercial services (which may be attributed to the effects of the unobserved economy).

The main components of cash incomes are wages and salaries, social transfers, and entrepreneurial incomes (Appendix 2, Table 4). As wages and salaries represent the largest proportion of cash

incomes in Belarus, it is necessary to examine the factors that affected changes in real and nominal wages and salaries.

The fast growth of real wages relative to improvements in economic performance can be explained by administrative intervention. New laws increased sanctions against enterprise directors for wage arrears, while the powerful apparatus of the state pressured business managers to keep increasing nominal pay levels. Cash incomes also grew in the public sector despite a chronic budget deficit. Above-average wage increases have been recorded in health care, science, and other social services. This growth has been financed mostly from the profits of the main corporate taxpayers. Of 96,039 active

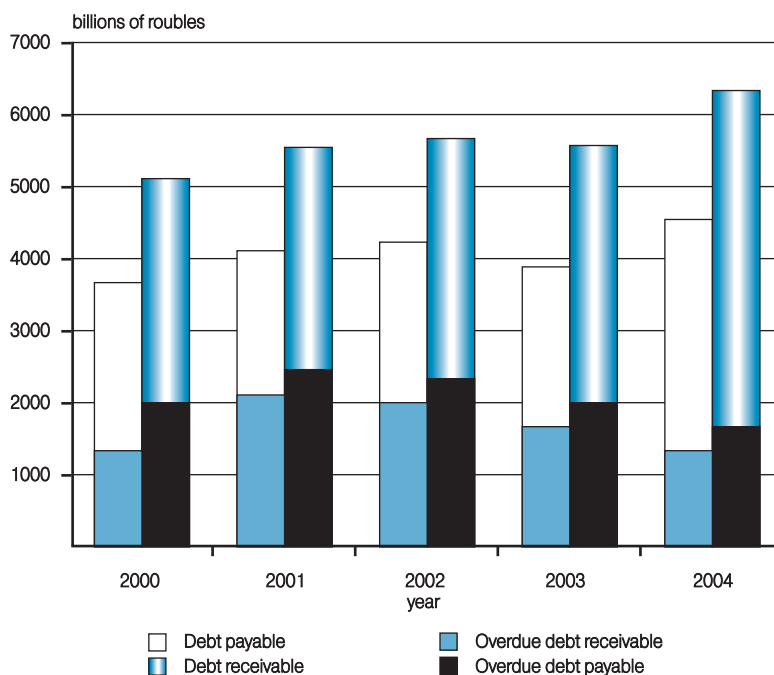
*Above-average wage increases have been recorded in health care, science, and other social services*

**Table 2.2.2**  
Fixed asset depreciation rate at 1 January (%)

Depreciation rate	2000	2001	2002	2003	2004
All industries	52.4	51.3	54.1	54.8	56.5
Including of equipment and vehicles	74.0	74.9	75.6	75.2	75.2
Manufacturing industry	61.4	58.9	61.4	62.4	63.4
Including of equipment and vehicles	78.5	79.8	80.5	80.2	79.9
Agriculture	55.8	56.6	57.5	57.2	57.6
Including of equipment and vehicles	79.9	79.9	79.0	76.6	74.3
Transport	53.3	53.1	54.8	55.6	52.3
Including of equipment and vehicles	63.9	65.6	66.9	69.5	69.1
Construction	41.4	41.0	42.5	43.1	48.1
Including of equipment and vehicles	75.9	78.5	79.1	79.4	79.6

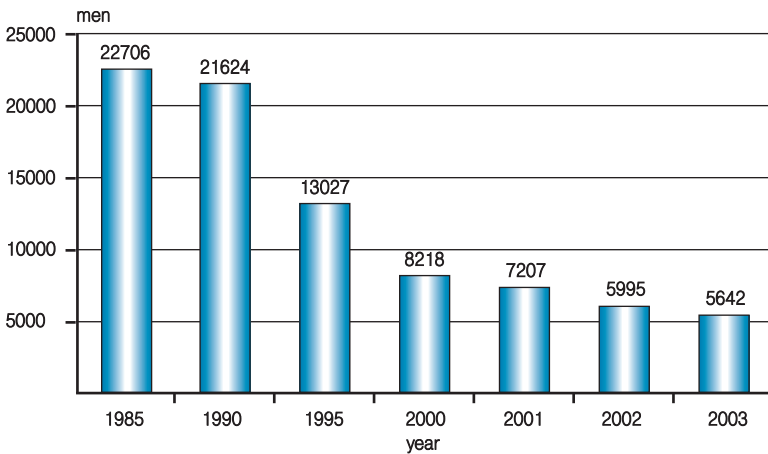
Source: Belarus Statistical Yearbook. Minsk, 2004

**Figure 2.2.2**  
Enterprise debt (constant 2000 roubles, billions)



Source: Quarterly Statistical Bulletin. January – June 2004, Minsk, 2004, p. 77

**Figure 2.2.3**  
**Number of man-made accidents, disasters and emergencies**  
**(excluding traffic accidents)**



Source: Ministry of Emergencies of the Republic of Belarus. Report on Natural and Man-made Emergencies. Minsk, 2004.

**Table 2.2.3**  
**Available production capacity and its utilisation (%)**

Year	Production capacity as% of 1995	Utilisation rate%
1995	100	37.2
1996	96.6	40.6
1997	80.2	51.5
1998	69.4	52.1
1999	72.2	52.9
2000	71.6	50.1
2001	69.8	47.7
2002	69.1	46.9
2003	66.6	49.5

Based on data from the Ministry of Statistics for 1991-2003 compiled from annual statistical reports (Form BM «Production Assets»).

enterprises, the state focused its attention on 178 principal contributors of public revenue. Fiscal discipline was tightened, and any attempts at tax evasion were monitored and penalised.

The growth of real wages can contribute to economic growth by increasing consumer demand. However, because it has happened so rapidly, it may also inflate costs, especially given high payroll taxes. As a result, the competitiveness of domestic products may suffer in conditions of a stronger Belarusian rouble. Eventually, enterprise profits may decrease and investments in fixed capital may become more difficult. Inventory may also rise and inflation may increase. All of this could negatively affect the financial status of economy.

#### Improving and expanding production capacity

Even as a large proportion of the production capacity remains inactive, the assets that are in use are becoming increasingly obsolete and depreciated.

As a result, many enterprises are facing significant costs that undermine their future competitiveness.

Surveys conducted by the National Academy of Sciences in 2000 revealed that over 50% of the technologies used in industry were introduced prior to 1985. As a result, close to 80% of these technologies are outdated, while new and high technologies play only a minor role [3: 18 – 19]. Renewal and replacement of fixed assets have been slow, and the situation has improved very little to date.

Depreciation of fixed assets has exceeded the safety threshold of 60% (Table 2.2.2). High depreciation of production assets not only creates long-term barriers to sustainable growth, but also poses significant risks of industrial accidents and emergencies. The number of workplace emergencies has increased in recent years (Figures 2.2.2, 2.2.3).

Controlling the negative impact of economic activity on the environment still remains an issue and a priority for investments. Despite showing an upward trend over the past four years, environment-related investments have remained below the 1995 level. Continued economic growth will likely increase asset utilisation. Without dramatic gains in environment-related investments, this could create serious ecological threats in future.

Most manufacturing industries have experienced a reduction in core production assets<sup>2</sup>. (Table 2.2.3). Engineering, metal working, electrical, and fuel and petrochemical industries have been the most affected. Much of the existing production capacity also remains unused. In recent years, fewer than 50% of all manufacturing assets have been in operation, considerably below the 80 per cent utilisation rate required to maintain efficient and competitive production activity<sup>3</sup>.

In 2003, nearly two million square meters of state-owned plant space was not utilised or leased out, and the total cost of uninstalled equipment was estimated at 650 billion roubles. Underused space and equipment can be leased or sold to generate additional revenue needed to create efficient and market-oriented enterprises.

Investment is the crucial ingredient to modernising and upgrading production capacity. Priority should be given to economically viable industries providing a high rate of return on investments and good export prospects. Investment promotion policies should target firms that use advanced resource-saving technologies and manufacture high-tech and research-intensive products.

#### Innovation activity: the gap with the EU

The concept of innovation encompasses the diffusion of new products and services in the economy [4: 8]. Innovation activity forms the basis for long-term international competitiveness because it ensures sustainable gains in productivity. In addition, innovative and high-tech products are some of the most lucrative and fast-growing markets

*Depreciation of fixed assets has exceeded the safety threshold of 60%*

internationally. In order to successfully integrate in the global economy, Belarus will need to strengthen its position in these markets.

Belarus has many of the ingredients for success in the area of innovation activity and in penetrating the global markets of high-tech products. The share of the workforce with higher, upper-secondary and other post-secondary education in Belarus is twice as high as the European average. Belarus also maintains a modern structure of tertiary education. However, many of its innovation activity indicators are significantly worse than in the EU countries (Figure 2.2.5). The gap between involvement in research and development (R&D), on the one hand, and the high proportion of employees with post-graduate training, on the other, suggests that the skills and qualifications of Belarusian R&D staff are not fully adequate to the needs of modern innovation systems or the demands of the knowledge-based economy.

In Belarus, total expenditure on R&D relative to GDP has remained below the critical threshold of one per cent. In 2003, it was at 0.73%, as compared to the EU average of 1.95%, 3.78% in Sweden, 3.66% in Finland, 3.52% in Germany, and 2.13% in France. Net emigration of skilled professionals is another sign of crisis in the research and development field. A detailed account of the brain drain phenomenon is provided in Chapter 4.

These discouraging trends in R&D have had negative implications for Belarus' foreign trade. Only three per cent of Belarusian exports outside the CIS are high-tech products, as compared to 20% in the EU. This gap is the result of the poor participation of national enterprises in innovation activity. Only 14% of Belarusian firms are active in R&D, as opposed to 50% in the EU. Inadequate financing and lack of corporate funds to import new technologies are some of the reasons for this disparity.

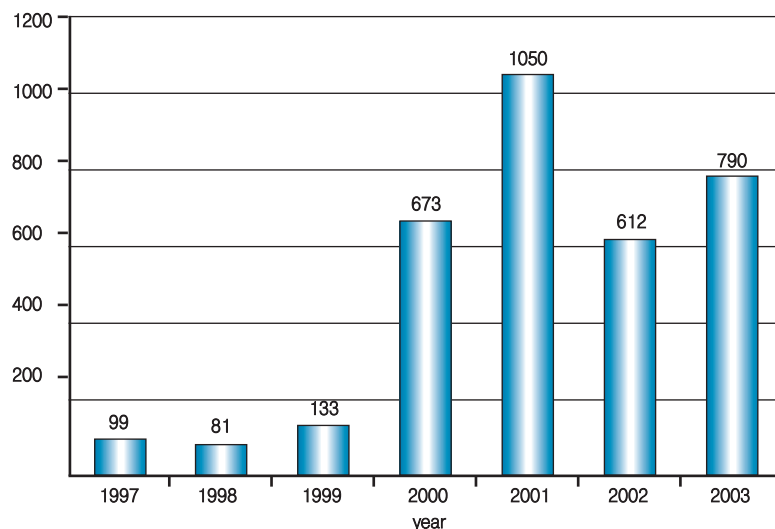
The scale of innovation activity varies significantly by sector. Innovation activity is the most widespread in the chemical and petrochemical industries, followed by the iron and steel, engineering and metal processing sectors. These sectors also take the lead by the deliveries of R&D products (Table 2.2.4).

European firms are active in R&D to improve their competitiveness, save resources and enter new markets. According to a survey of 325 Belarusian enterprises investing in R&D, only 16% were expecting such investments to result in higher domestic sales, 20% hoped to increase exports to Russia, and only 5% to Europe [5]. Belarusian and European firms also attach different priorities to resource efficiency and environmental safety. Although Belarusian firms utilise several times more energy and primary inputs per unit of production than their European competitors, only one in ten enterprises in Belarus considered resource efficiency to be a priority for innovation activity, as compared to one in three in Europe. Twenty-five per cent of European and just 11% of Belarusian firms were investing in R&D to reduce the amount of environmental pollution. Only 15.7% of companies in Vitebsk Oblast, an area that

releases more than one quarter of all industrial pollution nation-wide, considered environmental protection to be an important objective for innovation activity. In Novopolotsk, the location of more than a half of the Oblast's major sources of industrial pollution, not one innovation-focused company identified pollution reduction as a priority for their R&D investments.

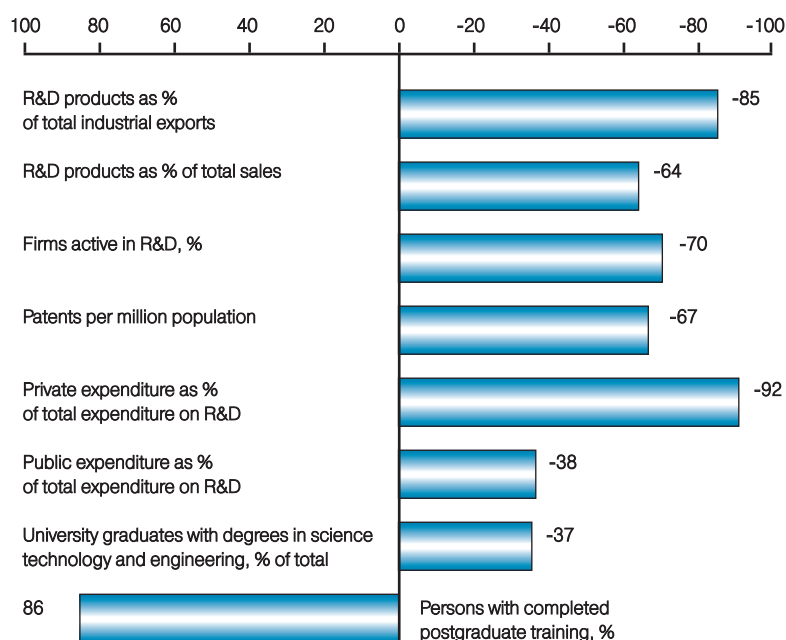
At present, Belarus is facing a number of challenges in the area of innovation. First, the equipment at the researchers' disposal is becoming outdated.

**Figure 2.2.4**  
Reported industrial accidents leading to temporary disability of more than one day in length or resulting in employee death



Source: Labour and Employment in Belarus. Minsk, 2004

**Figure 2.2.5**  
Selected indicators of innovation activity in Belarus and the EU (% of difference)



Sources: Belarus in Figures. Minsk, 2004, p. 58. Development of Science in Belarus in 2001 – 2003. Minsk, 2003, p. 55. Science and Innovation in Belarus. Minsk, 2003, pp. 39, 44, 104, 139. Community Innovation Survey: Statistics in Focus, Theme 9-2/1999, p. 11. European Innovation Scoreboard 2003. Cordis Focus. 2003, Issue 20, p. 25

**Table 2.2.4**  
**Innovation activity by sector**

	% of enterprises active in R&D	Deliveries of R&D products as % of total deliveries	R&D products as % of total deliveries outside the CIS, %
All industries	13.9	100	43.1
Fuel and energy	5.4	11.2	82.5
Ferrous metallurgy	21.4	17.6	87.3
Chemical and petrochemical	26.2	18.2	76.6
Engineering and metal processing	22.5	36.4	11.2
Wood processing, paper milling	9.7	2.2	1.3
Building materials	12.2	6.9	0.2
Light industry	5.2	2.2	2.1

Sources: Report on Innovation activity in 2002. Minsk, 2003. Belarus in Figures. Minsk, 2004, p.146

**Table 2.3.1.**  
**Trends in gross domestic expenditures\* (%)**

	1998–2000**	2001–2003**	% change
GDP at market prices	100.0	100.0	—
Consumption expenditure, total	78.1	80.4	+2.3
Household consumption expenditure	56.1	57.2	+1.1
Government consumption expenditure	19.8	21.4	+1.6
Expenditure on private goods and services	12.7	13.7	+1.0
Expenditure on public services	7.1	7.6	+0.5
Non-profit consumption expenditure	2.2	1.8	-1.4
Gross savings total	25.4	23.4	-2.0
Fixed capital investments	26.0	22.8	-3.2
Changes in inventory	-0.5	0.6	+1.1

\*The sum of consumption expenditure and gross savings exceeds 100% by the ratio of the foreign trade deficit to the GDP.

\*\* Annual average.

Source: National accounts of the Republic of Belarus. Minsk, 2004, p. 81. Republic of Belarus in Figures. Minsk, 2004, p. 202.

Second, a significant number of researchers will soon be eligible for retirement, while too few qualified scientists have been trained to replace them. And finally, scientific research is still not sufficiently market oriented.

### *Scientific research is still not sufficiently market-oriented*

To reverse the current trends in R&D, the Government has expended a significant amount of effort to promote innovation activity. The main emphasis has been on implementing macroeconomic policies and on creating a favourable legal environment. As a result, Belarus has managed to preserve the critical core of its scientific and technological capacity. Concerted government action is needed today to preserve the existing scientific schools and to promote their adjustment to the conditions of a post-industrial era. The aim of future policies should be to ensure that scientists

and researchers possess the skills and qualifications to meet the needs of the modern knowledge economy and the challenges of a market-driven environment.

## **2.3. Paths to sustainable growth**

Structural changes in the national economy are needed to improve national competitiveness as a critical condition for sustainable growth. The aim is to increase the economy's export capacity and develop new dynamic sectors. Technological advancements are needed to develop new products and raise efficiency. To achieve these objectives, the key priorities for action are as follows.

First, Belarusian industry is still insufficiently specialised and its range of products is too broad for a small nation. To strengthen specialisation, the Government should promote a limited number of export-oriented sectors. At present, there are ten to twelve specific markets where Belarus has the highest potential in terms of human resources, output capacity, innovations, and the knowledge of overseas markets.

Second, Belarus is far behind the industrial nations of the West by the ratio of energy and metal consumption to the GDP. Most energy inputs and metal have to be imported – mainly from Russia. Already, they account for more than one-third of the total imports. It is most likely that the world oil prices will continue to rise along with the prices of gas, coal and metal. As a consequence of high energy costs, many Belarusian products will become increasingly uncompetitive, putting many producers in a difficult position. To address this challenge, faster adoption of energy and metal saving technologies should be encouraged. This would not only reduce the demand for energy and metal, but also free up the resources needed to import high-tech equipment.

### **Increasing investments and promoting privatisation**

Since 1998, Belarus has invested around one-quarter of its GDP in the economy. However, the averages for 1998–2000 and 2001–2003 reveal an ever-rising share of consumption, particularly of Government consumption (Table 2.3.1), which negatively affected the levels of domestic investments. The shares of consumption (private and Government) varied from 77.5 to 81.4%. Although these proportions appear normal by the standards of an advanced market economy, they seem high for a country implementing a rapid economic growth strategy. All else equal, these figures indicate a significant decline in investment activity. In these conditions, increasing the amount of government investment would inevitably come at the expense of government spending.

This option has obvious limitations. Cutting government expenditure could weaken the social safety nets at a time when a large proportion of the population needs them. As more than a quarter of the population are living below the national poverty line,

the choice between government spending and investment could become a difficult tradeoff between short-term political stability and long-term economic sustainability.

Recent growth in real personal incomes can give households more resources to make savings, which could also be invested in the economy. Banks and other financial intermediaries – such as insurance companies or stock exchanges – could mobilise these savings and extend credit on commercial terms to enterprises. At present, however, financial institutions will be very limited in their ability to offer attractive interest on savings accounts, because too few enterprises will be able to afford the interest rates on loans. Increases in private investments, therefore, would require greater economic efficiency of enterprises, achieved by effective cost reduction and debt restructuring.

Attracting foreign investments is an important resource for continued growth. Foreign investors not only bring much needed cash, but also introduce technologies and know how that can increase product quality, lower costs, and open new markets. Belarus has many of the conditions that make its economy particularly attractive to investors, including a favourable geographic position, a well-developed transport and communications infrastructure and a cheap and well-trained work force. To take advantage of these benefits, its economy should provide a sufficient number of investment opportunities that bring an attractive rate of return on investments. International experience also suggests that the appeal of an economy to foreign investors is positively affected by a sound investment climate with low political and economic risks, moderate taxes, well-developed market infrastructures and reliable legal mechanisms to enforce contracts.

Privatisation is an important step towards making Belarusian companies more attractive to domestic and foreign investments. It has great potential for increasing enterprise efficiency. For example, in 2002 labour productivity in the public sector of the economy was 1.65 times lower than in foreign and joint ventures. Privatisation also promotes investment by empowering investors to manage enterprises more efficiently than governments.

Privatisation, however, does not guarantee success. The experience of other countries shows that the purchase of national enterprises by private investors does not always bring the expected benefits and is often associated with significant risks. The owners of the enterprises, especially of those acquired through intransparent and legally dubious processes, are often known to prioritise short-term profits over long-term development in managing their properties. With no national roots and interest in a country, foreign investors often do not show sufficient levels of social responsibility in making managerial decisions and may be inclined to leave the country whenever serious market difficulties emerge.

Therefore, a well-balanced and guarantee-based approach should be exercised in selling domestic enterprises to foreign investors.

In developing its own national policy on privatisation, Belarus should consider the lessons learned in other transitional economies. Perhaps the most important of these lessons is the need for a transparent and competitive process that would attract serious investors with a proven track record. The

**Table 2.4.1**  
**Selected small business performance indicators**

	2000	2001	2002	2003
<b>Small business sales:</b>				
billions of roubles	1461.3	2953.6	4265.0	6481.4
US \$, billions	2047.2	2137.2	2390.0	3158.3
as % of total sales economy-wide	7.1	8.1	8.6	9.6
<b>Taxes paid by small business:</b>				
billions of roubles	275.0	523.3	1047.9	1664.7
US \$, millions	385.3	377.9	587.3	811.7
as % total of public revenue	8.6	9.1	12.1	13.6
as % of total tax revenue, %	11.3	11.9	15.1	16.7
<b>Average tax revenue per small business:</b>				
thousands of roubles	9176	16864	31662	46840
US \$	12856	12203	17745	22822
<b>Average tax revenue per sole trader:</b>				
thousands of roubles	184	463	958	1749
US \$	258	335	537	852
<b>Value added tax as % of total output in small business</b>	...	...	42.2	41.4
<b>Mean rate of return, %</b>	...	9.0	7.2	9.2
<b>Rate of return, economy-wide, %</b>	...	8.9	7.3	8.6

Based on data from the Ministry of Statistics and Analysis (statistical reporting form 1MP) and analytical reports from the Ministry of Taxation

**Table 2.4.2**  
**Administrative regulation of private business in Belarus**

Market entry	Regular operations	Market exit
<ul style="list-style-type: none"> <li>• Obtaining official approval of the company name;</li> <li>• Certifying the value of the in-kind contribution to equity;</li> <li>• Verification of documents;</li> <li>• Securing a permit to rent or purchase premises;</li> <li>• Securing quotas for production and deliveries;</li> <li>• Registering with the taxation and social security authorities;</li> <li>• Obtaining the required licences and permits, including permits to acquire an official stamp and issue official identification to the company manager;</li> <li>• Securing access to loans and equipment leases</li> </ul>	<ul style="list-style-type: none"> <li>• Oversight and auditing of businesses by government bodies;</li> <li>• Risk of uncertainty over the possible review of earlier official decisions on company registration and having to operate within a complex taxation system;</li> <li>• Meeting the mandatory reporting requirements to statistical and other government authorities;</li> <li>• Meeting the product safety and labelling requirements;</li> <li>• Obtaining certificates of product origin;</li> <li>• Meeting government restrictions on price-setting and rate of profitability</li> </ul>	<ul style="list-style-type: none"> <li>• The market exit process comprises 22 stages, with no time limits for their duration;</li> <li>• Meeting requirements on public notification on company closure, notarisation of signatures of the liquidation commission chairman and deputy chairman;</li> <li>• Covering the costs of the market exit process related to its duration, scale of the business, number of years in the market, accumulation of liquid assets in one account, etc.</li> </ul>

*Small business plays an important role in the Belarusian economy as a producer and supplier of consumer goods to the market*

Russian privatisation programme was highly controversial because it was uncompetitive, intransparent, and often resulted in blatant corruption. Once these and other lessons of privatisation have been documented and analysed, various options for privatisation can be identified and debated by the Belarusian public in order to identify the model that best reflects society's views and aspirations.

### Dealing with the loss-making companies

In Belarus, different producers have contributed to economic growth in different ways. Some of the more successful firms have adopted advanced technologies and become cost effective. These competitive firms have generated high economic growth rates as measured in constant prices. Many others have continued operations, but have been unable to renew their fixed and current assets without government support. The share of such unprofitable companies has been rising. An enterprise survey conducted in 2000 by the Institute of Privatisation and Management [6], suggested that about one-third of all enterprises received privileged loans, 17% enjoyed preferential treatment in tax payment and 20.2% received some form of subsidy. Official subsidies, however, have remained very low, at less than one per cent of the industrial output [7].

The high share of loss-making companies and firms enjoying preferential treatment is made possible by the redistribution of profits and taxes from profitable to unprofitable firms. Already, 0.2% of the most successful firms are contributing 40% of all taxes to the consolidated budget. As a result, limited development resources are being dispersed and misallocated.

Accelerating the reform of loss-making and unprofitable companies is a necessity. State support for all loss-making enterprises was justified at the initial stages of reform. It was intended to help them survive the shock of rapid changes in macroeconomic policies and the collapse of the centrally planned economy. Without such support, even potentially competitive firms could have gone bankrupt. After ten years, this support is no longer appropriate, as the adjustment period is now over. Continuation of such policies creates dependence and encourages inefficiency. Some firms have been supported for 10–11 years with low-interest Government and bank loans and have neither repaid the loans nor improved their financial status.

Support should be provided only to companies that have good chances of restructuring their production to meet the market demand and resume profitable operations. Bankruptcy and debt restructuring procedures should be applied more broadly to enterprises with no chances of recovery. Such reforms, however, should be implemented in a gradual manner to offset their potential social impact. For example, more than 500,000 workers were employed in loss-making firms in manufacturing, agriculture

and construction in 2001–2003. Blanket closure of all unprofitable firms would clearly result in a sharp rise in unemployment.

Priorities for the restructuring or closure of unprofitable firms should be set depending on the rate of their losses or profits. In the short run, the Government should discontinue loans that promote the stockpiling of products, and put an end to the purchase of product surpluses not intended for government consumption or for maintaining the state reserves of food and other vital products.

Long-term solutions would involve the upgrading and modernisation of domestic firms. To this end, it is critical to promote domestic and foreign investments, mostly in research-intensive and capital-saving economic sectors. Reducing costs and shedding excessive workforce would make these companies attractive for investment. Small and medium-sized enterprises have great potential to create alternative productive employment, increase the economy's competitiveness and manage the social costs of economic restructuring.

## 2.4. Improving the environment for small business

Small-scale enterprise in Belarus dates back to the days of Perestroika when the first co-operatives emerged. As of late 2003, there were around 31,000 SMEs, including 28,500 privately owned firms. The number of individual entrepreneurs reached 188,800. Today, small businesses employ 377,000 people. SMEs contribute 13.6 percent of all public revenue. As shown in Table 2.4.1, SMEs have good economic performance levels. On average, each new SME generates an additional \$23,000 in annual public revenue.

Small business plays an important role in the Belarusian economy as a producer and supplier of consumer goods to the market. By creating competition to publicly owned retail outlets, small businesses have helped put a downward pressure on consumer prices. Innovation-driven SMEs can discourage talented young researchers from emigrating from Belarus, while rural SMEs can help increase rural incomes and provide alternative employment to rural dwellers.

Small business could contribute to economic growth by networking with large business firms. International experience suggests that contracting certain managerial and manufacturing jobs out to SMEs benefits both large and small firms. Such cooperative ties, however, have not yet become common practice in Belarus.

The ability of small business to contribute to economic development depends greatly on its regulatory environment. The Belarusian Government regulates business in ways that are common for most transitional and industrialised nations, by determining the conditions for market entry, current operations and market exit (Table 2.4.2). Such regulation is designed to protect consumers and employers,



maintain public health and safety, and prevent fraud and other potential abuses. The choice between greater economic freedom and protection of consumers and the public is difficult for any nation. In Belarus, some forms of government control over business may be too rigid and act as a constraint to SME growth. The gains in economic development from easing of these controls may far outweigh the potential social risks.

Belarus needs to reduce the regulatory burden associated with business registration, thereby easing market entry for small businesses. The National Academy of Sciences Institute of Economics has estimated that the total cost of registering a business and obtaining the required government approvals run up to more than \$360. The registration and approval process takes up to 70 days. Lawyers collect a fee of \$100–200 for services rendered. By contrast, starting a business in Australia takes two days and costs an insignificant amount of money. There are no fees for starting a business in Denmark. High fees and long procedures to start a business are mostly common for the world's poorest nations. Registering a business in Haiti takes 203 days and the cost of starting a business in Sierra Leone is more than twelve times the average annual per capita income.

One administrative barrier to market entry is the licensing of commercial activities. The Presidential Decree No 17 «On the licensing of individual activities» has become a turning point. On the one hand, the Decree simplified the procedure for obtaining a license, while on the other hand, it required that individual entrepreneurs engaging in retail trade also carry a license, which was not the case before. As firms and private entrepreneurs are required to pay the same fee for a retail trade license, this resulted in greater expenses for private entrepreneurs.

The exit from the market can be as difficult as the entry. If a company decides to close its operations, even in the best-case scenario, it has to wait for four months, pay 970 to 1,120 dollars as well as cover all additional expenses, including rent and utility arrears. The Parliamentary Committee on Economy, Budget and Finance has drafted two documents – a Presidential Decree and law «On the liquidation of legal entities and the termination of activities of individual

#### Box 2.4.1

#### Implementing a regulatory policy in the Ukraine

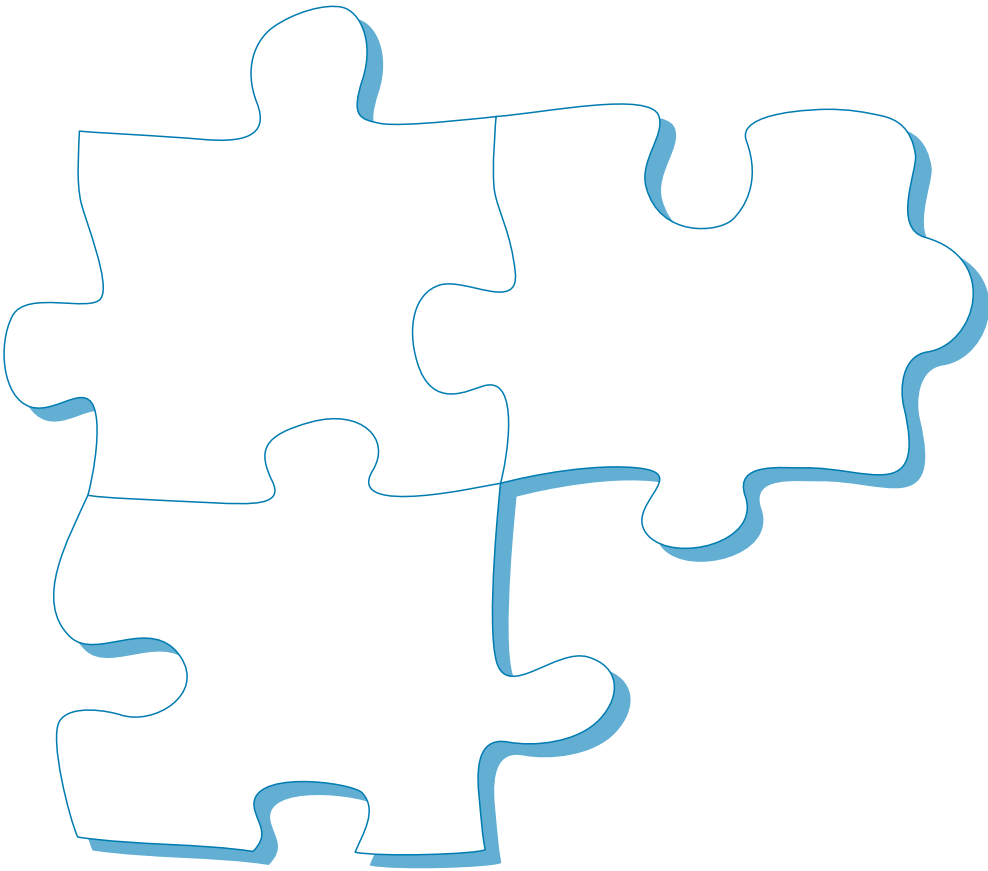
The ongoing regulatory reforms in Western Europe, Canada, the United States and other industrialised nations have greatly improved the environment for small business development. In this respect, Ukraine remains ahead of all other CIS nations and has been the first in this region to implement such reforms. The new regulatory policy's main priority is to reduce government intervention in entrepreneurial activity and to eliminate excessive legal, administrative, economic and institutional barriers to business. The aim is to create clear and transparent mechanisms enabling coherent and targeted interventions, while minimizing the cost of such interventions. Less government intervention in small business should ultimately remove the barriers to economic growth. Total benefits from the new regulatory policy in 1998 – 2000 have been estimated by USAID at around \$450 million.

Source: State Committee for Private Enterprise Development of Ukraine

entrepreneurs». If enacted, these documents would reduce the administrative burden and waiting time, and diminish the significant number of non-functioning enterprises that formally did not exit from the market.

Given the conflicting nature of many administrative procedures regarding the entry, exit and operations of economic entities, it would be appropriate to adopt a requirement for interpreting all inconsistencies in laws and regulations in favour of economic entities. There is also a need to enact a law on the liability of officials who cause economic entities to lose profitability by failing to perform their duties properly.

The analysis of the status of SMEs and the institutional environment in which they operate leads to a number of conclusions. First, a coherent policy supporting SMEs is still lacking. Law-makers and the Government only provide short-term remedies to problems facing the SMEs, but do not address strategic issues. Second, the time has come for a much-needed regulatory reform that would establish a productive partnership between the authorities and the private sector. The consultations and cooperation of SME owners and authorities would give business a voice in the policy making process. To make this process sustainable, advisory councils need to be created in the private and state sectors to provide a platform for government officials and business people to meet, discuss and vote or veto, if necessary, legislative acts which slow down business development.





## REGIONAL DISPARITIES

A country's overall human development indicators can conceal the fact that its different parts can have very different levels of human development. Analysing human development by region can provide a useful tool to target development programmes and public expenditure to areas where they are most needed. This approach helps governments to focus on regional equity when planning for development.

This chapter examines disparities between large and small cities and between rural and urban areas. Significant differences are revealed in incomes, employment, poverty and the development of the social infrastructure. The chapter also explores environmental conditions and risks facing different regions, and analyses the unique circumstances of areas with special development needs – the territory bordering on the enlarged EU and the parts of the country affected by the Chernobyl nuclear accident. Finally, it considers the options for new regional development policies linked to decentralisation.

### 3.1. Location of industry and disparities among urban settlements

Belarus' urban settlements are classed into major and large cities with populations of over 100,000, medium-sized cities with 20,000 – 100,000 residents and small towns with fewer than 20,000 dwellers. Major and large cities include Minsk and the Oblast centres, and a number of cities located within the Oblasts, such as Bobruisk, Baranovichi, Borisov, Pinsk, Orsha, Mozyr, Polotsk, Novopolotsk and Soligorsk. Over 80% of Belarusian cities are small. They are home to more than one-half of the urban population.

Throughout the post-war years, Belarusian cities have developed as centres of industry. The structure of industrial production has been inherited in large part from the former Soviet Union. The availability of surplus labour and a favourable geographic and economic position were some of the key considerations in industry location decisions. Such decisions favoured the Belarusian capital and other cities, mainly in the central and Eastern parts of the country.

At the regional level, the industry structure was affected by the pre-1939 division of Belarus into the Eastern part that remained within the former Soviet Union and the Western part that stayed under Polish rule. Thus, Brest and Grodno Oblasts in the West of Belarus still contribute some of the largest portions

of the nation's agricultural output, while the Eastern and Central parts of the country have high concentrations of industrial enterprises, many of which use high amounts of primary inputs (Box 3.1.1).

The location of industry and the situation of industrial enterprises are some of the principle determinants of variations in human development levels across Belarusian urban settlements. Some of the most significant disparities exist between large and major cities on the one hand and small towns on the other. Unlike large and major cities, small urban communities have a limited base for economic growth. Their residents are facing disproportionate risks of unemployment and poverty.

#### Formative enterprises and mono-industrial cities

Many of the large enterprises built during the Soviet era continue to employ a large proportion of urban residents, contribute a significant part of the local public revenue, and maintain some of the urban infrastructure. Due to their vital role in their cities, such enterprises are defined as 'formative'. Formative enterprises are facing a number of common challenges, including production decline, the narrowing of export markets, high debt and overdependence on primary inputs. The difficulties of those enterprises result in their unstable performance, leading to reductions in output and even to closure. The resulting cuts in employment, increases in unemployment and the deterioration of social services are posing great risks for human development.

*Small urban communities have a limited base for economic growth. Their residents are facing disproportionate risks of unemployment and poverty*

#### Box 3.1.1

##### The location of Belarusian industry

Minsk City, Gomel and Vitebsk Oblasts account for the highest proportions of the national industrial output (21.3%, 20.5% and 17.2%, respectively), while the corresponding shares of the Mogilev, Grodno and Brest Oblasts are just 8.7%, 9.1% and 9.3%, respectively.

Means of production represent more than one-half of industrial output in all sub-national administrative units except Brest Oblast, where the means of production constitute 41% of industrial output. In the Gomel and Vitebsk Oblasts means of production represent more than 80% of all industrial production, and consumer goods less than 20%.

Engineering is a well-developed sector in all Oblasts, except for Vitebsk, and is the main industry in Minsk City. Food production and processing are significant contributors to the local economies of all the Oblasts, and constitute the economic backbone of Brest and Grodno Oblasts. The economies of Vitebsk and Gomel Oblasts are dominated by the fuel and energy sectors [1].

Source: Ministry of Statistics of Belarus

**Table 3.1.1**  
**Rate of registered unemployment by Oblast and Rayon**

	Number of Rayon-level employment services registering the rate of unemployment (as% of the economically active population)				
	< 1%	1–2%	2–3%	3–4%	> 4%
Belarus	2	21	40	36	29
Brest Oblast	-	-	5	4	8
Vitebsk Oblast	-	9	10	4	2
Gomel Oblast	-	-	5	6	10
Grodno Oblast	1	9	9	-	-
Minsk Oblast	1	2	8	11	2
Mogilev Oblast	-	-	3	11	7

Source: Labour Market Monitoring Data for 2003. Minsk: Main Division of Employment and Population Policy of the Ministry of Labour and Social Protection of Belarus, 2004, p. 56.

**Box 3.1.2**  
**Unemployment in mono-industrial cities**

The unemployment situation is the most serious in mono-industrial cities and localities. In Vitebsk Oblast, the highest official unemployment rates of 6.5 and 6.0% exist in the urban-type settlements of Orekhovsk (the site of the hothouse market gardening firm «Teplichny») and Osintorf (peat mining company «Osintorf»). In Mogilev Oblast, the cities of Kostukovichy (the Cement Factory) and Krugloye (the Mobile Maintenance Equipment Depot «PMK – 266») and the district settlements of Tatarka (the peat mining company) and Glusha (the glass factory) had similar unemployment ratios of 6.2%, 5.9%, 5.8% and 5.6%, respectively. Other mono-industrial settlements with high official unemployment include Mikashevichi (Brest Oblast), 4.8%, Luninets (Brest Oblast), 4.7%, and Luban (Minsk Oblast), 4.9%. The consistently poor performance of the local enterprises is the main cause of unemployment in those communities. In addition, mono-industrial settlements tend to have very static labour markets with a very narrow supply and demand for labour. The problem is not just unemployment per se, but also its stagnant nature. The list of communities with high unemployment rates has changed very little, and nearly all of them are experiencing a rise in long-term unemployment.

Source: Labour Market Monitoring Study, 2003. Minsk: Employment and Population Policy Section of the Ministry of Labour and Social Protection, 2004, p. 27.

*Human development in mono-industrial cities depends on the emergence of new producers and the expansion of private initiative*

Although these risks are relevant to all urban settlements, major, large and medium-sized cities appear less vulnerable to them than small towns. In large and major cities with well-diversified economies, unstable performance of some enterprises is often offset by the successful performance of others. Large and major cities also have a well-developed human capital, diverse capacities for innovation, and significant financial resources. Medium-sized cities – such as Novopolotsk, Mozyr, Soligorsk and Zhodino – owe much of their relative economic prosperity to a host of export-oriented producers of highly marketable commodities such as petrochemical products, potassium fertilisers, and mine trucks.

By contrast, small cities dependent on a small number of formative enterprises are in a much more precarious position. Of them, more than 70 settlements with only one formative enterprise are the most vulnerable. In many of these mono-industrial towns, more than one-half of the work force work in their only formative enterprise. Formative enterprises

employ 94,000 residents of mono-industrial towns nation-wide. Many of these 94,000 are severely constrained in their choices of employment.

The scaling down of production, accompanied by the closure and restructuring of formative enterprises, leads to layoffs and consequently, to unemployment. For example, the restructuring of the glass factory Neman (Grodno Oblast) is expected to make redundant 15% of the current personnel. As of January 2004, the rate of unemployment in mono-industrial cities was over 4%, as compared to the national average of 2.3% (Box 3.1.2).

The decline of the formative enterprises is affecting the upstream and downstream sectors. For example, output reduction at the mineral extraction firm in Mikashevichi created difficulties for the local river port, also a formative enterprise for that locality. Employment in the river port decreased from 483 persons in 1991 to 51 in 2004, or by more than nine times.

The financial difficulties suffered by the industrial enterprises have also affected the local social sectors. Daycare centres are closing down, and sports facilities, clubs and children's summer camps are lapsing into disrepair. Many people employed in these facilities – of whom the majority are women – are losing their jobs. The strong pressures to invest in core production are causing many enterprises to rid themselves of their social facilities. In most cases, the local governments are gradually taking over the ownership of such objects. Under the restructuring plan of the glass factory «Neman» in Beryozovka, for example, the city is expected to take over the enterprise-owned culture club, health resort and other properties, along with some vital utilities such as the heating station, which, in addition to the enterprise, is serving the entire city.

The futures of the formative enterprises depend on their ability to meet current market needs by maximising the output of consumer goods, construction materials, and equipment and supplies for the metal, woodworking and food processing industries. Manufacturers of high-tech products and equipment are also in a good position to achieve dynamic development and growth. One way of revitalising the crisis-ridden formative enterprises is through investments in technological upgrading and product diversification. On average, Western manufacturers renew their production assets once every five or six years in response to cost-cutting pressures. In Belarus, many formative enterprises have not replaced their equipment for 15 to 20 years. Most have reached a critical level of asset depreciation, and are becoming increasingly uncompetitive.

The future of human development in mono-industrial cities depends not only on the sustainable operation of their formative firms, but also on the emergence of new producers and the expansion of private initiative. To reduce the impact of unemployment and maintain the social infrastructure, the local

authorities should develop and expand public works schemes. Reliable financing of such projects could be assured by devolving the management of the centrally administered portion of the employment fund to the needy regions and by designing special development programmes for mono-industrial cities.

### Unequal employment opportunities in urban areas

From 2001 to 2003, the official rate of unemployment rose from 2.1% to 3.1%. These national statistics mask significant regional variations. The rate of registered unemployment is above the national average in Vitebsk (4%), Gomel (3.5%) and Mogilev Oblasts (3.6%). Official unemployment figures are the lowest in Minsk City (1.6% as of January 2004) and Minsk Oblast (2.9%), which benefits greatly from its proximity to the national capital. Brest Oblast experienced the highest unemployment growth, from 1.7% to 3.8%. The tightening of the entry requirements to Poland caused many of the former shuttle traders to exit from the market and join the ranks of the unemployed. Significant disparities in unemployment are observed across different Rayons (sub-regional administrative units). As of January 2004, the official unemployment rate was 1 – 2% in 21 cities and Rayons; 3 – 4% in 36, and over 4% in 29 Rayons (Table 3.1.1).

Unemployment in small cities is mainly the result of an acute shortage of job vacancies (i.e. of surplus labour). One reason is the unequal distribution of industrial enterprises and manpower. Scarcity of major employers and high population concentration are the main causes of high unemployment in small urban settlements such as Yelsk (Gomel Oblast), Baran (Vitebsk Oblast), and Luban (Minsk Oblast).

Major, large and medium-sized cities, on the other hand, have higher rates of workforce participation in the labour market, and a much lower gap between the number of unemployed and the number of available job vacancies. In this respect, the labour market situation is the most favourable in Minsk City, where the number of vacancies roughly equals the number of job applicants. The main contributor to unemployment in major, small and medium-sized cities is the skills and qualifications gap (Box 3.1.3). Low workforce mobility and differences between job seeker expectations and employer requirements are some of the biggest reasons for the available job vacancies being left unfilled.

One potential source of alternative employment is small business (for a more detailed discussion, see Chapter 2). In Brest Oblast, small businesses created over 9,100 jobs in 2003 and total employment in SMEs 22,000. An additional 30,000 people were working in the private sector as registered sole traders («private entrepreneurs»).

Employment policies should create productive and high quality jobs, thereby contributing to economic and social development. The rate of unemployment should be maintained at acceptable levels to avoid unnecessary social costs and disturbances.

## 3.2. Rural-urban disparities

Although Belarus is mostly an urban society, a significant portion of its population lives in rural settlements. As of January 2004, 2,803,000 Belarusians, or 28.5% of the entire population, were rural dwellers. While the residents of cities work mostly in non-agricultural sectors, agriculture remains the main employer and source of livelihoods for the rural population (Box 3.2.1).

Most rural settlements in Belarus are small, and in the 1999 population census, more than 70% of villages had fewer than 100 residents. Many small rural settlements are disappearing from the geographic map of Belarus.

Overall, the conditions for human development are less favourable in villages than in towns and cities. A significant rural-urban gap in the living conditions emerged in the Soviet era as a result of rapid

*The main contributor to unemployment in major, small and medium-sized cities is the skills and qualifications gap*

### Box 3.1.3

#### The gaps in the supply and demand for labour

Over 80% of the demand in regional job markets is for factory workers, while over one-third of the unemployed are seeking office and specialist positions. There is a surplus of drivers, especially in Brest and Vitebsk Oblast, chefs in Vitebsk and Mogilev Oblasts and sewing machine operators in Brest and Mogilev Oblasts. All Oblasts have an over-supply of accountants, economists, lawyers, technicians, technologists, and teachers. At the same time, there is a near-universal shortage of medics, particularly in Gomel and Mogilev Oblasts. Also in high demand are programmers, foremen and construction workers. Minsk City has an undersupply of sanitary technicians, milling machine operators and electricians, while the markets of the other Oblasts have a surplus of these professions. The agricultural sector has a constant unsatisfied demand for engineers, technicians and skilled workers, including tractor drivers, cattle breeders and milking machine operators.

Source: Labour Market Monitoring Study 2003. Minsk: Department of Population and Employment Policies of the Ministry of Labour and Social Protection, 2004, pp. 22 – 23.

### Box 3.2.1

#### Regional disparities in agricultural production

Regional disparities in agricultural production are explained by differences in regional economic specialisation, quality of farmland, climatic and environmental conditions, and access to labour and commercial assets.

Significant regional differences exist in farmland quality, a key determinant of agricultural production. Cadastral land assessments reveal significant differences of up to 7.1 points between Vitebsk and Grodno Oblasts in the ranking of farmland quality, and of up to 9.1 points in the ranking of cropland quality. Per capita, the amount of farmland is highest in Vitebsk Oblast, and of cropland in Vitebsk and Mogilev Oblasts. Farmland and cropland exploitation is the least intensive in Gomel Oblast. The share of cropland relative to total land area is the highest in the Mogilev, Grodno and Minsk Oblasts, and the lowest in Brest and Gomel Oblasts.

Cropland availability per worker is highest in the Vitebsk and Mogilev Oblasts, twice the level of Brest Oblast. Such disparities create difficulties in assuring timely completion of tillage activities in these two Oblasts, and are further exacerbated by a shorter vegetation period by comparison with the Northwest.

The highest ratios of agricultural to total output are reported in Minsk Oblast (24.2%), Grodno Oblast (18.2%) and Brest Oblast (18.1%), as compared to 12.3% in Mogilev Oblast and 13.6% in Gomel and Vitebsk Oblasts.

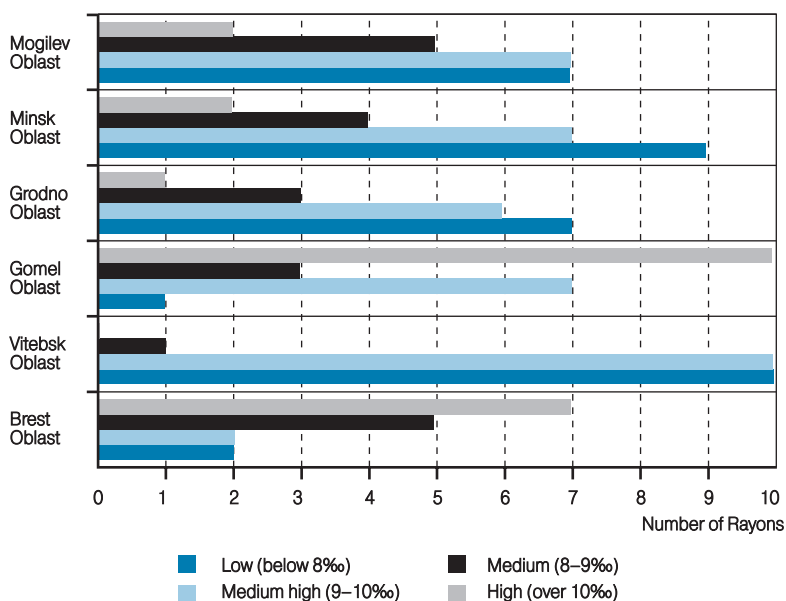
Source: Ministry of Statistics and Analysis of Belarus.

**Table 3.2.1**  
**Urban settlements ranked by their birth rates, as of 2003**

Birth rate (births per 1000 population)	Number of urban settlements by Oblast					
	Brest	Vitebsk	Gomel	Grodno	Minsk	Mogilev
Low (below 9)	-	-	3	2	-	2
Medium (9 – 10)	6	13	13	10	9	13
Medium high (10 – 11)	9	4	4	4	9	6
High (over 11)	1	4	1	1	4	-

Source: Births, Deaths and the Natural Population Increase in Belarus in 2003: a Collection of Statistics. Ministry of Statistics and Analysis, 2004. Pp. 1 – 94

**Figure 3.2.1**  
**Rayons ranked by their rural birth rates, by Oblast**



Source: Births, Mortality, and the Natural Population Increase in the Republic of Belarus in 2003: Selected Statistics. Minsk: Ministry of Statistics and Analysis of Belarus, 2004.

*The rural-urban gap has widened during the transition period*

industrialisation and the fast growth of cities. Rural settlements were behind cities in terms of housing conditions, access to roads and transport, the quality of education and health, and the development of personal services. Some government policies increased those disparities. For example, when many small villages were declared to be «unpromising» in the 1970s and 1980s and scheduled for resettlement, investments in their development were discontinued.

The rural-urban gap has widened during the transition period. The demographic crisis has affected villages more than towns and cities. The rural-urban disparities in incomes have increased. Rural employment is falling much faster than employment in urban areas. Agricultural farms have been more affected by the economic and financial difficulties of the transition period than industrial enterprises, and have thus been more limited in their ability to maintain the social infrastructure in rural areas. Finally, the shortage of professionals perpetuates the rural-urban gap in the quality of education and health care.

**Rural and urban demographic trends**

Belarus is living through a demographic crisis. Its main attributes – including falling birth rates, deteriorating population health status, declining life expectancy and high premature mortality – are detailed in Chapter 4. While being more or less typical of all parts of the country, these negative trends have been the most apparent in rural areas (Figure 3.2.1, Table 3.2.1).

The development of industry and services and a better living environment in cities have encouraged rural-urban migration. As a result, urban population grew by 41,400, or 0.6%, from 2001 to 2003. Because the majority of rural dwellers moving to cities are young people at fertile ages, such migration has distorted the age and gender structure of the rural population. In rural areas, the proportion of the elderly (32%) is nearly twice as high as in cities, while the share of employment-age persons is down to 49%, as compared to 65% in cities. There are 15% fewer fertile-age women than fertile-age men in villages, and 10% more fertile-age women than fertile-age men in cities.

Migration out of rural areas has slowed down somewhat in the last three years, owing to the depletion of the rural demographic base. The excess of deaths over births is responsible for 56 – 68% of the rural population decline. From 2001 to 2003, the number of rural dwellers dropped by 172,600 (or by 6.2%) nation-wide, by 9.1% in Vitebsk Oblast, 8.5% in Mogilev Oblast, 4.7% in Minsk Oblast and 4.1% in Brest Oblast. If the present trend persists, the rural population may decrease by one-half within the next twenty-five years.

Progressive increases in the death rate – from 13.5 to 14.5 per 1000 population in 2001–2003 alone – are another sign of socio-demographic distress. Significant regional variations are apparent. Minsk and Vitebsk Oblasts had the highest mortality ratios (16.7 and 16.4 deaths per 1000 population), while Brest Oblast had the lowest (13.9 per 1000). Even larger disparities exist between the urban and rural mortality ratios (10.7 and 23.9 deaths per 1000 population, respectively, a difference of over two times). Owing to differences in the age structure, cities tend to have higher proportions of deaths at employment age, while rural settlements have a higher percentage of deaths at or above the age of retirement.

Population ageing is affecting all regions, causing the percentage of children to decrease and the proportion of pension-age individuals to grow. Brest Oblast has the youngest population, with the highest proportion of children (19.9%) and the lowest share of retirement-age individuals (21.2%). The ageing process is the fastest in Grodno Oblast, where the proportion of retirement-age individuals has reached 36%. In Vitebsk Oblast, ageing has affected both rural and urban populations. This is the part of the country with the lowest child population (17.3%) and the largest portion of retirement-age persons (23%).

Regional disparities in population ageing are even more apparent at the district level. The proportion of working-age individuals was consistent with the national mean of 45 – 50% in 36 rural administrative districts, and was above this level in only 11 districts. In the absolute majority of rural administrative districts (64), the share of the working-age population was below 45% (Table 3.2.2).

Ageing has not yet affected the regional labour markets, as the declining ratio of the child to retirement-age population was accompanied by an increase in the number of employment-age persons. Nation-wide, the proportion of employment-age persons grew from 58.4% in 2000 to 60.6% in 2003. However, while the share of the population at the age of employment has continued to rise in cities (by 3.5% in 2001 – 2003), rural areas have begun to see this ratio decline (by 0.4% over the same time period).

Improvements in the demographic situation could be achieved through sustainable economic growth and effective social policy. Demographic recovery in all regions could be secured by significant improvements in the standards of living, restructuring of the labour market, proactive income-generating policies, improved access to high-quality health care services, and enhanced family support.

### Rural-urban disparities in employment

From 2001 to 2003, employment decreased in all Oblasts except Minsk City. In Mogilev Oblast, employment dropped by 6.8%, in Vitebsk Oblast, by 5.2%, and in Gomel Oblast, by 3.2%. Urban employment levels declined by 2 – 3% in Brest, Vitebsk and Minsk Oblasts, and they were down by 5.9% in Mogilev Oblast (Table 3.2.2). Rural employment rates declined by 9.6% in Brest and Mogilev Oblasts and by up to 12% in Grodno, Vitebsk and Gomel Oblasts.

Disparities in employment are the most apparent between rural and urban settlements. Recent trends in 2001 – 2003 have led to a gradual decline in employment in manufacturing and construction (by 6.5% and 0.7%, respectively), and an increase in employment in the service industry (by 14.5%), transport and communications (by 12.8%), housing and utilities (by 11.2%), and the social sectors. The rise in urban unemployment was partially constrained by government subsidies, which enabled many of the key industries to avoid mass layoffs.

High labour market participation is typical of most urban areas, ranging from 75% of the work force in Minsk and Mogilev Oblasts to 80% in Grodno Oblast. The situation is completely different in rural areas. Agricultural reform contributed to the reduction of agricultural employment by a total of 22.4% from 2001 to 2003. At the same time, employment in manufacturing industries and construction grew by 5.6 and 37%, by 32.5% in transport and communication, and by 19.5% in retail trade. The already limited employment choices in rural areas were further constrained by the reduction of positions available in social serv-

ices. As a result, only 22.3% of rural employment in 2003 was in the social services sector, as compared to 33.3% of urban employment (Figure 3.2.2).

The choices of rural employment are constrained by a poorly developed industrial and social infrastructure, and an insufficiently diversified food processing industry. Rural unemployment varies little across regions. The reduction in formal agricultural employment was offset by an increase in informal employment at the household level and, consequently, by a rise in private sector employment and self-employment. Subsistence farming has been the most common substitute for formal employment and a source of alternative livelihoods for the rural population. Few rural dwellers have sought formal registration as unemployed, a trend exacerbated by a high degree

*Disparities in employment are the most apparent between rural and urban settlements*

**Table 3.2.2**  
Rayons at the age of employment ranked by their share of rural, %

Share of working age population	Number of Rayons by Oblast					
	Brest	Vitebsk	Gomel	Grodno	Minsk	Mogilev
Very low (< 40%)	-	-	3	2	-	2
Low (40 – 45%)	6	13	13	10	9	13
Medium (45 – 50%)	9	4	4	4	9	6
Medium high (> 50%)	1	4	1	1	4	-

Source: Population of Belarus: Selected Statistics for 2003. Minsk, 2004, p.22-65

### Box 3.2.2

#### Regional demographic disparities

The Southeastern region – represented by Gomel and Mogilev Oblasts – has experienced the longest period of demographic decline of an unprecedented magnitude and scope. Since the Chernobyl nuclear accident, the population of Gomel Oblast has decreased by one-third, and of Mogilev Oblast by one-quarter. This reduction – akin to the population losses suffered in World War 2 – led to a 40% decline in rural population. Some of the most affected Rayons now have one-third or less of their original population, mainly as a result of out-migration.

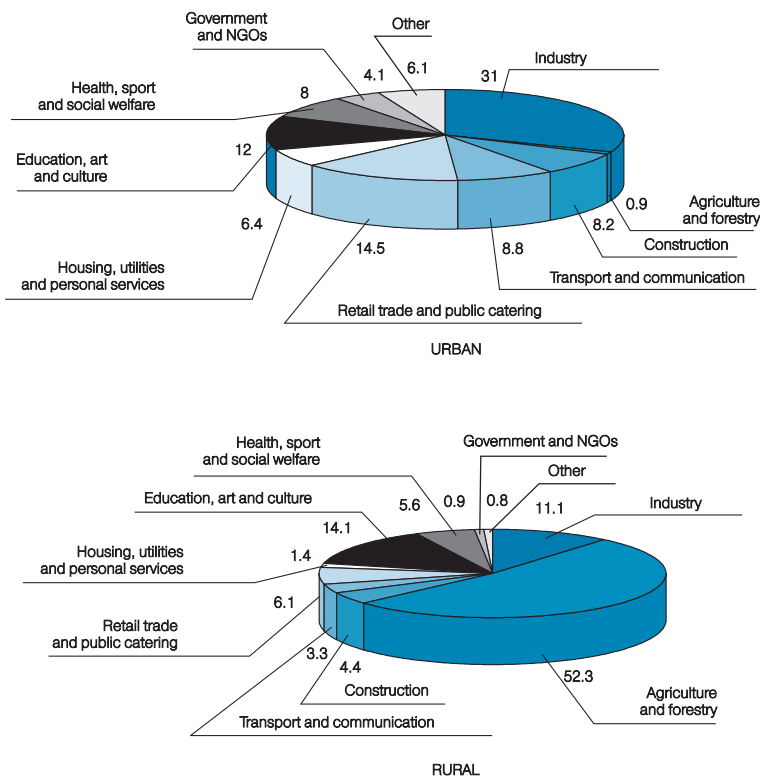
Continued natural population decrease is a major concern for the rural parts of the Northern region, constituted by Vitebsk Oblast. This has been further exacerbated by the ever-rising rate of urban depopulation, first recorded in 1993. Despite the more favourable environmental conditions, the North has the nation's lowest birth rate and highest mortality ratio. These trends cannot be explained by population ageing alone. Further medico-demographic studies are required at the micro-level to identify and assess the other contributing factors.

The Southwest (Brest and Grodno Oblasts) has not experienced major demographic change, and has remained a region of general demographic stability. However, the natural population decrease rate has also been rising in this part of the country since 1995, particularly among the rural population.

The central region – comprised of Minsk city and Minsk Oblast – is home to one-third of the total population. It has the nation's highest overall population density and the most abundant labour resources. All of this makes it stand out from the other parts of the country. Differences in demographic statistics between Minsk City and its surrounding areas have been narrowing throughout the 1990s. Population growth in Minsk City has slowed down, while the population replacement indicators have deteriorated, as evidenced by the consistent excess of deaths over births in recent years.

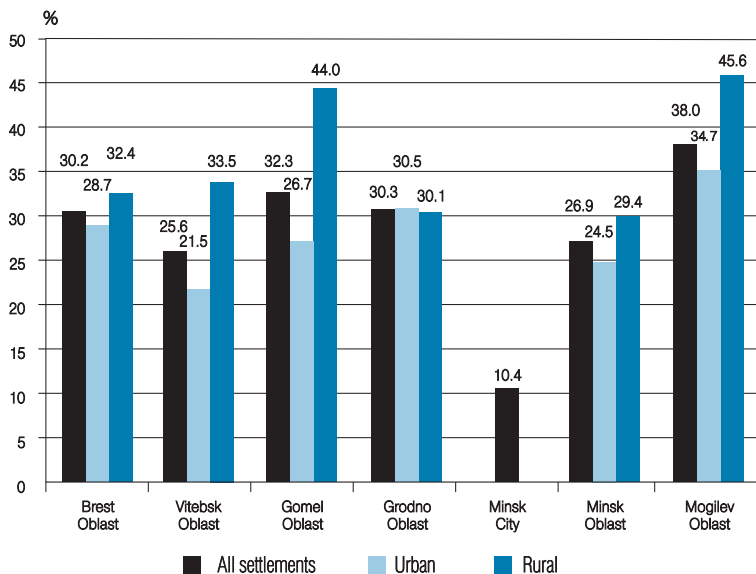
Source: B. A. Manak, E. A. Antipova. Belarusian Regions: Population Trends in the Late 20th Century. Sotsiologia Journal, 2003, issue 2, pp. 39 – 40

**Figure 3.2.2**  
Rural and urban employment by sector, 2003



Source: Labour and employment in Belarus in 2003 – a collection of statistics. Ministry of Statistics and Analysis, Minsk 2004 p. 48

**Figure 3.2.3**  
Share of the population living below the official poverty line, including in urban and rural areas in 2003



Source: Ministry of Statistics of Belarus.

of isolation of the rural labour market, remoteness of rural residents from employment offices and poor access to transportation. As a result, rural labour supply is much lower than in cities (Figure 3.2.3). Of the total number of unemployed registered with the Oblast employment offices in 2003, only 17% were rural dwellers.

## Living conditions and social sector development

Significant rural-urban imbalances exist in the development of the social infrastructure. Cities have evolved a diverse service sector, comprised of trade, personal service facilities, as well as cultural establishments. Rural areas have an underdeveloped social sphere, and many of its facilities have been maintained – until recently – by agricultural enterprises. Many social service objects have been taken over by the local governments from insolvent agricultural farms.

Cities are vastly different from villages by the educational attainment level. According to the 1999 population census, the number of urban dwellers with graduate and post-graduate diplomas was 176 per 1000, three times above the educational attainment ratio for rural areas. Rural areas are thus facing an acute shortage of young professionals.

Unprofitable rural stores have been replaced by mobile retail outlets. Many rural bathhouses, laundries and other similar service objects are also operating at a low or negative profit. High depreciation of plant and equipment and low energy efficiency are some of the most notable causes. As of 2003, as many as 56.4% of the service firms were operating at a loss in Mogilev Oblast. The number of service providers had declined by more than one-half over the preceding fourteen years, and the range of services they offer is narrowing from year to year. To maintain access to services, rural post offices are increasingly assuming an intermediary role between the rural dwellers and the Rayon-level service providers. They arrange monthly doctor visits, offer help in filling prescriptions, place orders for tailoring jobs, sell consumer goods and even organise concerts. Diversification of the rural service industry is constrained mainly by the low buying power of the local residents.

Rural schools and kindergartens are closing down, as a result of a decline of the child population. From 1991 to 2003, the number of preschool establishments decreased from 2799 to 2132. The biggest decrease was recorded in the Vitebsk Oblast.

Per capita housing availability is higher in rural areas than in cities, averaging at 27.9 square metres, as compared to 20.0 square metres in cities. However, the quality of urban housing is far superior to rural settlements. Villages have a high amount of empty or unutilised housing. The availability of empty housing enables many farming enterprises to avoid the high cost of new residential development by purchasing and renovating the empty dwellings, many of which are still in good condition.

The gaps in potable water quality are particularly apparent. The portion of the population with access to safe water ranges from 85% in small-sized cities to 99% in large cities. At the same time, up to 70% of the rural population rely on unprotected wells. Statistics on access to sewage provide a similar picture of rural-urban inequities. Only 15 – 20% of rural dwellings have access to centralised sewage systems, as



opposed to 70 – 90% of urban housing. Major rural-urban gaps also exist in the provision of waste collection and disposal services.

Most settlements in Minsk, Mogilev and Grodno Oblasts have natural gas. In Vitebsk Oblast, natural gas is available in only 15 out of 21 administrative districts. Rural and urban gasification projects are under way in Brest and Gomel Oblasts. Lower energy needs, relative to cities, create opportunities for the development of alternative or renewable energy in rural areas. The rural energy sector is increasingly reliant on technologically advanced boiler houses, small-scale hydroelectric power plants and other renewable energy sources.

The Government has implemented uniform standards to guide the development of the social sphere. These criteria define forty-four minimum requirements applicable to social services, transport and utilities. It is expected that such standards will be fully implemented by the end of 2005 in all parts of the country, rural and urban. In particular, the government is providing loans for the renovation and repair of the existing service facilities in villages and small-sized cities. Local employment offices are administering job creation funds, which can be used to extend loans to business start-ups. These policies are facilitating the growth of the rural private sector, particularly in retail trade and personal services. Many such private enterprises are already competing successfully with the outlets run by consumer cooperatives.

### Disparities in incomes and poverty

The poverty situation remains rather serious. The main problem appears to be the emergence of depressed areas, or pockets of poverty, amid the relatively well-off communities (Box 3.2.3). The ratio of the population living on less than the minimum subsistence level varies significantly by region, from 10.4% in Minsk City to 45.6% in the rural parts of Mogilev Oblast, a difference of more than four times (Figure 3.2.4).

Significant disparities in poverty prevalence exist between rural and urban settlements. The share of the population with incomes below the minimum subsistence level varies in cities from 21.5% in Vitebsk Oblast to 34.7% in Mogilev Oblast, and in rural areas from 29.4% in Minsk Oblast to 45.6% in Mogilev Oblast.

The rural parts of Gomel and Mogilev Oblasts have the highest poverty rates. The gross average salary in agriculture and forestry in 2003 was just 135,900 roubles in Gomel Oblast and 130,000 roubles in Mogilev Oblast, while the national minimum subsistence level per adult equivalent was 105,300 roubles. Wage arrears caused by the difficult financial situation of many agricultural enterprises further exacerbated the poverty problem. As a result, 5.8% of the population in Gomel Oblast and 4.8% in Mogilev Oblast are living on less than one-half of the minimum subsistence level. Gomel and Mogilev Oblasts also have high hidden unemployment and are experiencing an outflow of skilled professionals.

Poverty is of medium relevance to multi-industrial cities where broadly diversified economies and a significant private sector expand the income-earning opportunities for their residents. These cities benefit from rising private incomes, high education attainment levels, ownership of property and assets such as cars, summer houses or garages, and a well-developed social sphere.

The least problematic in terms of poverty are the national capital and Oblast centres (Minsk City, Brest, Vitebsk, Gomel, Grodno and Mogilev) and some medium-sized cities – such as Borisov, Baranovichi, and Bobruisk. By virtue of high economic and socio-cultural development levels and high educational attainment, these cities account for over 50% of all industrial employment and a similar proportion of industrial output. They are also home to the majority of educational and academic research institutions and cultural establishments.

Poverty is being addressed through a variety of programmes, including private enterprise development, rural recovery, social protection, family support, housing construction, and education and health services. Social benefits and privileges are provided on the basis of categorical criteria. Entitlement to such supports is extended by law to over 50 different population groups comprising more than 60% of the total population.

In sum, the main sources of regional disparities in poverty prevalence are low rural incomes and a large number of small-sized urban settlements with

*The ratio of the population living on less than the minimum subsistence level varies significantly by region*

#### Box 3.2.4

##### The official approach to poverty measurement

The official approach to poverty measurement is based on the 'absolute poverty' concept. The accepted poverty indicators include the minimum per capita subsistence budget, and the number and ratio of the population with disposable incomes below the minimum subsistence budget.

The minimum subsistence level represents the cost of goods and services meeting the individual's minimum physiological requirements and non-food needs, including clothing, footwear, household goods, medicines, self-care items, housing, utilities and transport costs, and kindergarten fees.

The quantities of such goods, and the minimum subsistence level for various socio-demographic groups, are estimated on the basis of consumption norms determined by academics and government experts in consultation with the national associations of employers and trade unions.

Source: Republic of Belarus Law «On the Minimum Subsistence Level in Belarus». National Legal Register, 5 (1999), pp. 7 – 8

#### Box 3.2.3

##### Regional income disparities

The concentration of industry, banking, government and small businesses in Minsk and other large cities have turned these cities into areas of relative economic prosperity. The average salary in these cities has exceeded 250,000 roubles. Elsewhere, where jobs are far less numerous, the monthly salary has hovered around 170,000 – 180,000 roubles. In rural areas, salaries are two to three times below the average for cities, and some 50% of rural dwellers are living below the national subsistence level.

Source: Ministry of Statistics and Analysis of Belarus

### Regional environmental threats

**Radioactive contamination.** Radioactive contamination affects one-fifth of the Belarusian territory and up to one-seventh of its population. It is felt the most acutely in the Gomel Oblast, where the contaminated zone represents two-thirds of the land area and where three-quarters of the affected population reside. Radioactive contamination is also a significant problem for the Mogilev Oblast, where one-third of the land area and one-ninth of the population have been affected.

**Air pollution.** Between 2000 and 2003, high and very high pollution levels were recorded annually in 30 – 50% of the monitored cities. The situation was the most serious in Gomel, Mozyr and Grodno.

**Water pollution.** According to various estimates, samples from some fifty to eighty per cent of water wells have high levels of chemical pollution (mostly with nitrates), and high levels of microbiological contamination may exist in up to one-third of the water wells.

Water contamination levels are persistently high in the River Svislotch below Minsk City. Such pollutants as ammonium nitrogen, iron, copper and phenols have been discovered in water samples from all monitored water bodies, exceeding the maximum permitted level by up to fifteen times.

**Toxic waste accumulation.** The continuing accumulation of toxic waste in industrial sites, and improper waste disposal are major sources of environmental threats. Recently, toxic waste stockpiles stabilised at around 250,000 tons. About three quarters of the waste stockpiles are located in the Gomel Oblast.

**Ecosystem deterioration caused by land drainage.** Land drainage is performed on one-seventh of the Belarusian territory. It leads to direct landscape alterations, river bed rectification, the elimination of indigenous plants and the lowering of the ground water levels. The Brest Oblast is the most affected. Drainage projects are carried out on one-fifth of its territory, and irrigated land represents 30% of a vast area occupied by five adjacent Rayons.

**Environmental damage from mineral extraction.** Mineral extraction leads not only to landscape alteration but also water and soil salinisation, especially in areas affected by the waste deposits of the potassium salt mining corporation «Belaruskali». Tens of thousands of hectares have been subjected to such damage.

**Peat bog soil destruction** is caused mainly by excessive mineralisation resulting from intensive farming. The most affected regions are Minsk, Brest and Gomel Oblasts, where the proportion of peat bog soils exceeds the national average of 4.6% by 2.3, 1.7 and 1.6 times, respectively. Up to 9.4% of the cropland is affected by soil erosion. The Grodno and Mogilev Oblasts are the most affected. There, the proportion of eroded soils is 1.4 and 1.2 times above the national average.

**Man-made environmental disasters.** A large number of industrial sites are at risk of a major explosion, fire or a sizeable release of dangerous chemicals that can affect nearby population. Such risks are the highest in the Vitebsk and Grodno Oblasts, where two of the most dangerous (class A) sites are located – the petrochemical corporation «Polimir» and the Grodno fertilizer company «Azot».

**Proximity to nuclear power plants** (Ignalina in Lithuania and Chernobyl in Ukraine). This risk is faced by the population of the Gomel and Vitebsk Oblasts, parts of which are located in the 30-kilometre zone around these sites.

Source: The State of the Natural Environment in Belarus. *Ekologicheskiy Bulletin*. Minsk: Minskproyekt Institute, 2004, pp. 258 – 261.

low levels of socio-economic development. Policies to increase rural incomes should include:

- Income support programmes for agricultural producers, including tax reduction and debt restructuring;
- Development of SMEs in both rural and urban areas;
- Increasing the share of property incomes (e.g. dividends from stocks, land and property shares);

The efforts to eliminate the regional inequalities in socio-economic development should involve:

- Establishing a development project fund for the poor regions financed from private sector contributions and ministerial and enterprise innovation budgets;
- Merging the national and regional capitals and large cities, with the adjacent rural districts, into single administrative units. In this way, portions of the urban budgets and rural land resources can be utilised for the benefit of rural and urban development.
- Targeting the largest rural settlements for social and utilities development programmes to bring those sectors up to the level of the urban areas. Social services and utilities for the remaining settlements should be provided from bases in these «nuclear» villages and district centres.

### 3.3. Regions in special development circumstances

Due to a small area size of 207,600 square kilometres and relatively uniform natural and climatic conditions, Belarus has few major environmental disparities. However, certain differences in landscape form the basis for Belarus' subdivision into five natural regions:

- The lake region (Poozerye, 46,700 square kilometres): the Northern part of the country dominated by glacial lakes, plains and undulating moraine hills;
- The rolling hills and plains region (Belorusskaya Gryada, 50,300 square kilometres): the highest elevated area with a mostly hilly relief, covering the central and Western parts of the country;
- The Dnieper valley region (Pridneprovye, 15,100 square kilometres): a flat area with the most fertile soils;
- The wooded lowlands region (Polessye, 58,100 square kilometres): the largest natural region occupying the South of the country, with a mostly flat alluvial surface;
- The glacial moraine plains (Predpolesye, 37,400 square kilometres): flat areas with moraine sand and fluvioglacial landscapes.

Environmental conditions specific to these five natural regions explain some regional variations in ecosystem capacity to absorb the impact of human activity. Brest and Gomel Oblasts, located mostly in the low-lying Polessye region, are sensitive to groundwater contamination [2]. Vitebsk Oblast faces an elevated risk of soil erosion, caused by the low permeability of the loamy and clay soils in the Poozerye region. The parts of Grodno and Minsk Oblasts within the Belorusskaya Gryada region are vulnerable to «sheet wash» soil erosion owing to the great length of the region's hilly slopes and the grainy structure of its loamy soils. The Southeastern part of Minsk Oblast and the West of Mogilev Oblast in the Predpolesye

region are sensitive to ground water pollution. The fertile forest soils of Mogilev Oblast in the Pridneprovye region are at risk of linear erosion.

As economic enterprises and other business entities are distributed unevenly across Belarus, they have a significant role in determining regional ecological disparities. Their nature and sources are discussed in Box 3.3.1 and in Appendix 3.

### The Chernobyl zone

The effects of the Chernobyl nuclear accident on 26 April, 1986 are a major contributor to regional disparities. As of January 1, 2003, some 42,000 square kilometres were radioactively contaminated, representing approximately one-fifth of the Belarusian territory. As of January 1, 2004, the population of the contaminated zone was around 1.5 million, or 15% of the total population.

The affected areas are broadly dispersed and vary greatly by the level of contamination (Tables 3.3.1 and 3.3.2). Most of the contaminated territory (93.1%) and its population (97.3%) are located in Gomel, Mogilev and Brest Oblast. Gomel Oblast, the worst affected of the three, has 63% of the contaminated territory and 78% of the total population residing in the affected areas. The size of the affected areas in Grodno and Minsk Oblasts is relatively insignificant, while Vitebsk Oblast has been practically unaffected.

At the subregional level, 52 out of 118 Rayons (sub-national administrative units) have been fully or partially contaminated, including 20 out of 21 in Gomel Oblast, 14 out of 21 in Mogilev Oblast, 4 out of 16 in Brest Oblast, ten out of 22 in Minsk Oblast, three out of 17 in Grodno Oblast and one out of 21 in Vitebsk Oblast. In Gomel Oblast, the contaminated zone includes two large cities – Gomel and Mozyr. Fourteen Rayons with the highest levels of radioactive contamination constitute the core of the Chernobyl zone, including ten in Gomel Oblast (Bragin, Budakoshelevo, Vetka, Dobrush, Yelsk, Korma, Loyev, Narovlya, Khoyniki and Chechersk) and four in Mogilev Oblast (Kostukovich, Krasnopolye, Slavgorod, and Cherikov). These Rayons are classified in the General Area Planning Guide as a special needs territory requiring a distinct government approach to its development. Two heavily contaminated Rayons in the Brest Oblast – Luninets and Stolin – can also be referred to this group.

Sustainable human development in the contaminated areas is affected by the long-term impact of radiation on all aspects of human life, including health and the standards of living. Differences in the size of the contaminated area and levels of contamination, coupled with the lack of regionally disaggregated statistics, make it difficult to isolate the contribution of radioactive contamination to regional disparities. As suggested by the available general demographic, social and economic data presented in this Report, the effects of the Chernobyl accident are distributed unequally across Belarus. Some cities and villages have been heavily affected, while others are relatively better off.

The most contaminated parts of Gomel and Mogilev Oblasts have above-average rates of natural population decrease and out-migration. They also have unusually low life expectancy rates, abnormally high morbidity and a highly distorted population age structure, particularly in rural areas. Above-average unemployment and poverty prevalence ratios, low incomes and poor access to social services and basic utilities are also a common problem in the affected areas, particularly for small-sized urban and rural settlements. Life expectancy was 68.3 years in Gomel Oblast and 67.3 years in Mogilev Oblast, as opposed to the national average of 68.5 years. Compared with the national unemployment rate of 3.1%, unemployment was 3.6% in the Mogilev Oblast and 3.5% in Gomel Oblast. Gomel and Mogilev Oblasts have the nation's lowest and second-lowest average wages in the agricultural sector.

The impact of Chernobyl on regional socio-economic disparities is even more obvious at the Rayon level. From 1989 to 2003, the total population of Gomel Oblast decreased by 9.7% and rural population by 25.5%, while the total population of the Bragin Rayon of that Oblast dropped by 36.8% and rural population by 40%. Total and rural population declined by 43% and 51% in Vetka Rayon and by 40% and 55.6%, respectively, in Narovlya Rayon. In 2003, the rate of unemployment was 10% in Krasnopolye Rayon, 6.4% in Kostukovich Rayon, 4.8% in Slavgorod Rayon and 4.3% in Cherikov Rayon, while the average for Mogilev Oblast was 3.6%.

Previous policies on Chernobyl included resettlement, compensation and social assistance measures, along with improvements of the natural gas and water supply, clean-up measures in agriculture forestry, and housing construction. For example, in the first eighteen years since the accident, 66,120 apartments and houses had been built for 137,000 resettled persons, and 239 settlements had been established in the clean parts of the country.

As the current radiation levels have been declining, and new technologies enabling competitive production of clean agricultural produce become

*The main sources of regional disparities in poverty prevalence are low rural incomes and a large number of settlements with low levels of economic and social development*

**Table 3.3.1**  
**Size of the contaminated territory by Oblast at 1 January (km<sup>2</sup>, thousands)**

	Belarus	Brest	Vitebsk	Gomel	Grodno	Minsk	Mogilev
Contaminated territory	41.8	3.6	0.02	26.3	1.4	1.5	9.0
% of total	20.1	11.2	0.04	65.1	5.6	3.6	30.9
By level of contamination							
1–5 Cu/km <sup>2</sup>	29.7	3.5	0.02	17.4	1.4	1.5	6.0
5–15 Cu/km <sup>2</sup>	7.7	0.2	0.0	5.7	0.0	0.01	1.8
15–40 Cu/km <sup>2</sup>	2.5	0.0	0.0	1.7	0.0	0.0	0.8
> 40 Cu/km <sup>2</sup>	1.9	0.0	0.0	1.5	0.0	0.0	0.4

Source: National Centre for Radiation Control and Monitoring under the Ministry of Environment of Belarus

**Table 3.3.2**  
**Population of the Chernobyl zone by radiation exposure dose**  
**by Oblast, at January 2004 (persons)**

	Belarus	Brest	Vitebsk	Gomel	Grodno	Minsk	Mogilev
Affected population	1,462,957	148,287	31	1,142,201	23,125	16,407	132,906
% of total	14.9	10.1	0.0	75.9	2.0	1.1	11.4
By exposure dose							
< 1 mSv	1,202,362	126,915	31	949,154	22,852	13,476	89,934
1–5 mSv	244,802	21,372	...	177,456	273	2,931	42,770
> 5 mSv	15,793	...	...	15,591	...	...	202

Source: National Centre for Radiation Control and Monitoring of Belarus

available, the policy priorities are changing. Most of the remaining population are willing to live there, and some former residents have been returning. To ensure that their needs are addressed, the emphasis is put on the socio-economic rehabilitation, achieved through job creation, improvement of the housing conditions, the modernisation of equipment and technologies, and the enhancement of the working and living environments. These human development objectives are interlinked and should be addressed holistically.

The approaches to comprehensive radioecological and socio-economic rehabilitation have been developed in Belarus since the late 1990s. They have materialised in a range of international programmes, such as «Cooperation for the Rehabilitation of the Chernobyl-affected Areas of Belarus», or CORE. These approaches have been reflected in national long and medium-term development programmes, notably, the National Sustainable Development Strategy up until 2020, and the Draft Concept of the State Programme on Minimising the Consequences of the Chernobyl Nuclear Disaster from 2006 to 2010 and up until 2015.

The Draft Concept and the National Sustainable Development Strategy – 2020 share one limitation: they lack a regional dimension and ignore to some extent significant environmental, economic and social differences across the five Oblasts. The national policies on incomes, health, and the living environment, should be targeted to the needs of each particular community. Consideration of the local needs of the affected Oblasts, administrative districts and communities would improve priority setting, and lead to better resource allocation by linking it to the needs and competitive advantage of each affected territory.

### The EU border areas

From 1939 to the break-up of the USSR, the state border coincided with the boundaries of two out of six Oblasts (notably, Brest and Grodno Oblast) and six out of 118 Rayons. The outer borders of the remaining administrative units were internal, and, consequently, fully open to the movement of people, goods and services.

The situation has changed radically since independence. Today, five Oblasts and forty-four Rayons share a common border with the neighbouring states – Latvia, Lithuania, Poland, Russia and Ukraine. The borders with Russia and Ukraine remain relatively open, despite a number of economic and administrative restrictions introduced in the early 1990s. Changes on the borders with the other states have been more controversial mainly as a result of the recent accession to the EU of Lithuania, Latvia and Poland.

The introduction of visas by these three states has made the Belarusian border with those countries significantly less transparent. Some regions have been affected more than others. The formal border with Poland had existed before, and visas became just another barrier to crossing it. The borders with Latvia and Lithuania, however, appeared only recently. The introduction of visas added to the major hardships already suffered by the people who had been abruptly separated by these new lines of division. As a result, many of the earlier economic, cultural and familial and personal ties that had built up over decades and even centuries have been strongly affected, or even ceased to exist. Highways, power transmission lines and other infrastructure objects on the borders with Lithuania and Latvia are deteriorating. Many have been dismantled or destroyed.

The areas of Belarus that border on Latvia, Lithuania and Poland also have a number of advantages related to their proximity to the EU. The benefits include the opportunity to access a larger, more abundant, more stable and more transparent market of the European Union, regulated by a single set of rules rather than by multiple national laws. All of this – all else equal – would significantly improve the operating conditions for East European and Belarusian firms in European markets.

The development of cross-border partnerships and cooperation within the Euro-regions, participation of the local communities in the city twinning movement, and other forms of international cooperation, would help maximise the benefits of EU enlargement for the border areas.

To improve Belarus' participation in these partnership programs, it is critical to fully restore and revitalise productive relations with the European Commission and other EU institutions, including on issues related to regional-level partnerships between Belarus and the EU. A joint effort is needed to transform our common borders from a zone of division to one of integration. A first step in this direction would be to develop – in partnership among the relevant Belarusian, Russian, Ukrainian and EU institutions – a set of common, transparent and equally acceptable legal norms governing cross border trade, and participation in the Euro-regions. This should eventually help reduce barriers to the movement of people, goods, capital and services across national boundaries [4].

Belarus already has the capability to participate in three neighbourhood programmes initiated by the EU: the Baltic Sea Programme, the Poland – Ukraine –

*Most of the remaining population in the affected areas are willing to live there, and some former residents have been returning*

Belarus Programme and the Lithuania – Latvia – Belarus programme. It is also willing to contribute to the design and implementation of future neighbourhood programmes that would promote cross-border cultural, economic, educational and other cooperation, simplify the visa regime, facilitate construction and improvement of the border checkpoints, support the development of the transport and communication infrastructure, and help combat international crime, such as trafficking in drugs, people, and weapons.

### 3.4. Strengthening local governance

Human development can be accelerated if a proper balance of decision-making power is found between the central and local government. When control from the centre is excessive, a timely, innovative and flexible management of the local issues is often difficult. Improvements can be achieved through the process of decentralisation, or delegation of more decision-making power to the local level.

In Belarus, decentralisation faces a number of challenges. First, the distribution of mandates and financial authority among the national, regional and local levels reveals that no level of government has legally defined limits of authority or guaranteed amounts of financing. As local governments are responsible for provision of a wide range of services, their mandates are frequently not matched by appropriate resources and a legal entitlement to generate revenues for their local budgets.

Second, a strong executive power structure organised in a top-down manner and reporting directly to the President undermines the accountability of the executive branch to locally elected people's representatives. High administrative dependence of the local power on higher-level authority is distorting the essence of local self-rule.

The strengthening of local autonomy could be achieved through a clear division of authority between the local and central levels of government. Defining the areas of joint and exclusive responsibility for each level of the government is the key. In the Belarusian context, Rayon and Oblast level authorities would be in the best position to deliver social and environmental services. As a result, decisions affecting the human development conditions would be made at a level that is closest to citizen. Sectors requiring common standards and national-level regulations, such as education, health and employment should be managed at the national level, where strategic regional development decisions should be made.

The local level should be comprised of an executive and an elected representative body, which is common practice in European states. A flexible mechanism of interaction between them should be in place, combining accountability to the local citizens and upper levels of government.

The local authorities should be given greater powers of revenue generation and budgeting. The number of programmes and activities financed by

the local authorities has increased, which is a positive development. However, this process is still not a genuine decentralisation, but merely a devolution of responsibilities as the centre keeps control of the budget revenues. In 2003, the share of central government subventions in the local budgets varied from 10.5% in Mogilev Oblast to 29.7% in Grodno Oblast (Table 3.4.1).

Beyond financial autonomy, a transparent and clear formula regulating central budget transfers to the local level should be developed. Currently, all Oblasts have roughly similar per capita public expenditure, with the exception of Minsk city, where it exceeds the national average (Table 3.4.2).

Disparities are the greatest at the district level. For example, per capita public expenditures in some Rayons of Brest Oblast are roughly 40% below the national average. These disparities can be explained by a difference in local demand for services in rural and urban areas as well as by the unequal distribution of communal properties, which imposes different maintenance costs on the local governments. Different Oblasts have different revenue bases as well. In 2003, the average share of the locally generated budget revenue in Grodno Oblast budget was 51.6%. The disparities in the revenue bases of the Rayons of this Oblast are significant: Svisloch,

*Local governments' mandates are frequently not matched by appropriate resources and a legal entitlement to generate revenues*

**Table 3.4.2**  
Per capita public expenditure by Oblast relative to the national average in 2001 – 2003 (%)

Oblasts	2001	2002	2003
Brest	87.8	86.3	85.2
Vitebsk	93.4	96.5	94.3
Gomel	101.4	95.5	99.1
Grodno	89.4	105.4	96.4
Minsk	91.3	95.3	94.6
Mogilev	94.3	96.5	94.1
Minsk City	134.3	122.2	129.0

Source: Calculated based on reporting to the Ministry of Finance (form «Budget execution reports by Oblasts and Minsk City» for 2001, 2002, 2003)

**Table 3.4.1**  
Ratio of government subventions to Oblast-level budgets in 2003, (%)

Oblasts	Ratio of government subventions in the Oblast-level budgets, %
Belarus	16.9
Brest	23.3
Vitebsk	19.4
Gomel	21.8
Grodno	29.7
Minsk	18.9
Mogilev	10.5
Minsk City	4.1

Source: Ministry of Finance of Belarus

Ostrovets and Iyе Rayons had 17.0, 22.0 and 22.9% of their budgets generated locally, while Grodno and Volkovysk Rayons were able to generate 55.4% and 67.3% respectively.

Decentralisation should not only minimise the existing imbalances, but also create incentives for local governments to improve the quality of services, expand the local revenue base, find local innovative solutions addressing specific local needs as well as increase the efficiency of local public spending.

At least three major conditions have to be met to ensure that decentralisation promotes human development at the local level. First, it is necessary to eliminate the obstacles affecting the capacity for

local decision making. This can be done by identifying and reforming those areas where planning, decision making and actual service delivery functions can be delegated to the local authorities. Second, once these areas are identified, the legal framework should be adjusted, and more power should be delegated to the local level. Since it is impossible to start providing better services at the local level needs without adequate financial resources, decentralisation should be supported by increasing the revenue generating capacity of local budgets. Third, successful decentralisation is possible when civil society institutions are strengthened and local democracy is developed.



# DISPARITIES IN HUMAN CAPITAL DEVELOPMENT

People's choices can be constrained by poor standards of living, unequal income distribution, barriers to receiving education, high morbidity and a low life expectancy. Eliminating disparities in human capital is therefore an important goal for Belarus. This chapter explores a wide range of such disparities related to demographic trends, delivery of health and educational services, and gender inequality. It provides recommendations on how to address these obstacles to human development.

## 4.1. Demographic imbalances: causes and responses

The population of Belarus grew throughout the post-war period up until the early 1990s, but the rate of such growth has been falling since the 1970s. The mortality rate first exceeded the birth rate in 1993, signalling the start of depopulation, a new stage in Belarus' demographic development. After more than ten years, deaths continue to exceed births, leading to a population decline despite net immigration. From 1993 to 2004, the total number of deaths totalled 1,647,100, and births 1,152,000. Since 1993, therefore, the Belarusian population (including net immigration) has decreased by 434,500 to a total of 9.8 million as of January 2005.

The number and proportion of persons over the age of employment has been rising steadily. As of January 2004, the share of the population aged over 65 was 13.2%, up from 10.4% in 1989. A population is considered old if this share is over 7%.

A growing elderly population means that each employed person's salary has to support more people. Rising numbers of the elderly are also applying increasing pressure on pension support, health care and long-term care costs.

The younger population is declining, posing another problem. The number of children aged 0 – 15 has fallen by 374,300 since the last census in 1999, from 21.2% of the total population in 1999 to 17.8% in 2004. The drop in the number of children below ten years of age has been particularly steep, as seen from the narrow base of the population pyramid shown in Figure 4.1.1. This decline is attributed to the reduction in birth rates during the 1990s. The declining child population will inevitably affect future birth rates.

The difficulties of the economic transition have taken a heavy toll on population health, and contributed to the population decline. From 1990 to 2003, total morbidity rose by 36.8%. The growth in morbidity

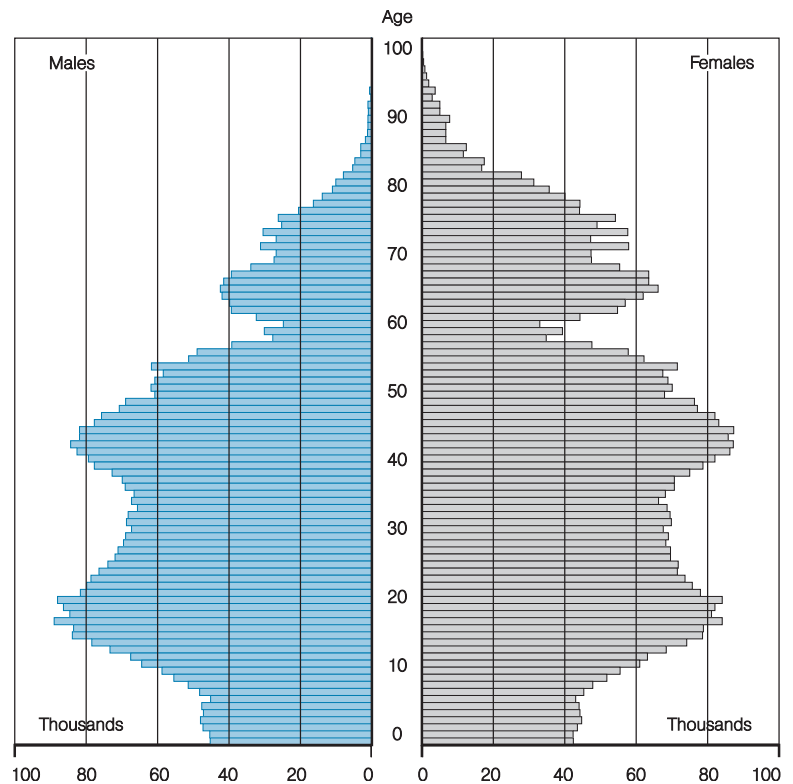
from blood and hematogenic, mental, musculoskeletal, and congenital diseases has been particularly high. Diseases of the nervous system and sensory organs are also widespread. They are the third most prevalent disease type, more common than infectious and parasitic diseases. Stress is a major cause of nervous and sensory organ diseases.

Heavy drinking and drug dependence remain serious social problems. In 2002, per capita annual alcohol sales averaged 9.7 litres. According to WHO criteria, per capita alcohol consumption above eight litres is considered dangerous. As of December 2002, the number of registered patients with alcohol-related problems exceeded 150,000. Alcohol psychosis cases have more than tripled since 1990.

Mortality from tuberculosis, syphilis and AIDS is another major health problem. The number of diagnosed cases has grown significantly since the start of the 1990s. Tuberculosis cases grew from 3,100 in 1990 (29.8 cases per 100,000 population) to 5,100 (51.7 cases per 100,000) in 2003. From 1990 to 1995 the incidence of new syphilis cases rose by

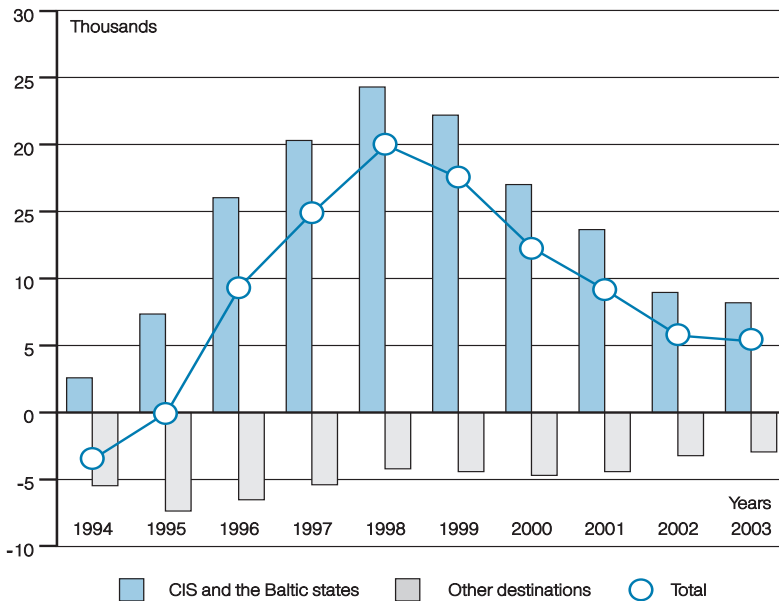
*The declining child population will inevitably affect future birth rates*

**Figure 4.1.1**  
**Belarus: the population pyramid as of January 2004**



Source: Ministry of Statistics and Analysis of Belarus

**Figure 4.1.2**  
**Net annual external migration by destination, thousands**



Source: Ministry of Statistics and Analysis of Belarus

56 times, from 2.7 to 150.6 per 100,000 population. Despite a more than threefold decrease in the syphilis rate from 1995 to 2003, it still remains close to epidemic levels, at 48.7 cases per 100,000. AIDS transmission is even more rapid. The number of HIV-infected persons grew from 113 in 1995 to 1021 in 1996 and to 5485 (including 31 children) in December 2003. Cancerous tumour prevalence is also rising steadily. The number of newly diagnosed cancer cases increased by 29.0% from 1990 to 2003.

The rapidly rising morbidity rates and the spread of chronic diseases result in low life expectancy. In 2003, life expectancy was 68.5 years, (62.7 years for men and 74.7 years for women). The life expectancy dynamic reflects changes in the quality of life and trends in health behaviour and health attitudes, and has improved very little over the past twelve years. Recently, Belarus has implemented a range of policies to reduce morbidity and mortality and strengthen support for families with children (see Appendix 4).

### Migration and the brain drain

Migration patterns have changed significantly over the last decade. The 1990s brought new challenges, including emigration from the CIS and the related brain drain phenomenon, the inflow of refugees and immigrants, internal migration from the Chernobyl disaster zone, and illegal migration.

The trends in internal migration have generally remained stable. Most of the internal migration is from the village to the city and from small cities to larger ones. For a detailed discussion of internal migration, see Chapter 3.

External migration flows are mostly with the CIS and the Baltic states. Net immigration from these countries remained positive throughout the 1990s,

with the exception of 1994, when emigration to Russia exceeded immigration from the Russian Federation. After peaking in 1992, net immigration from the CIS has declined, down to 8,900 in 2003. Most of the migration exchange is with Russia, Ukraine, and Kazakhstan – 91.5% of immigrants come from these countries (Figure 4.1.2) Many immigrants from the CIS and the Baltic states (over 21,000 in 2000 – 2003) have been settling in rural areas, including in the Chernobyl zone.

The socio-economic hardships and environmental adversities in the late 1980s and early 1990s led to rising emigration, particularly of urban dwellers. Emigration numbers grew particularly fast in 1986 – 1990, when the exit procedures were simplified. The top three emigration destinations are Israel, the United States and Germany. The volume of migration with non-CIS states decreased from 46,500 in 1990 to 6,200 in 2002.

The reasons for emigration have been changing in important ways. Today, the main drivers of emigration are not ethnic or political, as in the past, but social and economic. Belarusians are leaving to countries with a higher standard of living in search of a better future and greater material prosperity.

The majority of emigrants are young people at the start of their professional careers (ages 20 – 24) or mid-career professionals aged 30 – 49. Over 90% of emigrants have tertiary and secondary education. People with tertiary education have the highest emigration rate. In Belarus, the share of persons with tertiary education is 14.0% of the total population, while the share of emigrants with tertiary education is over 25%. Emigration of professionals and intellectuals from Belarus greatly affects the country's future.

According to the National Centre for the Monitoring of Academic and Teaching Staff Migration at the Institute of Sociology of the National Academy of Sciences, 856 teaching and academic staff who resigned from their positions in Belarus from 1991 to 2003 have emigrated, or have not returned to their home country after a short visit abroad. Of this number, 67 persons hold Doctor of Sciences degrees and 352 have Candidate of Sciences degrees. The brain drain contributes 2.5% of total staff outflow from research, universities and colleges [1: 28]. Sixty-three per cent of all academic and teaching staff who emigrated from 2001 to 2003 settled in Russia, Germany and the United States. Another 17% are residing in Canada, Poland and the United Kingdom. One visible and stable trend in intellectual emigration has been the prevalence of researchers over tertiary-level teaching staff.

Most of the brain drain is taking the form of internships and temporary employment under contracts and grants. Contract employment grew particularly fast in the mid-1990s. According to the available data, the number of lecturers and academics working under contracts outside Belarus has decreased in recent years, from 243 in 2001 to 104 in 2001, 168 in 2002 and just 25 in 2003.

*Today, the main drivers of emigration are not ethnic or political, as in the past, but social and economic*



Emigration of people with secondary and primary education is also on the rise, but little of it is being recorded.

Along with employment under official contracts with registered firms, illegal work migration is also taking place. Migrants who work illegally enter the country of their destination on tourist or visitor visas. Such spontaneous movement of the work force is having major negative effects on the national economy. Sample surveys suggest, however, that during the transition period, migration is a survival tool for many. The absolute majority of respondents from Belarus (85%) have indicated that working abroad had helped them overcome economic challenges [2: 193].

### Family arrangements and children

The economic crisis of the 1990s – which still has not been fully overcome – has had a major impact on popular living standards and has affected all families. Families with children have been the worst affected.

The economic hardships affected couples' reproductive preferences. Today, the predominant ideal is a family with one or two children. Between the 1959 and 1999 population censuses, the share of two-member families more than doubled, and the proportion of families with five or more members decreased by almost five times. The average size of the modern household is 2.6 people. More than a quarter (26.2%) of all households consist of single individuals. Two-member households represented 26%, three-member households 22%, and four-member households 19% of all households. Seven per cent of all households have five or more members.

In this unfavourable socio-economic environment, the number of new marriages has declined and the number of divorces has increased. The divorce rate in the late 1990s was 2%, up from 1.3% a decade earlier. The 1999 population census recorded 2.4 million officially married couples, down from 2.6 million, or by 200,000, from the previous census in 1989.

The number of single parent families has increased over the last decade. The share of children in single parent families was 8.5% in 1990, 18.6% in 2000, and 23.0% in 2003. In 2003, the highest proportion of births (38%) in single parent families was given by women below age 20, and at ages 35 – 39 (31.0%). The reasons for the rise in the number single-parent families are diverse: low use of contraceptives, conscious decisions of some women to have children, relatively high maternal morbidity and mortality among young males.

In summary, the family arrangements and functions have significantly evolved since the turn of the century. Some hallmarks of this change include a reduction in family size, and a growing number of single-parent families. Children have been heavily affected by these trends.

A growing number of children are being left without parental support: 2,600 in 1990, 4,100 in 1995 and 5,100 in 2003. Lack of contact with parents and family is extremely damaging to these orphaned children

because it deprives them of a proper environment for emotional, intellectual and physical development. Neglect of these children would limit their ability as adults to make friends, start a family, and find employment.

The proportion of children diagnosed to be «completely healthy» has decreased from 60 to 30% over the past two decades, while the share of children with one or more diagnosed chronic conditions has grown from 10 to 22%. On average, every sick child has two to three chronic diseases. Diseases of the alimentary, immune and cardiovascular systems are the biggest risks. The prevalence of chronic gastritis in children has approached 70%, and the spread of congenital heart disorders is being recorded.

The number of disabled children aged under 18 has also risen, from 6,600 in 1985 to 29,300 in 2003. One in ten children of pre-school and school age has special mental or physical needs. Special remedial, medico-social and psychological services are required to successfully integrate such children in society.

The socio-economic and, consequently, the demographic situation have begun to stabilise since the mid-1990s. The ratio of the average monthly salary to the minimum per capita subsistence level for a family of four has grown from 106.6% in 1995 to 151% in 2003. This means that two working adults receiving an average salary could provide the minimum subsistence level only for themselves in 1995, while in 2003 they were able to support a dependent child. However, the birth of a child still poses substantial challenges for an individual family budget.

## 4.2. Health system disparities

As discussed in the previous sections, high quality and accessible health services are critically important for human development in Belarus. The health care structure inherited from the former USSR had long followed an extensive model with an emphasis on quantitative expansion over advances in medical equipment and technologies, improvements in staff salaries and other aspects of the quality of care. The legacy of this approach is still present in many respects. The result is inefficient allocation of the

*Most illegal migrants who are staying in Belarus consider it as a transit point in their journey to Western Europe*

### Box 4.1.1

#### The evolution of the modern family in Belarus

Belarus is experiencing a transformation of its social institutions. As one of these institutions, the family is also evolving under multiple social pressures. The traditional family structure is being replaced with alternative family arrangements. Change has affected the lifestyles, structure and role of the family.

The functions of the family are changing for objective reasons of a socio-economic, political, ideological, legal and cultural nature. The macroeconomic conditions in the 1990s and early 2000s have put a significant pressure on families – parents have had to work longer hours than in the Soviet era to secure a decent living for their families. As a result, other important family functions are often neglected, including child and adolescent socialisation and upbringing, companionship and recreation.

Source: Situation of Women and Children in the Republic of Belarus. Minsk, 2004, p. 58

#### Box 4.2.1

### The outcomes of the Vitebsk pilot reveal the need for a reform in the financing of health care

The ongoing Vitebsk pilot has tested a new model of health care finance. Its outcomes, however, have been mixed. First, the pilot was not aimed at bringing more money into the system – just at a better distribution of the available funds. Furthermore, such distribution has only been devolved to the Oblast level. Second, the actual per capita financing amounts varied greatly across different areas. For example, the per capita allowance for health care in the rural parts of the Vitebsk Oblast varied between 36,000 and 39,000 roubles. The difference of three thousand roubles was of little significance for managers. At the same time, per capita health care allowances in some Rayons differed by more than two times. Per capita allocation to health care was 25.4 million roubles in the rural part of Polotsk Rayon and up to 51.9 million roubles in the city of Polotsk. A proper justification has yet to be given for such disparities.

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Standing Committee of the House of Representatives  
Family and Youth Affairs

Source: *Zdravookhraniye* 10 (2002), p. 16.

available limited resources and over-utilisation of some services, including inpatient care. These problems are exacerbated by underfunding. In order to ensure sustainable and accessible health services, solutions should be found that would address efficiency while bringing more money into the system.

#### Recent trends

The disparities caused by the extensive approach to health care are revealed by a comparison of the Belarusian and Western health care systems in terms of quality and quantity. Belarus is significantly behind countries such as France, Sweden or Germany with regard to the availability of medical technology, the length of treatment of some diseases and the success rate of such treatment. However, the number of hospital beds per 10,000 population is 24.4% greater than in Germany, 36.4% greater than in France and more than three times greater than in Sweden [3: 50]. The average duration of a hospital stay is twice as long as in these three countries. In Belarus, patients are frequently hospitalised for diagnostics and other procedures that can be performed in the home or in an outpatient setting, which partially explains this difference.

While Belarus is significantly ahead of many Western nations by the number of doctors per 10,000 population, its nurse to doctor ratio is lower than in the West. Belarus has 45.7 doctors per 10,000 population, while Austria has 44.0, France 40.0, and Sweden 37.0. Austria and the United States have 3.3 nurses per doctor, while Belarus has only 2.6 [4: 243]. It is becoming increasingly obvious that nurses are not being trained in sufficient numbers to meet current and future health care needs. The deteriorating quality of hospital care is the direct consequence of nurse shortages. On the other hand, an oversupply of medical specialists often results in the overuse of expensive medical procedures, and, consequently,

in unnecessary costs and higher risks to patients from the potential side effects of complex medical interventions.

The undesirable effects of the old approach to health care development are reproduced by the current training practices of medical professionals. The main emphasis is still on treatment and diagnosis, and too few professionals are being trained in health promotion, disease prevention, health care economics and health care management. It is extremely important to expand tertiary, graduate, postgraduate and continuing education programmes in health economics and management.

The financing of health care is still based on the old approach that makes funding more dependent on capacity-related criteria – such as the number of beds and staff numbers – than on the quality of the services provided and the number of people served. In response to this problem, new approaches to health care finance are being developed, including capitation-based funding (CBF). CBF is the funding of primary health care based on the number of registered individuals being cared for. CBF is aimed at encouraging proactive health care in the community. A version of the capitation-based funding scheme has been tested in Vitebsk (Box 4.2.1).

In sum, the Belarusian health system has inherited from the USSR a range of complex problems, including an emphasis on quantitative expansion and a limited focus on quality (Table 4.2.1). In many cases, the available limited resources are being dispersed among a great number of providers and facilities, rather than being targeted towards the most important priorities, such as raising staff salaries, adjusting staff numbers and purchasing modern equipment and medical technologies.

As suggested by the data in Table 4.2.1, the number of hospital beds per 10,000 population has been declining. Although these developments may somewhat improve the overall efficiency of the system, dramatic improvement of quality and accessibility of health care services can only be achieved if funding of the system is substantially increased.

#### New options for health care finance

Public funding is presently the main source of health care finance. The ratio of health expenditure to GDP is presented in Figure 4.2.1. As seen from the figure, public expenditure on health care relative to the GDP has not exceeded 4.8%. As projected by the Health Care Development Concept – approved by the Council of Ministers in October 1998 – health care expenditure should reach 7.5% of the GDP by 2005 and 10% of the GDP by 2007. By comparison, the United States is already spending 13.6%, Canada 10.3%, and Finland, Holland, Germany, Italy and Norway 8.2 to 9.7% of the GDP on health care. The percentage figure may be misleading – the actual allocations expressed in absolute figures may provide a more accurate picture. In the United States, annual

*The health care structure has long followed an extensive development path with an emphasis on quantitative expansion over advances in quality*

per capita expenditure on health is \$3000, in Western Europe it is around \$1500, and in Belarus \$90 at the market rate and \$332 in PPP US dollars.

The low salaries of medical staff – at 90.3% of the national average salary – are an alarming sign of poor funding of health care. Health workers are poorly compensated for night and overtime hours, and exposure to pathogenic organisms. As a consequence, highly qualified medical staff prefer to work for private providers or leave the health sector altogether, which results in the declining capacity of public health care.

To ensure stable and sustainable funding of the public health system, the revenue sources should be diversified. To supplement public funding, mandatory health insurance should be introduced, financed by the premiums paid by employers and employees. Coverage limits should be linked to premium amounts and the length of insurance. Entitlement to health insurance should be extended to all employees and other health care users.

Medical benefits and arrangements for financing such entitlements should be reviewed. This would not only cut unnecessary costs, but also promote social justice by linking benefits to the amount of premiums paid into the mandatory insurance system.

The Government and mandatory insurance funds should coordinate their policies in order to ensure the cost-effective spending of resources. By collecting premiums, mandatory insurance funds would have an interest in linking payments to the actual services performed, rather than distributing the work load evenly among all care providers. These funds would also have an incentive to introduce progressive payment methods and promote cost-effective health care provision. Therefore, the autonomous status of such funds should be maintained. The role and functions of the funds' boards of governors should be expanded, and a sufficient quota of seats should be reserved for representatives of the health care authorities.

In addition, all regional health systems should adopt the capitation-based funding principle, which should be equally applied to the planning, allocation and spending of the health budgets. To apply the capitation principle at the budget planning stage, per capita health expenditure norms should be determined at each level of government, from city to national. The appropriate procedure should be prescribed by national legislation. Health needs and provision of a minimum standard of services guaranteed by appropriate state programs should be the primary criteria of resource allocation by the state and the insurance funds. Funding should not be linked exclusively to the size or capacity of the health provider, i.e. bed numbers, patient visits per day, etc.

The transition to capitation-based funding would change the economic context of health management. Health administrators would be less interested in supporting all of the existing health providers. Instead, they would have an incentive to achieve greater cost effectiveness by prioritising health outcomes. Health

administrations should be given greater flexibility to reallocate assets and human and financial resources. This could help them experiment with more cost-effective forms of health provision without the risk of losing a portion of their global budget.

Sickness benefits and children's recreational funds should be redistributed in favour of the poorest households. To this end, tighter restrictions should be set on the highest amount of the sickness benefits, and children's stays in health resorts and children's camps should be covered on a means-tested basis. This entitlement should be targeted mostly towards households with incomes below the subsistence level.

High income disparities in the emerging market system create the space for voluntary health insurance as a type of commercial insurance, regulated by the national legislation and rules applied in financial and credit markets.

We have put forward vision of a future health care funding model. Naturally, it is not free of defects. The main question in this regard is the appropriate balance between the state, mandatory insurance and private voluntary insurance, as contributors to health care funding.

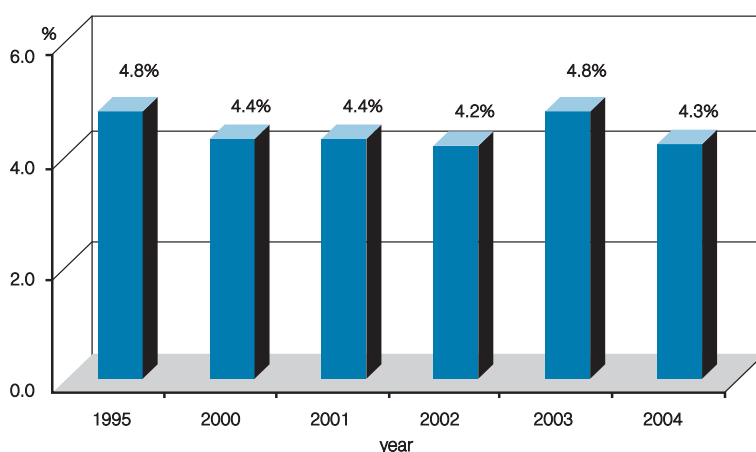
### Broad access to health care as the key principle of the health reform

The law «On Health» is based on the principle of universal access to health care and medical drugs. In accordance with this principle, each citizen is entitled to medical care of appropriate quality free from economic, technical, cultural, moral or other barriers. It is being implemented by Government institutions and enables each member of society to receive quality services regardless of their cost or sophistication based solely on socio-medical need.

Health care standards, capitation-based funding, regional programmes of guaranteed free health care, and a network of tertiary-level research hospitals are just some of the steps being implemented

*To supplement public funding, mandatory health insurance should be introduced, financed by the premiums paid by employers and employees*

**Figure 4.2.1**  
Ratio of health expenditure on health to the GDP (%)



Source: Ministry of Statistics and Analysis of Belarus

to improve access to care. Well-equipped research hospitals such as the children's cardio-surgical centre, should improve public access to high-technology care.

However, there is still room for improvement. For example, the current arrangements for the provision of paid medical care should be reviewed. Public discontent stems largely from the fact that fee-paying and non-fee-paying patients are being served by the same health providers. To address these concerns, the volume of free and fee-based services provided by public health establishments should be regulated. In practice, this would mean controlling the tendencies of service providers to prioritise fee-for-service components, and reduce dramatically the amount of free services. The Government should address this imbalance and require of medical establishments to provide a designated amount of free services. Medical establishments would be allowed to provide paid services only on condition that the agreed amount of free services has been delivered. Key elements of such a mechanism include:

- A procedure to determine the number of free services to be contracted and compensated for by the Government or mandatory insurance funds;
- An arrangement to estimate the minimum capacities of the medical establishment and resources needed to deliver the contracted number of free services;
- A system to monitor the delivery of these services;
- Financial penalties for medical institutions defaulting on their contract;
- Control over the cost of paid medical services in the public sector;
- A system to provide consumers with information on the costs of paid medical services in different medical establishments for better consumer choice.

*The volume of free and fee-based services provided by public health establishments should be regulated*

The closure of underutilised health facilities could yield significant savings that will be invested back into the health care system. There is a need for strategic and current planning at all levels of health care. The key objective of strategic planning is to outline the essential reforms needed to increase cost-effectiveness. Appropriate provisions should be made to cushion the potential negative consequences of downsizing and restructuring in the health sector for citizens and medical workers. Annual health care plans should also include estimates of the volume and structure of medical services, patient flow among different medical providers, equipment and finance needs and other parameters.

### 4.3. The national education system: achievements and challenges

Access to high quality education is a fundamental component of human development. To make their own appropriate choices about lifestyle, career opportunities and political preferences, people must be literate and possess solid knowledge in these various areas.

The high international rankings of Belarus in human development are due in large part to the high educational attainment of its citizens. Accomplishments of the education sector include high adult literacy rates and high educational enrolment ratios, as well as extensive use of innovative forms of instruction.

However, despite these successes, education is struggling with a range of problems. One of the major problems is under-funding. In 2003, public expenditure on education reached 6.0% of the GDP, which is still below the internationally accepted minimum of 10%. One consequence of insufficient funding is a shortage of space in secondary and tertiary level institutions. Teaching in schools and many universities is being organised in two, and sometimes, three shifts. Almost no new vocational schools have been opened recently, while many of the remaining ones are closing. In the future, this may result in shortages of skilled labour. School curricula still remain more focused on textbook knowledge than on creativity that is essential for full-rounded personal development.

Another barrier to human development is the low quality of education. Some private universities and a significant proportion of correspondence courses do not provide high quality instruction. The nation's leading universities could assist private tertiary institutions in improving their instructional processes. The quality of correspondence courses could be improved by expanding distance education, supported by a good selection of appropriate teaching kits, textbooks and manuals.

The declining number of students admitted to natural and applied sciences departments is another negative development. Professionals trained in these disciplines are important to a country's economic

**Table 4.2.1**  
**Health system indicators and trends at December**

	1990	1995	1999	2000	2001	2002	2003
Doctors (all profiles), thousands	39.6	42.7	45.9	45.8	44.9	44.8	45.0
Per 10,000 population	38.9	42.0	45.8	45.9	45.1	45.3	45.7
Nurses, thousands	119.9	117.6	122.3	122.6	123.2	123.5	117.0
Per 10,000 population	117.6	115.5	122.1	122.8	123.8	124.8	118.8
Inpatient facilities	874	865	833	830	817	781	729
Hospital beds, thousands	135.1	127.3	126.9	126.2	125.4	118.5	112.0
Per 10,000 population	132.6	125.1	126.6	126.3	126.0	119.7	113.7
Outpatient facilities	1468	1622	1858	1843	1856	1862	1918
Outpatient facilities visits per day, thousands	189.1	216.1	231.6	231.5	235.6	234.5	234.6
Per 10,000 population	185.6	212.3	231.1	231.7	236.8	236.9	238.2

Source: Ministry of Statistics and Analysis of Belarus

development. From 1995 to 2003, admissions dropped by 12%. The ratio of students admitted to natural and applied sciences to the total number of new students declined from 64% in 1990 to 35% in 2003. The demand for professionals trained in technology can be met by encouraging students to major in natural and applied sciences.

The growth of the service industry creates the need for appropriately trained employees. This task can be addressed by establishing relevant programmes and departments at the tertiary and secondary levels. Support could be provided to vocational training institutions to adjust their curricula to the current needs of the service sector.

Universities and colleges have started to charge tuition fees. In a country where 27.1% of the population live below the poverty line, commercialisation of higher education imposes a heavy toll on the most vulnerable groups – children from poor families and rural school graduates who are having great difficulty enrolling in colleges and universities. They do not have sufficient funds to attend preparatory courses, hire a private tutor or obtain other support that would help them achieve favourable results on admission tests. Many talented young people – especially from rural areas – are thus left outside of the education system, and valuable human capital is being wasted. Tools such as education loans, national testing, and student placement quotas could create greater opportunity for capable candidates from rural areas to receive higher education. Additional efforts for strengthening higher education could include provision of student loans, standardised admission testing, and setting quotas for talented youth from rural areas.

### Main avenues of modernisation

Belarus is implementing the transition to a two-tiered system of tertiary education that would introduce bachelors and masters-level degrees. This reform will not only improve and diversify the higher education system, but will also align it with EU practices.

A twelve-year secondary schooling cycle is gradually coming to replace the eleven-year cycle. To translate quantity into quality and ensure appropriate linkages with the two-tiered tertiary system, steps should be taken to improve secondary school facilities and equipment base, develop and streamline the network of lyceums and gymnasiums, introduce effective professional selection and tracking at the secondary level, promote creativity, and increase reliance on information technology and the Internet in education.

Improved quality of secondary schooling would lay the ground for progress in tertiary education. Closer integration should be achieved between teaching and research, and a transition to modular instruction should be made. Curricula should be revised accordingly to ensure acceptable limits on student work load while streamlining the acquisition of knowledge and skill. Special priority should be given to raising the status and living standards of university

### Box 4.2.2

#### Choosing the right model of health care funding

To bring more money into health care and improve its cost-effectiveness Belarus should make more extensive use of market tools in funding public health care. A transition to capitation-based health budgets is under way; the fee-for-service arrangements bring additional revenues to the system.

No country in the world guarantees provision of all medical services at no cost to the patient. Users everywhere cover at least some portion of the medical costs in one way or another. Various forms of co-payment are used in nearly all Western countries with well-developed public health care systems.

Therefore, despite a range of weaknesses and controversies, a combination of insurance and tax-based funding is a more reliable model than tax-based funding alone.

Elena Sergeenko,  
Deputy Head of the Department of the Non-material Sector and Social Protection,  
Finance Section of the Mogilev Oblast Executive Committee

Source: *Finansy, Uchet, Audit Journal*, Issue 11, p. 23. Minsk, 2003

teachers and lecturers, in parallel with improvements in staff qualifications and teaching quality. The modernisation of tertiary education requires strong links between teaching, research and practice. Without such links, the Belarusian tertiary education will be unable to achieve qualitative growth, approach the challenging international educational standards, or compete successfully within the global education area.

### 4.4. Gender-based disparities

Human development should not only expand people's choices, but also reduce the inequalities to the degree to which such choices can be exercised. Addressing gender inequalities in empowerment and opportunities for social advancement is essential if the human development ideal is to be realised.

There is a significant gender gap in life expectancy, which has existed since the Soviet period. In 1990, female life expectancy was 75.6 years and male life expectancy was 66.3 years. By 2003, life expectancy decreased to 74.7 years for women and 62.7 years for men. Male life expectancy was 5.5% below the 1990 level, and female life expectancy 1.2% below that level.

Raising life expectancy for both men and women should be a priority. Both sexes would benefit from improvements in health care and its accessibility, environmental conservation, poverty eradication, improved nutrition and health promotion. Improving the health of women would involve reducing violence against women, and better prenatal and postnatal care.

Promoting healthy lifestyles would address problems associated with smoking, drinking and drug use that are common among men. Today, some 50% of men smoke, and annual alcohol consumption is high. Instances of social apathy and aggression – including suicides and homicides – are also very common among men. Men are at greater risk of death from cancer and cardiovascular disease. In 2003, male deaths caused by cancer numbered 249.5 per

*The demand for professionals trained in technology can be met by encouraging students to major in natural and applied sciences*

**Table 4.4.1**  
**Male and female perceptions of gender equality**  
**in different aspects of life\***

	Employment	Remuneration	Equality in the family	Leisure	Civic engagement
Female respondents, %					
Opportunities are equal	50.6	47.8	63.4	44.9	58.3
Men have more opportunity	46.4	49.6	16.6	50.5	35.4
Male respondents, %					
Opportunities are equal	54.4	52.4	60.0	58.5	65.1
Men have more opportunity	41.3	44.7	16.4	36.5	26.6

\* Based on an opinion survey conducted in December 2002 as a part of the UNDP project Women's Leadership»  
Source: Women's Leadership Project, [www.gender.by](http://www.gender.by)

100,000, and deaths from cardiovascular numbered 320.3 per 100,000, as compared to 141.3 and 120.5 deaths per 100,000 for women.

Representing 58% of the population and 52% of the work force, women tend to have a somewhat higher level of educational attainment than men. They are nevertheless less competitive in the labour market than their male peers. Of all registered unemployed in 2003, 52,100 were men and 80,800 were women, a difference of 36%. Unemployment is disproportionately widespread among highly educated women. Women are also more at risk of long-term unemployment, (i.e. with the duration of over one year), which diminishes their chances of re-employment.

Employers are often hesitant to hire women because women usually play the dual role of employee in the workplace and mother at home. Overall, Belarusian law has no discriminatory provisions against women in the workplace. However, the legal protections are not fully applied in practice, creating a gap between the law and reality. In the labour market, women are vulnerable to discrimination in appointment and dismissal. Gender discrimination in hiring, firing and promotion is notoriously difficult to prove in court because it can frequently be concealed by references to the woman's insufficient education, work experience or other excuses. The introduction of fixed-term and limited duration contracts has made contract extension exclusively a matter of the employer's goodwill, making women – especially pregnant women and women on maternity leave – particularly vulnerable.

In general, women who return to work before the end of their official maternity leave (they can stay with their children up to the age of three) are forced to do so by economic reasons. To improve the competitiveness of such women in the workplace, it would be advisable to ease the legal restrictions on night and overtime hours, official travel and work during official

holidays for women with dependent children above 18 months of age. It would also be appropriate to compensate the employer for losses from fulfilling the requirement to provide such women with one day of paid leave per week. The compensation could be paid from public funds or from the Social Protection Fund.

The aim of social and employment policies should be to gradually eliminate or mitigate the factors that limit women's competitiveness in the workplace. These policies should be implemented in parallel with programmes to provide professional training for women, encourage women's private sector participation and to promote greater involvement of men in child-rearing and doing household chores.

Gender disparities in labour market competitiveness are manifested in the disproportionately high proportion of women employed in low-paying sectors and in the existence of high barriers to women's promotion. On average, women's salaries represent 80% of men's. As of December 2003, the average salary was 334,200 roubles for men and 265,500 roubles for women.

Table 4.4.1. shows data on men's and women's perceptions of gender equality in employment, recreation and political participation. As seen from the table, the majority of the poll respondents of both sexes (60%) acknowledge the equality of the sexes in the family, while equal proportions of male and female respondents (23.6% and 20%, respectively) point to the advantage of one sex over the other. For all other aspects, respondents of both sexes either point to gender equality or the advantage of men over women.

The equal participation of women in decision making is an important aspect of gender equality. Although men still remain more prevalent than women in the executive power and legislature, the situation is beginning to change. The government has only two women ministers – of labour and social protection and of health – and eight women deputy ministers. A growing number of women are working as head experts, consultants and heads of ministerial units or departments. Diplomacy is one sphere where women could realise themselves more fully as good managers, intermediaries and negotiators. The proportion of women employed in foreign diplomatic missions has remained within 20%. Only four women represent their country in the rank of ambassador.

Women's representation in elected bodies is also growing. The proportion of seats taken by women in the lower house of parliament (10.3%) is twice as high as in the previous parliament. Women's representation in the upper house has remained at 30%. Women take a high proportion of seats in local legislatures, but their presence in higher-level elected bodies is still disproportionately low. Thus, the degree of women's empowerment has yet to match the role that a woman should play in a modern society.

*Unemployment is disproportionately widespread among highly educated women*



## BUILDING STRONGER SOCIAL CAPITAL FOR BELARUS

No analysis of social capital would be complete unless it considers the significant resources created in the process of human interaction and cooperation. These resources are defined as social capital. Social capital is important for human development because of its close reciprocal linkages to economic growth and the formation of human capital. Thus, a strong work and business ethic within society increases labour productivity and reduces business transaction costs. The resulting economic growth raises participation in economic and business activity, and promotes the broader diffusion of such ethics within society. Similarly, social contacts established at school or university are important sources of practical skills and knowledge that can effectively supplement formal education.

Stronger social capital, and Governments' greater reliance on it, can make policies more effective and efficient. This chapter, therefore, examines the trends in the formation of social capital and explores options for increasing its amount Belarus.

### 5.1. Social capital – the foundations

Determinants of strong social capital include high levels of interpersonal trust and access to channels of communication and the media. Interpersonal trust increases people's readiness to interact and cooperate with one another. As stressed by Francis Fukuyama, trust is «the expectation that arises within a community of regular, honest, and cooperative behaviour, based on commonly shared norms, on the part of other members of that community» [1]. Access to channels of communication helps to broaden personal networks, while the media can promote social cohesion by creating a sense of belonging within citizens to the events and issues most relevant to the society at large.

#### Interpersonal trust and access to means of communication

As suggested by the 1999 European Values Survey, the Belarusian society enjoys relatively high levels of interpersonal trust. The percentage of Belarusians polled who shared the view that most people could be trusted was 41.9%, as compared to the European average of 30.7%, 27.2% in Ukraine, 24.9% in Lithuania, 23.7% in Russia and 18.9% in Poland [2].

Recent data indicate that access to channels of communication and the media is also improving. This is true both of the 'established' channels, such as fixed-line telephones, radio and television,

and also of the 'new' communication methods, such as the Internet and the mobile phone. On average, every Belarusian household has at least one television receiver. From 2002 to 2003, the number of mobile phones per 100,000 population more than doubled and became comparable to the number of fixed telephone lines (Table 5.1.1). Over the same time period, the number of Internet hosts grew by more than 60%.

Access to channels of communication has expanded opportunities to receive an education and find employment. A growing number of educational establishments are benefiting from access to electronic libraries and research data bases. Many are offering distance education courses. The development of corporate networks has given more people the option of tele-commuting, or working for their employers over the Internet.

#### Social capital and people's welfare

High levels of interpersonal trust and growing opportunities for citizens to interact with one another have strengthened and broadened cooperative ties within the Belarusian society. Such interaction and cooperation have helped offset the negative effects of income inequality, and the unequal opportunities that come with it.

Many people with low incomes are relying not only on state assistance, but also on support from their friends and families. In the year 2000, some 30% of Belarusian households were receiving money or help in-kind from friends or relatives. Such assistance represented a significant 3% of all household incomes [3]. Over 85% of Belarusians know someone who can provide them with temporary accommodation when they need it (Table 5.2.1).

*Stronger social capital, and Governments' greater reliance on it, can make policies more effective and efficient*

**Table 5.1.1**  
**Access to means of communication and the media**

	1995	1996	1997	1998	1999	2000	2001	2002	2003
Television receivers per 100 households	103	103	104	118	116	119	115	118	120
Telephone lines per 100 people	15.3	16.9	18.7	20.3	22.3	23.4	24.5	25.6	26.7
Mobile phones per 100,000 people	51.0	74.2	87.8	131.2	244.1	509.5	1422.8	4664.4	11294.9
Internet hosts per 100 people	...	0.003	0.2	0.3	0.4	0.5	0.8	9.0	16.3

Source: Ministry of Statistics of Belarus

*In addition to being an important part of the social safety net, social capital facilitates access to the knowledge and skills needed in the modern society*

In addition to being an important part of the social safety net, social capital facilitates access to the knowledge and skills needed in the modern society. Interpersonal contacts promote the diffusion of computer technology. Already, more than 80% of Belarusians know someone who can work on a computer. Personal networks also increase social mobility. Some 45% of Belarusian citizens have personal contacts with public or private sector managers. Such relationships can significantly expand the choices of employment for many.

In sum, social capital is an important factor that broadens people's choices for social and economic advancement. This benefit of social capital directly supports many of the Government's social policy objectives. However, in order for this advantage to be maintained, equal opportunities to build and utilize social capital are essential. Otherwise, rather than being a force for greater equity, it can also become a factor that perpetuates and deepens inequality.

## 5.2. Building and utilising social capital: main factors of inequality

As seen from the previous section, Belarusian citizens are using social capital to gain knowledge, increase their social mobility and protect themselves from the risks and hardships of the transition period.

However, the actual extent to which such benefits are gained depends on the opportunity to build and utilize social capital. Individual ability to build social capital can be constrained by limited access to channels of communication. Social exclusion and stigma can make some population groups less trusted than others. The narrow scope of social contacts limits an individual's ability to gain knowledge or find employment.

A national representative poll was commissioned by the UNDP project «Empowerment of Women in Belarus» in 2004, to identify the degree of inequality in the distribution and utilisation of social capital by Belarusian citizens. The focus was on three main classes of benefits – knowledge, social mobility and influence, and social support. The first class was measured by questions like «Do you know someone who can use a personal computer?». To measure individual social mobility and influence, respondents were asked to indicate if they knew someone who managed an organisation or owned a business firm. The implications of social capital for informal support networks was measured with queries like «Do you know someone who could take you in for a week if necessary?»

As suggested by the poll's findings presented in Table 5.2.1, the main sources of inequalities in social capital distribution and utilization are linked to the place of residence, social status and education.

### The rural-urban divide

As stated in Chapter 3, Belarus has significant rural-urban gaps in regards to income, poverty, access to social services, health, education and many other areas vital for human development. One result of such differences has been the distortion of the demographic and social fabric of the rural communities. As a consequence, the traditional rural lifestyles based on strong neighbourly and communal ties have come under threat.

Relative to their urban peers, rural dwellers are more limited in their ability to establish and use personal networks to gain knowledge and increase their choices for employment. The proportion of rural residents who have contacts among computer users is significantly below the national average. The differences are particularly sharp with Minsk City. Only 58.7% of rural dwellers are acquainted with a computer user, as compared to over 90% in Minsk. In the countryside, only 32.8% are in contact with industry, private or public sector managers, as opposed to 48.7% in Minsk.

Unequal access to channels of communication has exacerbated these disparities. Television viewers in Minsk can receive more than ten channels, and in most rural settlements no more than three. Over 20 new radio stations have opened in recent years, but their broadcasts are not available in many rural communities. Relative to cities, rural areas have 1.5 – 2 times fewer fixed telephone lines per 100 population.

**Table 5.2.1**  
**Social capital utilization by gender, age, residence, educational attainment and occupation (%)**

Respondent characteristics	Knowledge and skills	Influence	Social support
Males	77,3	45,1	86,8
Females	80,6	45,4	88,0
Age 17-24	88,9	42,0	90,8
Age 25-39	80,6	51,4	90,0
Age 40-54	77,6	45,5	84,2
Age 55-60	52,5	24,7	82,2
Rural	58,1	32,8	87,4
Urban, small city (population 2,000 – 50,000)	82,5	48,6	87,6
Urban, large or medium-sized city (population 51,000 – 1,000,000)	84,2	49,9	90,2
Urban, Minsk City	92,0	48,7	82,0
Secondary or incomplete secondary education	65,6	29,9	86,7
Upper-secondary education	80,7	43,4	84,8
Higher education	93,7	65,9	91,0
Managers, business owners	90,1	74,6	92,7
Professionals	91,3	60,4	86,1
Sole traders	93,9	95,8	89,1
Public sector employees	84,9	53,4	86,2
Skilled workers	74,8	32,2	84,4
Unskilled workers	57,2	31,2	89,6

Source: UNDP project «Empowerment of Women in Belarus», April 2004



While new digital equipment is being introduced in cities, rural telephone exchanges still rely on old technology.

Despite roughly comparable proportions of people who could stay with their friends, relatives or acquaintances if need be, the unequal distribution of social capital in other domains may result in higher levels social exclusion, lower expectations and higher economic and social inequality between the city and the countryside.

### Educational and socio-professional status

Unequal levels of educational attainment and socio-professional background can also limit the capacity of various population groups to build and utilize their social capital. These two factors of inequality are mutually reinforcing. Education broadens opportunities for networking with people from different backgrounds, while the lack of education narrows them.

Relative to people with secondary or uppersecondary education, university graduates are 1.5 – 2 times more likely to be acquainted with a computer user and twice as likely to be in contact with a manager. Friendships established at universities explain part of this difference. Such friendships tend to be more common among people with similar education attainment levels than with different educational backgrounds.

Access to channels of communication is also correlated with education and social background. Most mobile phone users are private entrepreneurs, people who work and travel, and students. The extent of Internet use is determined by age. The highest proportion of Internet users are between 20 and 30 years of age. In addition, men are more likely to use the Internet than women. In Minsk, the Internet is used by 41% of men and 28% of women (Table 5.2.2).

Overall, although the foundation for the development of social capital does exist, significant proportions of the population are limited in their ability to build and utilize it to broaden their life choices. The uneven distribution of social capital and its benefits can limit the efficiency of the social policies in Belarus by exacerbating the inequalities in incomes and opportunities for social advancement.

Rural dwellers are at the greatest disadvantage in this respect. Development of the rural social infrastructure should broaden their opportunities to enjoy the benefits of social capital. Improving the rural communications sector and provision of computers and Internet connections to rural schools should be an essential components of rural development plans. Events and services such as job fairs, legal clinics, multi-service centres have great potential to improve the situation not only of rural dwellers, but also of the other vulnerable groups, including the poorly educated, unskilled workers, senior citizens and the unemployed. Many of these services can be delivered by civil society organisations in partnership with the Government.

## 5.3. Social capital and crime reduction

Despite the recent reduction in the amount of registered crime, crime still remains a top concern for the Belarusian public. Crime can be viewed as a consequence of insufficient social capital, as much of it is caused by an erosion of the established moral norms and the emergence of close-knit groups of individuals engaged in criminal behaviour.

One alarming sign of the erosion of moral norms is a high proportion of women and youth offenders, and the growth in the amount of official crime. In 2002, women numbered 13.4% of all caught criminals and 12.3% of convicted criminals. Although women are less likely than men to commit violent crimes such as personal assault or hooliganism, theft, fraud and drug-related crime remain quite common among women. The data in Table 5.3.1 show a rapid increase in the amount of official crime.

The relatively high share of youth crime is a cause of great concern. In 2002, 8.9% of all convicted criminals were minors (Table 5.3.2). The growth of youth crime is facilitated by a deep crisis in the family unit, as many adults are failing to perform their parental duties. The growing inequality in wealth distribution is also a contributing factor. Some young people are motivated to commit crime by a perception that their economic «net worth» is inferior to that of their peers.

Recidivism and gang crime remain common, reflecting the growing influence of anti-social and criminal groups. The penetration of criminal elements into youth groups contributes to the rising incidence of gang crime among minors. Some ninety per cent of young people report being members of some informal youth group, most of which have nothing to do with crime. However, when dominated by individuals with criminal backgrounds, some of these groups begin to encourage criminal activity among their members. Already, most youth offenders – especially at ages 14 – 15 – commit crimes in gangs. Anti-social youth groups also promote heavy drinking, drug abuse and other deviant behaviours.

*One alarming sign of the erosion of moral norms is a high proportion of women and youth offenders, and the growth in the amount of official crime*

**Table 5.2.2**  
**Use of the Internet in Minsk (based opinion poll data),%**

Age	E-mail			Search engines			ICQ		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<20	56	37	47	84	59	71	47	27	37
20–24	55	29	42	58	40	50	17	15	16
25–29	17	14	16	22	28	25	5	3	4
30–39	16	14	15	20	21	20	4	1	2
40–49	15	9	12	19	13	16	0	1	1
50–59	15	3	9	8	5	7	1	0	1
Average, all ages	25	13	19	30	20	25	11	5	8

Source: A Socio-Psychological Survey of the Residents of Minsk. Minsk, 2005.

**Table 5.3.1**  
**Selected crime statistics per 100,000 population**

	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003
Theft	373	762	661	612	535	596	607	525	599	754
Corruption-related crime*	8	13	19	20	19	19	21	22	30	33
Violent crime**	26	34	35	37	39	38	38	35	38	37

\* Including abuse of power and authority, dereliction of duty, bribe taking and others

\*\* Including murder and attempted murder, aggravated assault, rape and attempted rape

Source: Ministry of Statistics of Belarus

**Table 5.3.2**  
**Convicted criminal offenders by age, gender and other characteristics, 2002 (% of total)**

Characteristic of convicted criminal	% of crimes committed
Age 14–17	8.9
Age 18–24	28.3
Age 25–29	15.3
Age 30–49	41.7
Age 50 and above	5.8
Women	12.3
Repeat offenders	42.6

Source: Belarus statistical yearbook. 2002. Minsk. 2003. p. 276.

While the role of law enforcement in combating crime should not be understated, the effectiveness of such work can be increased by tapping into the resources of social capital. For example, promoting cooperation between the police and the public holds great promise as an effective crime-fighting measure. At present, such cooperation is insufficient, as indicated by a high proportion of unreported crimes. In 2000, for example, criminal assaults and personal threats were reported in 20% of cases, robberies in 42%, and burglaries in 64%.

A key prerequisite to collaboration between the citizens and the police is greater trust. The strengthening of the police force at the precinct level would be a quality trust-building measure as it would bring law enforcement closer to the people and increase the frequency of their day-to-day contacts. More effort should be invested in elevating the professionalism of the police force and narrowing the selection of applicants for jobs in law enforcement.

Belarus has one of the world's highest incarceration rates, which not only testifies to the need for penal law reform, but also indicates the great potential of crime prevention for improving public safety. Citizen participation in crime prevention should be increased by expanding neighbourhood watch programmes and joint police patrols involving local residents or work-based citizen groups. Such policies would promote social activism and increase interpersonal trust, while effectively controlling criminal behaviour.

*The growth of youth crime is facilitated by a deep crisis in the family unit and growing inequality in wealth distribution*

## 5.4. Promoting volunteerism and social activism: the role of the civil society

Citizen participation and social activism offer a wealth of resources that could be utilized to increase the efficiency and effectiveness of social services. For example, citizen involvement in the distribution of targeted social support can ensure that it effectively reaches all who need it. Jobs such as tree planting or the repair of outdoor equipment, if done by volunteers, not only decrease the demands on public funding, but also improve citizen satisfaction with the services provided. Finally, social activism provides a good opportunity for citizens to develop and use their leadership skills and to increase the participation of people from all backgrounds in the affairs of their communities and societies.

Civil society groups can play a significant role in promoting and coordinating social activism. The most numerous of these groups are public associations, non-profit organisations and other types of nongovernmental organisations, or NGOs. According to the Ministry of Justice data from September 2004, Belarus had sixteen NGO associations and over 2300 NGOs, including 235 international, 732 national and 1286 local. From January to September of 2004, 21 NGOs were closed. Over the same time period, sixty new non-profit organisations were registered, as compared to 94 NGOs registered in 2003, mostly in sports.

A number of constraints have so far prevented NGOs from realising their full potential. The most essential of these constraints are the narrow base of support for NGOs in the Belarusian society, the shortage of resources to support NGO activities and rigid administrative regulations that govern the establishment, operation and closure of NGOs.

### The support base for NGOs

Despite a largely positive view of NGOs held by the Belarusian public, there still remains a level of trust and proactive support that must be earned by NGOs within the Belarusian society. According to an opinion poll conducted in 2000 by the National Academy of Sciences Institute of Sociology [5; p. 45], approximately one-half of Belarusians believe that NGOs are needed in Belarus. However, little over 10% of those polled indicated that they trusted the NGOs. This ambivalent attitude of Belarusians towards NGOs is a clear sign that NGOs can do more to increase their base of support within society. The problem is clearly visible in the territorial distribution of NGOs. They are relatively well represented in large and medium sized cities but maintain a very limited presence in small urban settlements and especially in rural areas. The highest number of NGOs are registered in Minsk City [5].

Similar disparities in NGO presence exist at the Oblast level. Thus, according to the Department of Justice of Brest City Executive Committee, of the

123 NGOs active in the Brest Oblast, seventy are based in Brest, around eight or ten are located in the Oblast's medium-sized cities such as Baranovichi, Kobrin and Pinsk, and only one to three NGOs are based in the other Rayons of the Oblast. On average, there is one NGO per 3,000 adult population nation-wide, one NGO per 4,000 adults in Brest and one NGO per 16,000 adults in Baranovichi, a major industrial centre with a population of 170,000.

In addition to being underrepresented in small cities and rural areas, NGOs have very nominal levels of public participation in their work. In a 2002 opinion poll commissioned by UNDP's Women's Leadership Project some 3% indicated that they had participated in NGOs regularly over the previous five years and another 7% stated that they had been involved in a limited number of activities organized by NGOs. Public involvement in local initiatives is particularly small – at 0.1% of the adult population [2].

At present, most NGO activists and participants are people with high levels of educational attainment. As suggested by Table 5.4.1, the average NGO activist is a person with higher education or a university student. Self-fulfilment and respect of others are viewed by these individuals as the main components of their personal success. However, the presence of people with secondary or upper-secondary education among NGO activists remains very low. As a result, the membership in NGOs does not fully reflect the diversity of social and educational backgrounds in the Belarusian society.

Expanding the support base within society and raising the levels of public trust are important prerequisites to a more sustainable NGO sector. To this end, NGOs should increase their presence outside big cities. Some Belarusian NGOs have already gained a degree success in this regard. By expanding to the regions, the Belarusian Association for the Support of Children and Teenagers with Disabilities has increased its number of local chapters to 56. Today, the Association brings together over 5,000 parents of disabled children and adolescents. Its focus is on practical support and legal advice for its members.

Raising public awareness of NGO activity is also an important way for NGOs to broaden their base of support. Public awareness measures should be accompanied by a well-designed strategy to attract people from more diverse backgrounds into the realm of NGO activities. Rather than treating their target groups as mere clients, NGOs should involve them as active partners in their work.

### Resources for NGO Activity

NGO operations are severely hindered by limited funding for their activities. The problem is so acute that most NGO activists rank it among their top concerns [5]. In theory, the lack of financial means could be offset by citizen volunteerism. This option, however, has limited feasibility because of very low levels of public involvement in NGO work.

The limited number of domestic sources of funding further complicates the situation. At present, only a handful of NGOs (e.g. the Belarusian Union of Youth) are being funded by the government. A favourable environment for charitable and philanthropic activity by businesses and individuals has yet to be created.

Most NGOs must either survive on their own or seek support from foreign donors. Roughly one-half of NGO activists (52.9%) have indicated in a poll that their organisations were being supported by foreign grants. Of them, 9.5% stated that their dependence on foreign grants had increased, and another 31% indicated that it had remained unchanged.

This dependence on foreign financing creates a lot of ambiguity for NGOs. On the one hand, grants from foreign governments, private foundations and international NGOs are helping Belarusian NGOs to survive. Collaboration with these partners is contributing to positive action on a wide range of problems facing the Belarusian society, from environment and energy saving to civic education and protection of cultural heritage. For example, Belarusian NGOs have earned a good record as partners in distributing international humanitarian aid. Of all humanitarian assistance received from 59 countries in 2004, 40% was distributed through NGOs [6].

On the other hand, the side effects are also apparent. Current practices in evaluating and selecting grant applications and in the monitoring of projects are pushing many NGOs to put donor expectations above those of their target groups. Other side effects include counterproductive competition among

*NGOs maintain a very limited presence in small urban settlements and especially in rural areas*

**Table 5.4.1**  
**Profile of NGO activists (%)**

	%
<b>Education</b>	
Incomplete secondary	0.4
Secondary	5.3
Upper secondary	7.6
Higher	78.7
Scientific degree	8.0
<b>Prior employment</b>	
Another NGO	8.0
Education or science	35.2
Government	13.0
Industry or services	11.1
Private sector employee	5.7
International organisation	0.8
Politician	1.1
Student	15.7
No prior record of employment	5.7
Other	3.4

Source: NGO member survey conducted in 2003 by the Civic Education Centre of the European Humanities University. Sample size: 263 people

*By working to strengthen their support in the Belarusian society, NGOs can achieve higher levels of public participation in their programmes*

NGOs for foreign grants, resulting in third sector fragmentation and isolation from the broader society. Large NGOs that are usually more experienced and better connected are in a better position to win this competition, and promising local initiatives may be sidelined as a result.

The government, donors and the NGOs themselves can do a great deal to address the shortage of resources for NGO activity. By working to strengthen their support in the Belarusian society, NGOs can achieve higher levels of public participation in their programmes in the form of volunteerism. Volunteering by the general public is extremely important for NGOs, as it would strengthen their roots in the broader society and help them align their activities more closely to the needs of the populace. By improving the environment for civil initiatives the government would increase NGOs' options for domestic funding. This would resolve a host of problems with NGO accountability that are presently being addressed by tightening administrative control over the civil society.

Foreign donors could also make a positive difference by reviewing their policies and priorities. Stronger international donor support is needed for long-term projects, especially those implemented at the local level. Grant aid should promote greater presence of NGOs in the regions. To overcome the fragmentation and counterproductive competition for grant money within the NGO sector, networking and partnership among NGOs should be encouraged. Available experience suggests that NGO resource centres and greater access of NGOs to the Internet are effective tools for supporting such networking.

Some donors are already practising innovative approaches to collaborating with Belarusian NGOs. The Belarusian-German NGO partnership programme «Overcoming borders» is a good example in this respect. This programme is funding 45 different projects in education, health, social support, energy and environment, economic development and support for small and medium-sized business. Remarkably, most projects are being implemented in the regions, contributing to deeper third sector penetration outside the Belarusian capital.

International technical assistance projects should leave more scope for NGO involvement. Partnership with NGOs will not only strengthen their capacity but also foster greater trust between NGOs, the government and foreign donors.

### Regulation of NGOs

Analysis of current legislation and trends in its application reveals that Belarus has a de-facto licensing procedure for NGO registration, which is complex, expensive and difficult for many civil initiatives. For

example, NGO registration is conditional on obtaining a 'legal address' in an office building. The possibility to rent office premises, however, depends on the goodwill of the local authorities. Juridical persons are not permitted to join NGOs, a policy that severely constrains the growth of the NGO sector. In addition, the law requires all persons who intend to join an NGO to provide the address and telephone number of their employer and sets minimum requirements for NGO membership.

An ad-hoc interministerial commission was created in 1999 to make final decisions on NGO registration and re-registration. The Commission meets at irregular intervals. In 2003, for example, it met four times. In addition, the Commission's deliberations are closed to NGO representatives and the media. Such lack of transparency and predictability creates an additional constraint on NGO registration.

In general, government control and intervention in civil society development has been on the rise. In 2003, the Ministry of Justice ordered comprehensive audits of 81 NGOs. As a result, fifty-one NGOs were closed and 810 were issued formal warnings (up from 121 in 2002) [7].

Collaboration with international partners is also subject to government regulation and control. The Department of Humanitarian Activity under the Office of the President is the main supervisory body in this regard. It was established in June 1997, by a presidential decree with a mandate to implement state policy in the area of humanitarian activities. As stated in the Decree, the Department of Humanitarian Activities is an authority that coordinates the work of Belarusian legal and physical persons on implementing humanitarian programmes, including the collection and distribution of humanitarian assistance, and the organisation of child recuperation visits abroad. Its mandate also includes oversight of the appropriate utilisation of such assistance.

On 30 June, 2004, the Office of the President approved by Resolution No. 7, «Regulations on the registration, collection and utilisation of foreign grant aid». Under the regulations, such aid can be subject to taxation or exempt from it. If an NGO fails to secure an exemption, the recipient organisation is liable to a 24% profit tax and ten different other taxes.

In order to strengthen social capital and promote its formation, voluntary public associations should be supported. To this end, it is necessary to simplify the registration of NGOs that deal with important social problems. The legislative and executive power should review the existing legal frameworks.

The oversight of voluntary associations could be delegated to society by ensuring coverage of their activity in the media, debates in local legislatures and the national parliament, and by involving NGOs as partners in implementing local development initiatives.



## CONCLUSIONS AND RECOMMENDATIONS

The gradual pace of reform has made it possible to avoid the most extreme social costs of economic transition. However, as this Report suggests, serious imbalances still remain in the economy and society, all of which can impede progress to sustainable human development. Addressing such human development objectives as poverty reduction, improvement of education and health care, reducing the rural-urban gaps in living standards, and many others, requires substantial resources, which can be generated only through sustainable economic growth. Sustainable economic growth, in turn, is unachievable without accelerating economic reforms aimed at addressing economic imbalances, such as diminished international competitiveness and efficiency, and shortage of investments.

The close link between sustainable human development and sustainable economic growth has been emphasised in a number of Global Human Development Reports, including those of 1996, 1997, 1999, among others. Indeed, advances in human development can happen in times of declining rates of economic growth and even during a period of economic decline. However, sustainable improvement of human development levels is impossible unless it is based on sustainable growth. Conversely, advances in human development are essential for sustainable economic growth.

As indicated at the beginning of this report, the essential macroeconomic changes needed to ensure sustainable growth may also generate significant social costs affecting human development levels, at least in the short term. For Belarus, then, responding to the imbalances in development means finding the right solution to the tension between accelerating the necessary economic transformations and minimising their negative social implications. The recommendations below present a way of dealing with this challenge, and could provide the basis for a broad-based public debate on the nation's future development.

### **Making globalisation and EU enlargement work for human development in Belarus**

The fast pace of globalisation makes the human development of individual nations increasingly dependent on the international environment. Belarus is no exception in this regard, as its open economy is highly reliant on foreign trade. The accession of ten new nations to the EU in May 2004 has greatly increased the economic power of this regional alliance, and consequently its significance for Belarus as a large and lucrative export market, a source of investments, high

technologies, and modern management practices. In light of these developments, Belarus should carefully adjust its trade priorities with respect to the EU, Russia and its other trade partners within and outside the CIS. This should include the adoption of a partnership programme with the EU that would set a range of short, medium and long-term objectives.

**The emphasis should be on increasing the share of high value-added and high-tech products in Belarus' EU exports and on seeking new markets outside Russia and the EU.** At present, the growth of exports to the EU and other large markets is constrained by insufficient product quality, as well as by the lack of proper customer service, product support and by poor marketing. Raising product quality and improving product promotion is the main tool for increasing export. To this end, Belarusian manufacturers should be encouraged to adopt more stringent EU standards with respect to product and environmental safety and energy efficiency. Increasing Belarusian investment in joint production, marketing and product support ventures in the new EU members is an important means of maintaining and increasing exports to the new EU member countries. In the long run, successful export promotion and diversification will depend on an improved environment and legal framework for external investments, and on targeted policies to promote innovation and technological advancement, thus increasing the competitiveness Belarusian economy.

**WTO accession will provide Belarus with easier access to foreign export markets, but will also require significant structural reforms to maintain competitiveness. Membership in WTO is also consistent with the long-term objectives of economic collaboration within the EU – Russia – Belarus triangle.** WTO accession will provide Belarus with the tools to deal with some of the protectionist practices – such as anti-dumping tariffs and product quotas – that constrain access of Belarusian goods to EU and other markets. WTO accession is also important because many of Belarus' current and prospective markets are either operating by the rules consistent with WTO principles or are actively adopting them. While WTO rules and standards already apply within the EU, Russia is also rapidly moving ahead with their implementation.

However, WTO accession will also demand the opening up of the economy to foreign competition by lowering or even eliminating customs protection, including for industries that are not competitive at present. WTO accession will leave no alternative to

*Sustainable improvement of human development levels is impossible unless it is based on sustainable economic growth*

cost-cutting, efficiency and productivity-promoting measures in many Belarusian enterprises, including reductions in excessive employment.

### Ensuring sustainable growth by accelerating structural reforms

Enterprise restructuring should be accelerated in order to increase the competitiveness of the Belarusian economy, improve its financial health and make it more attractive to foreign and domestic investments. At present, advances in economic performance and growth are constrained by a large number of loss-making and low-profit enterprises that enjoy many types of direct and indirect subsidies provided at the expense of well-performing firms.

**A major step in this regard could be targeted support for dynamic and profitable industries, including by exempting reinvested profit from taxation.** The proportion of loss-making and low-profit companies should also be reduced both by accelerating the adjustment of such companies to market demand and by gradually discontinuing central subsidies for firms without real chances of structural adjustments. At the aggregate national level the costs of keeping unreformed loss-making companies running are progressively increasing. The gains in the form of retained employment levels are offset by the mid and long-term costs, as the resources needed to sustain such companies are being drained from profitable sectors whose expansion is essential for sustainable growth.

**To ensure economic stability, income policies should be closely aligned with enterprise reform and investment policies.** Accelerated growth of personal incomes over a relatively short period of time could raise production costs and, consequently, reduce the price competitiveness of Belarusian products and raise the inflation rate.

On the other hand, higher personal incomes could also become a source of domestic investments. Personal savings could be attracted by banks and other financial intermediaries – such as insurance companies or stock exchanges – and invested in efficient and profitable firms. However, given the low profitability and the high share of unprofitable companies in the economy, banks and financial institutions will be very limited in their ability to offer attractive interest on savings accounts, because too few enterprises will be able to afford the interest rates on loans. Increases in private investments, therefore, should follow (and not precede) improvement of enterprises' economic efficiency.

**The main strategic objectives of economic restructuring should be to achieve a higher level of specialisation of Belarusian industry and faster diffusion of new technologies.** Restructuring should emphasise the growth of the less capital-intensive sectors and competitive industries that rely on the local resource base and produce goods for the end consumer (as opposed to primary and intermediate products).

Increased innovation activity will be key to ensuring sustainable growth in the Belarusian economy in the long run. To this end, strong institutions should be built to achieve synergy among three main elements of the emerging national innovation system – education, research and industry. Such synergy would be critical to ensure that the high educational attainment levels of the work force and the existing capacities for scientific research fully reflect the needs of the economy. Support for innovation should be the shared priority of industrial, financial, regional, investment and other policies. Additional incentives should be created to ensure broader diffusion of innovation within the economy, including changes in the intellectual property rights to the outputs of research activities and support for innovation-driven small business. Educational reform is an important prerequisite to successful innovation policies, as it would help narrow the gap between the education and qualification patterns in Belarus and the demands of modern innovation systems.

### Managing regional disparities effectively

The Report highlights significant territorial imbalances in human development indicators, most of which have been inherited from the Soviet era but deteriorated during the transition. Further deepening of regional inequalities can be a major side effect of future economic reforms unless concerted action is taken to manage these disparities.

**The primary objective of the regional policy should be to reduce the inequality of opportunity and conditions for development in individual regions.** The key target of such policies should be the economically depressed areas that have emerged during the reform period, particularly small towns with unstable industrial enterprises and the rural communities formed around poorly performing agricultural farms. The future economic opportunity of many of the economically depressed areas is linked to their role as sub-contractors serving the closest centre of economic growth. The main priorities for government actions should include support for the modernisation of formative enterprises, promotion of productive employment, increasing the profitability of agricultural producers, and development of social services and targeted support for the needy.

**Regional policies should reflect the needs of the areas with special development needs.** Of such areas, the parts of the country affected by the radioactive fallout from the Chernobyl nuclear accident should take priority. The main objective should be to achieve a full recovery of the Chernobyl zone by minimising the negative impact of radiation on health and promoting its socio-economic development. At present, the main emphasis should be on economic recovery. SME development and the growth of free economic zones are important tools in achieving such a recovery. To protect the health and well-being of the resident population, core objectives of government policies in all affected areas should

*Further deepening of regional inequalities can be a major side effect of future economic reforms unless concerted action is taken to manage these disparities*

include continuous radiation monitoring, and medical and social support for the affected population. The international community can play a positive role in this regard by contributing best practices, scientific and technical expertise and by implementing humanitarian projects. The socio-economic recovery of the Chernobyl zone should also be implemented through careful targeting of interventions to match them to the specific social, environmental and economic needs of each affected community.

**Expanding the financial powers and mandates of the local governments is an important means to promote human development at the local level.**

The devolution should start by identifying the functions and responsibilities that can be delegated to the local level and by strengthening the revenue-generating capacities of the local budgets. The local communities should be encouraged to expand their revenue base and increase the number of taxpayers. SMEs have great capacity to generate significant amounts of tax revenue. Therefore, local governments should play a more proactive role in creating a supportive environment for small business and contributing to national SME promotion policies. Successful decentralisation policies should also build on mature civil society institutions and local democracy that empower citizens to influence local development policies.

**Increasing the levels of social and human capital**

The demographic situation in Belarus remains tense and is marked by a fast decline in fertility and a rapid rise in mortality, particularly among the working-age male population. Adequate policies are required to stabilise the situation. As a matter of priority, these should include measures to improve the diagnosis and treatment of the most prevalent chronic and epidemic diseases, strengthening of primary care and streamlining of inpatient medical care. It should also be remembered that many of the existing health

threats are determined more by social than by medico-biological factors. Therefore, improvements in health care should necessarily be accompanied by better prevention, whose effectiveness would depend, in the long run, on improvements in the overall morale within society.

**Measures to increase fertility should be targeted primarily at young families who would like to have but cannot afford more children.** The disproportionate risk of poverty borne by families with many children is one of the most common causes of low fertility. A sound income policy is needed to address this cause by focusing on the economic empowerment of families. Reducing the de-facto discrimination in employment of women with dependent children should be an important element of such a policy. Possible approaches include compensation by the state of the extra costs associated with the hiring of socially vulnerable groups of population. Support for families with children should also be strengthened. This includes, inter alia, policies to improve availability of day-care places, expand the network of social assistance agencies for families, and improve maternal and child health care.

**Support for voluntary citizen associations is essential for the preservation, growth and constructive utilisation of social capital.** It is necessary to simplify the registration procedures for public associations. The legislative and executive powers should review the existing procedural norms. Leisure and educational associations should receive targeted support. The ethical norms developed in the course of their activity would promote young people's socialisation, encourage the attitudes of civic responsibility and enable greater social control over deviant behaviour.

It is believed that by implementing the above set of recommendations, Belarus could accelerate its progress towards sustainable human development, preserve the unique features of its socially oriented economic system and respond to the challenges of globalisation and EU enlargement.

*Many of the existing health threats are determined more by social than by medico-biological factors*

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## Notes

1. The real sector refers to all sectors of the economy except banking and finance.
2. Core production assets are assets used for the manufacture of 279 main product types that represented 70% of all industrial output at the beginning of the 1990s.
3. Internationally, industrial firms may retain up to 20% of spare capacity to respond to possible market fluctuations.

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## TABLES OF HUMAN DEVELOPMENT INDICATORS

**Table 1**

### Production: gross domestic product

Year	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
GDP per capita (thousands of roubles) at current prices	4.2	11909.4	18882.6	36257.2	69714.4	301544.6	912.9	1722.4	2633.6	3703.2	5033.0
at constant prices (1995)	18210.0	11909.4	12281.3	13742.1	14965.5	15524.0	16474.7	17312.6	18270.2	19658.0	21938.6
in purchasing power parity US dollars **	...	...	...	...	...	...	4608	4959	5320	5828	6644

\*\* This indicator is calculated on a comparative basis with 2000, based on the GDP growth rate and the US \$ devaluation rate.

\* In Table 1 and the following tables, the price indexes for 2000 include the denomination of the Belarusian rouble (1:1000); the data for 2003 and 2004 are estimates and could be slightly adjusted.

**Table 2**

### Inflation, debt, and foreign aid

Year	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Inflation (% of change in consumer prices)*	...	344.0	139.3	163.1	281.7	351.2	207.5	146.1	134.8	125.4	114.4
Deficit(-)/Surplus(+) of the consolidated budget (% of GDP)	2.3	-2.7	-1.9	-2.2	-1.4	-2.9	-0.6	-1.6	-0.2	-1.6	0.04
Balance of payments deficit (% of GDP)**	...	2.7	0.5	-0.5	-0.4	-0.3	0.6	0.0	0.7	-0.1	1.1
Absolute volume of external debt (mil- lions of US dollars)	...	2183.2	1908.4	2146.3	2369.5	2224.7	2122.5	2447.0	3067.0	3369.1	4349.1
External public and private debt service (% of exports)	...	40.6	28.5	27.4	33.4	34.8	27.8	28.9	33.0	29.1	27.8

\* end-of-the-year data.

\*\* Calculated on the basis of the average chronological rate of the Belarusian rouble.

**Table 3**  
**Public revenues and expenditure**

Year	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004*
Public revenue per capita (thousands of roubles)	1.5	3479.4	4987.3	11157.6	23787.0	105120.6	317.9	576.4	870.2	1236.7	2245.1*
% of GDP	35.3	29.2	26.4	30.7	34.1	34.9	34.8	33.5	33.0	33.4	44.6
Public consumption expenditure per capita (thousands of roubles)	1.0	2447.4	3880.7	7368.2	13848.5	58812.3	177.8	371.2	553.8	791.7	1016.5
% of GDP	23.9	20.5	20.6	20.3	19.9	19.5	19.5	21.6	21.0	21.4	20.2
Public expenditure on total social objectives** per capita (thousands of roubles)	0.4	1628.5	2601.5	5094.8	9425.8	39499.2	118.6	235.8	365.2	510.8	671.4
% of GDP	10.3	13.7	13.8	14.1	13.5	13.1	13.0	13.7	13.9	13.8	13.3
Public expenditure on health and physical culture per capita (thousands of roubles)	0.1	580.1	950.5	1850.5	3449.5	15031.2	45.5	87.5	128.0	183.7	245.3
% of GDP	2.5	4.9	5.0	5.1	4.9	5.0	5.0	5.1	4.9	5.0	4.9
of which public expenditure on health per capita (thousands of roubles)	...	...	...	...	...	...	44.8	85.9	125.4	171.4	228.0
% of GDP	...	...	...	...	...	...	4.9	5.0	4.8	4.6	4.5
Public expenditure on education per student (thousands of roubles)	...	...	...	...	...	...	252.6	479.5	674.9	911.6	945.5
Expenditures of the Fund for Social Support Pensions per recipient (thousands of roubles)	...	298.6	502.3	898.6	1731.9	7038.8	23.9	52.5	74.7	102.1	144.0
lump-sum payments	...	120.8	300.4	1174.0	1978.8	8313.5	27.5	55.2	100.2	147.3	182.0
funeral payments	...	425.9	1009.3	1598.8	2797.4	10218.3	53.0	118.1	189.1	253.0	342.2
monthly payments	...	46.1	92.7	198.7	457.8	2033.0	5.6	11.6	26.5	38.3	47.4
Average monthly unemployment allowances per recipient	...	91.3	136.1	188.5	347.2	1149.5	3.2	7.2	15.9	20.8	27.2

\* Starting 2004, national budget expenditures include expenditures from the State Social Protection Fund (in accordance with the law «On the 2004 state budget»).

\*\* Health, education, cultural and community activities, housing and social security.

**Table 4**  
**Economic activity by gender**

Year	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005*
Population of working age, at January (thousands of persons)	5691.8	5665.0	5672.6	5685.5	5707.2	5752.1	5809.3	5872.4	5918.0	5966.1	6009.7	6037.3
of which men (thousands)	...	2147.5	2193.1	2184.8	2183.9	2163.2	2151.5	2126.8	2103.8	2085.9	2072**	
of which women (thousands)	...	2376.7	2343.9	2343.1	2343.9	2378.8	2385.5	2392.7	2396.5	2394.1	2375**	
Economically active population, total (thousands)	...	4524.2	4537.0	4527.9	4527.8	4542.0	4537.0	4519.5	4500.3	4480.0	4447**	
of which men (thousands)	2940.2	2928.4	2933.0	2936.5	2939.6	2949.0	2966.9	2986.6	3004.3	3032.6	3064.7	3091.7
<b>Men</b>												
Economically active (as % of male population aged 16 – 59)	...	73.3	74.7	74.4	74.2	73.1	72.3	71.0	69.7	68.4	67.3**	
All employed (including self-employed), thousands	2478.7	2105.7	2128.0	2128.6	2146.5	2127.8	2113.9	2085.0	2056.9	20333	2034**	
Unemployed, as registered in the state-run Employment Service (thousands)	...	41.8	65.1	56.2	37.4	35.4	37.6	41.8	46.9	52.1	37.9	
<b>Women</b>												
Economically active (as % of female population aged 16 – 54)	...	86.8	85.4	85.0	84.2	84.3	83.3	82.5	82.0	81.5	80.6**	
All employed (including self-employed), thousands	2672.1	2303.9	2236.8	2241.3	2270.1	2314.2	2327.1	2332.4	2323.9	2305.5	2301**	
Unemployed, as registered in the state-run Employment Service (thousands)	...	72.8	107.1	101.8	73.8	64.6	58.4	60.3	72.6	88.6	74.0	
<b>Women's equality in employment</b>												
Women in wage employment in the non-agricultural sector **	...	56.2	56.4	56.1	55.6	55.4	55.9	56.0	55.9	55.5	55.1	
Female administrators and managers (%)***	...	43.5	44.6	45.5	45.5	46.0	46.9	47.4	47.8	47.8	45.5	
Female professional and technical workers****	...	48.2	48.3	47.9	47.3	46.8	47.1	47.1	46.9	46.6	46.2	
Seats in parliament held by women (% of all seats)	4.0	4.0	14.0	14.0	13.6	13.4	13.5	18.4	20.2	19.3	19.3	30.1

\* Preliminary Data.

\*\* Estimate.

\*\*\* As% of all wage earners in the non-agricultural sector, including administrators and managers, professional and technical workers (at the end of the year).

\*\*\*\* Specific portion of female administrators and chief specialists among the general number of administrators and chief specialists (at the end of the year).

\*\*\*\*\* As% of all professional and technical workers in non-agricultural sector. All employment and unemployment data is measured in average annual data.

Table 5

## Net annual wages and net earnings per month, at current prices, by gender

Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<b>Men</b>										
Average wage, in December (thousands of roubles)	1139.0	1686.0	3620.3	8606.2	38540.7	97.2	181.9	245.8	334.2	478.4
Average wage in non-agricultural employment in December (thousands of roubles)	1285.2	1916.6	4146.4	9848.1	44015.0	109.5	204.0	276.8	375.2	527.7
Average wage in agricultural employment, in December* (thousands of roubles)	741.1	1067.6	2103.4	4713.3	19884.8	54.3	101.0	124.0	163.3	264.2
<b>Women</b>										
Average wage in December (thousands of roubles)	900.4	1449.5	2926.4	7304.7	31051.0	78.7	150.4	198.8	265.5	388.2
Average wage in non-agricultural employment in December (thousands of roubles)	943.3	1525.2	3116.3	7790.6	32708.7	82.6	158.1	208.9	278.6	404.7
Average wage in agricultural employment, in December* (thousands of roubles)	659.2	969.0	1742.5	4003.2	18829.3	49.7	90.7	114.2	149.3	239.3

\* Average monthly wage in agriculture and forestry.

Table 6

## Distribution of net disposable household income, in % for different quintile groups

Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
I quintile group	9.6	9.9	9.8	9.2	9.3	9.3	9.1	9.3	9.8	9.9
II quintile group	13.9	14.2	14.1	13.4	13.7	13.7	13.5	13.7	14.1	14.1
III quintile group	17.6	17.6	17.6	17.0	17.5	17.5	17.3	17.4	17.8	17.7
IV quintile group	22.5	22.1	22.2	22.1	22.5	22.5	22.5	22.3	22.5	22.3
V quintile group	36.4	36.2	36.4	38.3	37.0	37.0	37.6	37.3	35.8	36.0
Total	100	100	100	100	100	100	100	100	100	100
Median (thousands of roubles)	476.4	743.3	1331.6	2614.0	11514.8	33.2	64.6	101.1	137.8	185.8
Ratio of upper to lower quintile	3.8	3.7	3.7	4.2	4.0	4.0	4.1	4.0	3.6	3.6
Share of poorest quintile in national consumption	9.6	9.9	9.8	9.2	9.3	9.3	9.1	9.3	9.8	9.9
Gini index	0.261	0.254	0.258	0.283	0.269	0.270	0.278	0.272	0.254	0.254

**Table 7**  
**Poverty**

Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Minimum subsistence budget (thousands of roubles)	424.1	659.2	1101.1	2159.6	11041.5	30.1*	50.0	79.0	105.3	125.7
Share of persons with income below 50% of the minimum subsistence level (% of the total population)	3.2	3.1	2.3	2.9	5.7	4.7	2.4	2.5	1.8	1.0
Poverty depth ratio	9.5	9.3	7.4	7.9	12.7	10.8	6.9	7.0	5.9	3.4
Poverty acuteness ratio	3.4	3.3	2.6	2.8	4.9	4.1	2.5	2.5	2.0	1.1
Share of the population with incomes below the minimum subsistence budget (% of total population)	38.4	38.6	32.1	33.0	46.7	41.9	28.9	30.5	27.1	17.8
Persons in relative poverty (with incomes below 60% of the national median income), % of total population	11.5	12.0	11.4	12.1	12.9	13.1	13.4	13.3	11.6	10.8
Average expenditure on food (% of total consumption expenditure)	61.6	58.0	57.6	56.7	59.5	59.6	56.1	52.8	47.9	46.0

\* After denomination (1:1000).

**Table 8**  
**Demographic background**

Year	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Population* (thousands of persons)	10188.9	10210.4	10177.3	10141.9	10093.0	10045.2	10019.5	9990.4	9950.9	9898.6	9849.1	9800.1
of which women (thousands)	5411.4	5430.8	5410.0	5387.3	5357.1	5327.6	5316.3	5302.7	5284.5	5260.9	5238.9	5217.0
of which men (thousands)	4777.5	4779.6	4767.3	4754.6	4735.9	4717.6	4703.2	4687.7	4666.4	4637.7	4610.2	4583.1
% women	53.1	53.2	53.2	53.1	53.1	53.0	53.1	53.1	53.1	53.1	53.2	53.2
% men	46.9	46.8	46.8	46.9	46.9	47.0	46.9	46.9	46.9	46.9	46.8	46.8
% urban	66.1	67.9	68.1	68.4	68.8	69.3	69.7	70.2	70.7	71.1	71.5	72.0
% rural	33.9	32.1	31.9	31.6	31.2	30.7	30.3	29.8	29.3	28.9	28.5	28.0
% under 15	23.1	22.1	21.6	21.0	20.4	19.5	18.9	18.3	17.5	16.9	16.2	15.6
% 65 and over	10.5	12.2	12.7	12.9	13.2	13.3	13.3	13.5	13.8	14.0	14.3	14.5
% over the pension age	19.6	21.0	21.2	21.4	21.5	21.5	21.4	21.3	21.2	21.2	21.1	21.2
% of men of 60 and over	28.2	29.3	29.5	29.9	30.5	31.3	31.6	32.0	32.1	31.6	30.9	30.2
% of women of 55 and over	71.8	70.7	70.5	70.1	69.5	68.7	68.4	68.0	67.9	68.4	69.1	69.8
Total fertility rate	1.913	1.406	1.335	1.250	1.300	1.308	1.310	1.273	1.222	1.206	1.201	...
Natural increase per 1,000 population	3.2	-3.2	-3.7	-4.6	-4.4	-4.9	-4.1	-4.9	-5.9	-5.5	-5.2	...
Total increase per 1,000 population	0.1	-3.3	-3.5	-4.8	-4.2	-3.1	-2.9	-4.0	-5.3	-5.0	-5.0	...
Dependency ratio**	50.6	52.1	52.0	51.3	50.7	48.8	47.6	46.6	45.6	44.7	43.9	43.1
Refugees and internally displaced persons***	...	...	...	47	32	190	200	130	57	63	23	...

\* For definitions, see UN Statistical Commission Recommendations for 2000 population and housing censuses in the ECE region, 1998, para.83, p.21

\*\*Persons aged under 15 plus men aged 60 and over plus women aged 55 and over relative to the total population at working age (%).

\*\*\* Implementation of the law «On refugees» adopted on February 22, 1995 began in 1998.

**Table 9**  
**Nutrition**

Year	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Average daily supply of calories per capita	...	2803	2865	2874	2828	2767	2774	2819	2791	2613	2690
Average daily supply of animal proteins per capita (grams)	...	34.4	37	36.5	38.5	40	41	42	43	42	44
% pregnant women with iron deficiency anemia	13.9	24.3	27.5	29.6	28.7	31.0	30.6	30.5	28.6	28.3	28.4
Exclusively breastfed children at 3 months of age (as % of all children at 1 year of age for the same year)	48.9*	48.3	50.1	61.3	65.9	67.3	68.3	76.3	78.8	80.6	80.8

\* For 1991.

**Table 10**  
**Educational status of persons aged 25 years and above by gender\*\***

Year	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<b>Men</b>											
% who completed upper secondary education	34.0					39.8					
% who completed tertiary education	29.3					37.7					
<b>Women</b>											
% who completed upper secondary education	24.1					28.3					
% who completed tertiary education	30.1					41.7					

\* Data from the 1989 and 1999 censuses.

**Table 11**  
**Education**

Year	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Gross enrolment rate, ages 6 – 22	...	72.8	73.6	75.2	78.1	78.8	78.9	79.0	83.9	84.1	84.2
males	...	72.8	73.3	74.6	77.0	77.0	77.1	76.8	81.4	81.5	81.6
females	...	72.9	74.0	75.8	79.4	80.5	80.9	81.2	86.5	86.8	87.0
<b>Boys</b>											
Pre-primary (ages 5 and below)	...	70.6	66.3	69.3	71.9	72.0	73.0	71.8	70.1	80.6	81.5
Basic primary (ages 6 – 9)	...	94.5	94.7	96.8	106.6	107.7	108.2	106.0	104.4	102.8	100.8
Basic lower secondary (ages 10 – 15)	...	95.5	94.8	94.0	92.9	93.1	93.9	96.0	88.6	89.6	90.6
Upper secondary general (ages 16 – 17)	...	41.4	45.1	48.0	48.3	48.7	46.7	47.0	47.3	50.6	53.5
Upper secondary vocational/technical (ages 16 – 19)	...	28.0	25.6	26.7	26.8	25.5	25.7	25.3	24.1	23.5	22.6
Tertiary (ages 16 – 22)	...	28.7	29.3	30.3	31.4	32.2	33.4	34.3	35.1	36.2	37.8
<b>Girls</b>											
Pre-primary (ages 5 and below)	...	56.3	59.1	62.4	65.8	68.4	68.5	69.5	68.4	78.8	79.6
Basic primary (ages 6 – 9)	...	92.9	93.3	96.0	105.9	106.9	107.4	104.7	103.6	102.2	100.2
Basic lower secondary (ages 10 – 15)	...	95.1	94.3	93.5	92.7	92.9	93.9	95.8	87.9	89.2	89.8
Upper secondary general (ages 16 – 17)	...	58.2	61.5	64.8	66.1	65.6	62.8	62.7	62.8	65.5	68.6
Upper secondary vocational/technical (ages 16 – 19)	...	16.0	15.8	14.6	15.3	16.5	16.1	16.1	14.8	13.8	12.9
Tertiary (ages 16 – 22)	...	34.1	35.6	38.4	41.9	43.4	45.1	47.4	49.1	50.5	52.1
<b>Primary education and literacy</b>											
Proportion of pupils starting grade 1 who reach grade 5, total	...	98.4	96.8	96.1	96.6	97.2	97.9	98.6	98.1	98.2	98.2
Boys	...	98.1	96.8	95.8	96.9	96.5	97.2	98.3	97.7	97.9	97.8
Girls	...	98.6	96.8	96.4	96.4	97.8	98.6	98.9	98.5	98.4	98.6
<b>Literacy rate of 15 – 24 years old per 1000 of the respective gender and age **</b>											
Men	997					998					
Women	998					998					
Total	998					998					
Ratio of literate women to men at age 15-24 **	100					100					
<b>Ratio of girls to boys</b>											
Primary	...	98.3	98.5	99.2	99.2	99.2	99.3	99.0	99.2	99.4	99.4
Secondary	...	141.6	136.4	135.0	136.9	134.7	134.5	133.4	132.8	129.4	128.2
Tertiary	...	118.8	121.5	126.7	133.4	134.8	135.0	138.2	139.9	139.5	137.8

\*\* Data from the 1989 and 1999 census.

Table 12

## Health services

	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Per capita total expenditure on health, physical culture and social services (public and private) at constant 1995 prices (thousands of roubles)	701.7	732.2	748.7	868.3	928.9	1031.2	1153.2	1209.3	1254.9	1287.5	1304.2
Per capita health expenditure by private households at constant 1995 prices (thousands of roubles)	39*	94.5	80.1	162.9	160.3	190.8	228.1	407.0	481.8	564.1	639.1
Immunised children (as % of total registered children) of which immunised against tuberculosis	90.6	96.2	97.5	98.2	98.8	99.2	99.2	99.3	99.2	99.2	99.2
diphtheria	92.4	93.9	97.7	96.7	98.6	98.7	99.1	99.2	98.9	98.9	99.0
whooping cough	85.5	93.9	95.7	96.7	97.6	98.0	98.6	98.8	98.5	98.5	98.7
polio	89.8	96.1	97.9	98.3	98.6	98.8	99.2	99.2	99.1	99.0	99.1
measles	96.2	92.8	96.4	97.6	98.0	98.4	98.2	98.9	99.0	98.8	99.0
epidemic parotitis	85.2	89.3	96.0	95.8	99.2	98.1	98.1	98.9	99.0	98.8	99.0
% of births attended by skilled health personnel	99.9	99.9	99.9	99.9	99.9	99.9	99.9	99.9	99.9	99.9	99.9
Intrauterine device and hormone contraceptive prevalence rate,%	27.8	33.5	34.1	33.1	34.6	31.1	30.9	31.9	34.2	38.0	37.1

\*In roubles.



Table 13

## Selected mortality rates by gender

Year	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<b>Men/boys</b>											
Life expectancy at birth (years)	66.3	62.9	63.0	62.9	62.7	62.2	63.4	62.8	62.3	62.7	63.2
Infant mortality rate (per 1000 born alive)	14.1	15.6	14.2	14.4	13.3	13.5	10.7	10.2	8.6	9.0	8.0
Under-five mortality rate (per 1000 born alive)	17.4	19.1	17.9	17.6	16.8	17.3	13.8	13.0	12.2	11.4	10.5
Mortality from malignant neoplasms (per 100,000 males)	210.5	242.2	238.2	246.0	246.0	249.4	246.6	245.5	244.9	240.5	239.7
Mortality from cardiovascular conditions in men under 65 years of age (per 100,000 males)	219.1	295.9	291.2	290.3	295.7	304.3	289.8	313.8	327.6	320.3	305.8
Mortality from tuberculosis (per 100,000 males)	7.1	11.2	11.5	12.5	12.8	15.8	13.3	15.4	17.5	19.7	20.4
<b>Women/girls</b>											
Life expectancy at birth (years)	75.6	74.3	74.3	74.3	74.4	73.9	74.7	74.5	74.1	74.7	75.0
Infant mortality rate (per 1000 born alive)	10.0	10.9	10.7	10.4	9.1	9.3	7.9	8.0	6.9	6.4	5.8
Under-five mortality rate (per 1000 born alive)	12.8	13.8	13.6	12.9	11.6	12.1	10.7	10.0	9.4	8.3	7.7
Mortality from malignant neoplasms (per 100,000 females)	138.3	145.2	141.1	144.8	148.3	151.5	148.0	150.7	147.5	141.3	145.7
Mortality from cardiovascular conditions in women below 65 years of age (per 100,000 females)	102.2	124.7	124.8	123.8	122.7	128.6	117.8	124.9	128.6	120.5	110.8
Mortality from tuberculosis (per 100,000 females)	1.9	2.1	1.5	1.3	1.8	2.5	1.9	2.1	2.3	2.2	2.9
Maternal mortality ratio (per 100,000 live births)	22	14	22	26	28	20	21	14	18	17	16.9

**Table 14**  
**Morbidity**

Year	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<b>Vaccine related diseases</b>											
<b>Diphtheria</b>											
new cases, number	22	322	179	96	36	38	52	25	13	12	16
prevalence rate per 100,000	0.2	3.2	1.8	0.9	0.4	0.4	0.5	0.3	0.1	0.1	0.2
<b>Tuberculosis</b>											
new cases, number	3039	4511	5008	5400	5595	5379	4989	4740	4471	4599	4970
prevalence rate per 100,000	29.8	44.3	49.3	53.4	55.6	53.6	49.9	47.5	45.0	46.6	50.6
proportion of cases cured	22.5	17.6	18.5	19.9	21.0	21.4	21.0	23.9	25.3	52.5	38.4
<b>Other major diseases</b>											
<b>Malaria</b>											
new cases, number	13	16	5	11	14	11	20	12	14	9	11
prevalence rate per 100,000	0.1	0.2	0.05	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1
<b>HIV/AIDS</b>											
new cases, total	14	8	1021	653	554	411	527	578	915	713	778
female	2	4	263	156	152	144	165	158	282	253	303
male	12	4	758	497	402	267	362	420	633	460	475
prevalence rate per 100,000	0.1	0.1	10.0	6.5	5.5	4.1	5.3	5.8	9.2	7.2	7.9
HIV cases in persons ages 15-24	5	4	733	422	303	209	244	291	446	295	293
female	1	3	201	112	93	90	96	101	173	143	152
of which pregnant women	...	...	17	14	22	13	18	24	35	41	121
male	4	1	532	310	210	119	148	190	273	152	141

**Table 15**  
**Environmental risk, management, and protection**

Year	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Proportion of land area covered by forest	35.6	39.9	40.1	40.2	40.3	40.5	40.6	39.0	39.5	39.8	40.2
Area protected to maintain biological diversity (% of total land area)	5.8	5.8	6.5	6.9	6.9	7.0	7.5	7.6	7.6	7.6	7.9
Energy use (kg of fuel equivalent in millions of roubles) per unit of GDP at constant 1995 prices	339.4	291.1	284.4	264.8	242.7	221.1	209.4	201.0	189.7	180.1	166.1

\* Per unit of GDP in constant 1995 prices.

**Table 16**  
**Principal air pollutants**

Year	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Carbon monoxide (CO)*	19	9	8	9	9	8	9	10	9	10	10
Sulphur dioxide (SO <sub>2</sub> )*	55	21	20	15	14	12	11	11	10	9	9
Nitrogen dioxide (NO <sub>2</sub> )*	10	5	5	5	5	5	5	5	5	6	6
Volatile organic compounds*	14	7	6	6	5	5	6	6	6	6	7
Toxic waste*	...	...	...	...	...	...	...	...	3	3	3
Proportion of families using solid fuels	...	28.1	31.6	26.0	23.6	21.1	18.9	18.0	21.7	19.2	20.1

\* Releases of industrial pollutants in Kg per capita

**Table 17**  
**Household Characteristics**

Year	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Average total dwelling space per person (square metres)	17.9	19.7	19.9	20.2	20.6	20.8	21.2	21.6	21.9	22.3	22.6
% of households who share toilets and kitchens with other households	...	5.0	5.9	3.7	4.1	4.8	4.1	3.7	4.4	4.7	4.7
Cost of accommodation, including utilities (as% of total household expenditure)*	...	4.7	5.6	4.8	3.6	2.0	3.0	4.8	7.2	11.1	10.1
Average number of hours per day of electricity:											
in urban areas	24	24	24	24	24	24	24	24	24	24	24
in rural areas	24	24	24	24	24	24	24	24	24	24	24
% of households with access to safe drinking water**:											
in urban areas	100	100	100	100	100	100	100	100	100	100	100
in rural areas	100	100	100	100	100	100	100	100	100	100	100
Home ownership rate	...	59.3	62.7	62.8	61.9	64.6	73.5	73.2	74.7	72.8	73.4

\* Cost of accommodation includes rent (as relevant), mortgage interest (as relevant), water, electricity, gas, heating, and minor repairs.

\*\* Proportion of the population with access to any of the following sources of drinking water: tap water, communal wells, public hand pump wells, secured wells, secured sources and collectors of rain water.

**Table 18**  
**Crime and public safety**

Year	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Violent crimes per 100,000 population*	26	34	35	37	39	38	38	35	38	37	38
White collar crimes per 100,000 population**	8	13	19	20	19	19	21	23	30	33	32
% of recorded crimes, in which the perpetrator is convicted***	63.4	61.4	65.8	67.3	71.7	71.0	70.0	63.2	64.1	59.7	62.5
Drug-related crimes per 100,000 persons		5	7	12	11	11	14	10	9	7	6

\* Includes homicide, attempted murder, infliction of serious bodily harm, sexual assault and attempted sexual assault.

\*\* Includes crimes recorded by the police, such as abuse of power or authority, negligence, corruption and other calculated per 100,000 people.

\*\*\* % of solved crimes.

Table 19

## Social inclusion/exclusion

Year	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
% of school drop-outs		0.36	0.36	0.41	0.92	0.83	0.61	0.50	0.43	0.45	...
Number of telephone lines per 100,000 persons	11660	15340	16950	18740	20330	22260	23410	24480	25640	26742	27846
Mobile phones per 100,000 persons		51.0	74.2	87.8	131.2	244.1	509.5	1422.8	4664.4	11294.9	24858.2
Internet hosts per 100 persons			0.003	0.02	0.03	0.04	0.05	0.08	9.0	16.3	25.1
Number of television receivers per 100 households		103	103	104	118	116	119	115	118	120	125
% of households without a television		7.8	7.2	6.3	4.6	4.2	4.2	5.0	4.1	3.7	3.9

Table 20

## Human development index\*

Year	2000	2001	2002	2003	2004
Indicator values					
Adult literacy rate (%)	99.6	99.7	99.7	99.7	99.7
Men	99.8	99.8	99.8	99.8	99.8
Women	99.4	99.5	99.5	99.6	99.6
Combined gross enrolment ratio (%)	79	79	84	84	84
Life expectancy at birth, years	69.0	68.5	68.0	68.5	69.0
Per capita GDP, PPP US Dollars**	4608	4959	5320	5828	6644
Index values					
Education index	0.927	0.927	0.945	0.945	0.945
Life expectancy index	0.733	0.725	0.717	0.725	0.733
GDP index	0.640	0.652	0.664	0.678	0.700
Human Development Index	0.767	0.768	0.775	0.783	0.793
Gender related development index	0.766	0.767	0.775	0.783	0.793

\* Standardized in terms of its level in 2000.

\*\* This value is calculated compared to its level in 1996, taking into consideration the GDP growth rate and the US \$ rate of devaluation.



## SELECTED SOCIO-ECONOMIC DEVELOPMENT INDICATORS

**Table 1**  
**Belarus in the global community of nations\***

	Unit of measurement	Global average	European Union	CIS	Belarus
Percentage share of Belarus Land area	%	0.15	6.4	0.94	
Population	%	0.16	2.6	3.6	
Life expectancy Men	Years	63.4**	75.3	60	62.7
Women	Years	67.7**	81.4	73	74.7
Natural population increase per 1000	‰	15.7	2.8	-2.1	-5.6
Unemployment rate	%	...	7.8	7.4	3.1
GDP per capita ***	US \$	7804	26100	6115	5520
Share in the GDP Total consumption expenditure	%	...	78.7	70-80	80
Gross savings	%	...	20.1	15-20	23.9
Net export	%	...	1.2	5-10	-3.9
Per capita export volume	US \$	946	5948	690	1174
Per capita import volume	US \$	978	5800	410	1243
Per capita output volume Electricity	Kilowatt-hours	2345	6621	4573	2698
Steel	Kilograms	145	419	364	172
Cement	Kilograms	257	500	200	250
Mineral fertilizers, nutrient content	Kilograms	23	33.8	77.5	502
Televisions, per 1000 population	Units	21.5	47	12	70
Refrigerators and freezers, per 1000 population	Units	11.4	50	11.0	90
Butter	Kilograms	1.2	...	1.8	6.5
Grains and cereals	Kilograms	335	537	580	552
Meat, slaughter weight	Kilograms	39	95.3	32	62
Milk	Kilograms	80	319	237	475
Energy consumption per unit of GDP, oil equivalent cost in PPP US Dollars***	Kilograms of standard fuel per \$1 of output	0.24	0.17	0.65	0.52
Labour productivity***	US \$, thousands	...	60.7	14.1	12.5

\* Data refer to 2001-2003.

\*\* State of the world population, UNFPA 1998.

\*\*\* Human Development Report, Minsk Technologiya Publishers, 2004.

Source: CIS and the world – a collection of articles Moscow. 2004.

Table 2

## Share of selected EU countries in Belarusian foreign trade

	Percentage share of total trade volume		Percentage share of exports		Percentage share of imports	
	1997	2003	1997	2003	1997	2003
Austria	4.1	1.99	3.32	0.71	4.37	3.65
Belgium	4.52	3.48	4.33	2.80	4.59	4.35
UK	6.72	25.09	6.12	41.17	6.92	4.46
Germany	47.2	30.61	44.11	18.48	48.27	46.17
Greece	0.55	0.27	0.37	0.26	0.6	0.28
Denmark	3.28	3.60	3.31	4.64	3.27	2.27
Ireland	1.34	0.27	0.29	0.14	1.7	0.44
Spain	1.54	1.96	1.4	1.21	1.59	2.92
Italy	11.54	10.33	13.03	5.93	11.03	15.98
Luxembourg	0.38	0.14	0.59	0.22	0.3	0.04
Holland	8.75	12.50	16.9	18.16	5.95	5.26
Portugal	0.04	0.12	0.06	0.11	0.03	0.14
Finland	2.14	1.34	0.9	0.86	2.57	1.96
France	6.08	4.23	4.06	2.42	6.77	6.54
Sweden	1.8	4.04	1.19	2.87	2.01	5.53
EU	100	100	100	100	100	100

Source: Belarusian foreign trade: selected statistics. Ministry of Statistics of Belarus, 2004. pp. 59-67

Table 3

## Main socio-economic indicators as % of the previous year

Year	GDP per capita*	Real household income index	Real wage index (before tax)	Household incomes in current prices	Household expenditure and savings in current prices	Capital investments*	Retail turnover*	Provision of paid services*
1991	98.8	100.2	103.6	194.4	188.4	104	91.9	84.1
1992	90.2	80.2	87.6	858.8	811.5	71	78.0	74.5
1993	92.2	115.9	93.5	1495.9	1496.8	85	86.0	71.9
1994	88.4	90.8	69.1	2107.5	2178.5	89	90.5	84.0
1995	89.9	73.5	95.0	594.7	601.0	69	77.2	95.0
1996	103.2	117.2	105.1	179.0	182.8	95	130.5	105.7
1997	111.9	106.2	114.3	173.9	172.7	120	117.9	107.8
1998	108.9	119.4	118.0	206.6	208.3	125	126.1	111.0
1999	103.8	96.6	107.3	380.3	379.9	92	110.7	113.3
2000	106.1	119.6	112.0	321.2	322.3	102	111.8	104.9
2001	105.1	128.9	129.6	207.6	207.9	97	128.2	109.0
2002	105.5	107.6	107.9	153.5	154.6	106	111.5	108.7
2003	107.3	107.5	103.2	138.1	137.9	121	110.0	111.0
2004	111.6	113.6	116.8	128.9	128.8	120	112.0	113.0

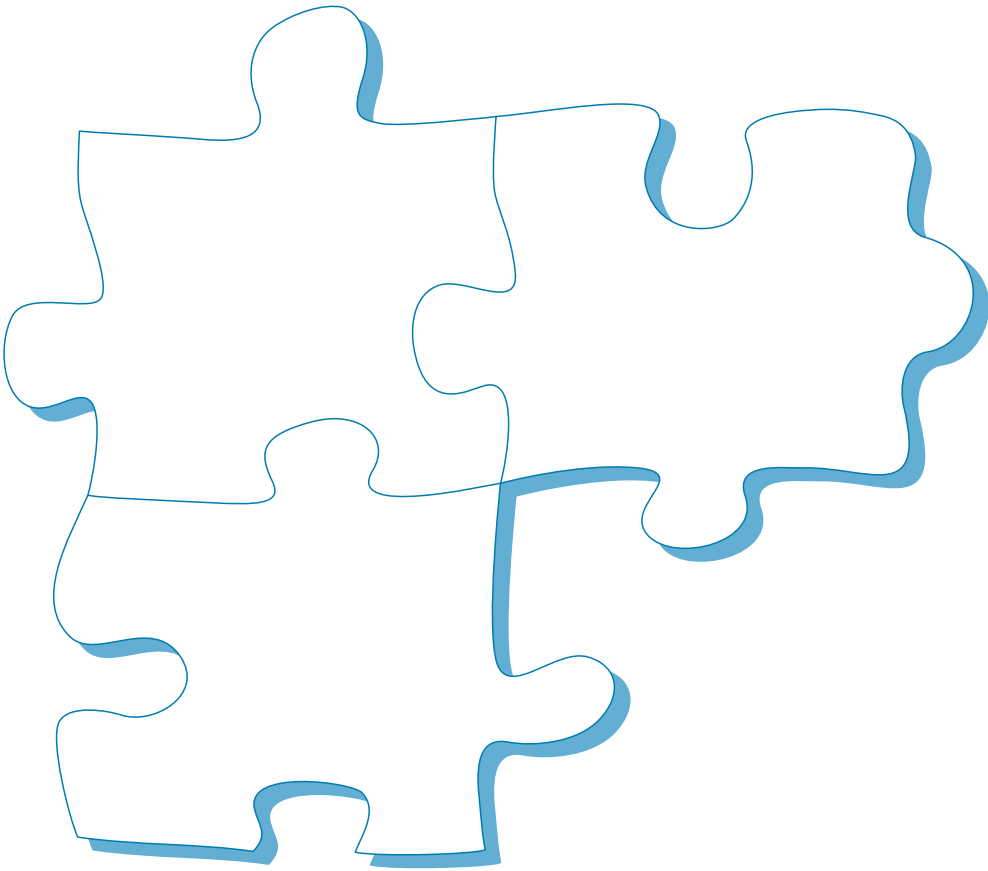
\* In constant prices.

Source: Belarus Statistical Yearbook, Minsk 2003, p. 40-42; Quarterly statistical bulletin. January - June, 2004, Minsk, 2004, pp. 28, 97, 118, 144.

Table 4

## Household incomes, expenditures and saving (% total)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Total cash incomes	100	100	100	100	100	100	100	100	100	100
Wages	52.6	46.4	53.4	49.9	54.4	51.9	50.4	48.5	46.9	49.2
Social assistance and benefits	18.9	16.9	17.7	16.8	17.9	17.9	18.9	18.9	17.7	18.1
Incomes from property	2.9	2.5	1.4	1.3	1.1	1.8	1.7	1.8	1.5	1.4
Entrepreneurial and other incomes	25.6	34.2	27.5	32.0	26.6	28.4	29.0	30.8	33.9	31.3
Cash expenditures and savings	100	100	100	100	100	100	100	100	100	100
Purchase of goods and services	71.0	74.2	79.9	80.0	86.7	76.9	73.6	74.1	71.9	72.1
Fees and voluntary donations	6.2	5.9	9.7	9.0	9.0	8.8	8.7	8.4	10.6	9.6
Savings in bank accounts and securities, purchase of hard currency and other expenditures	22.8	19.9	10.4	11.0	4.3	14.3	17.7	17.5	17.5	18.3







## ENVIRONMENTAL IMPACT MEASUREMENT: REGIONAL DISPARITIES

Environmental imbalances can be measured by two different types of indicators:

- General anthropogenic impact indicators reflecting differences in population distribution, production activity, regional economic development and commercial land exploitation;
- Environmental impact ratios, measuring natural resource depletion and unit emission levels.

The first group of indicators includes population density, and proportion of the land area utilised for commercial activity. The second group of indicators includes the natural resource depletion ratio and waste production per unit of the national GDP or regional output. Time series analyses can reveal important environmental threats, identify risks to regional environmental sustainability, enable international and regional economic comparisons and help evaluate the technologies used by the economic actors.

Table 1 presents the ratios of commercial land exploitation, resource utilization, and environmental pollution for different parts of Belarus. It highlights regional disparities in the amount of technogenic impact on the natural environment and the resulting anthropogenic burden.

Analysis of the absolute figures presented in the above table clearly suggests that regional environmental imbalances are linked to the industrial capacity and population size of each sub-national unit (Oblast). For example, Minsk Oblast (including Minsk City) accounts for 35% of the national output and over one-third of the population, has the nation's highest population density ratio (70% above the national mean), generates the largest proportion (about one-third) of national potable water needs and contributes the greatest share of industrial and household waste creation and environmental pollution.

The environmental disparities revealed by Table 2.1 are more relevant for some regions than for others. Variations reflect the predominant types of economic activity and population concentration patterns. Grodno Oblast, with the nation's lowest population, naturally contributes the lowest proportion of the national potable water demand, while Mogilev Oblast, with the nation's lowest share of industrial output, releases the smallest amounts of industrial pollution. Large amounts of solid industrial waste are deposited in a limited number of industrial sites. More than one-half the nation's stockpiles of industrial waste are

**Table 1**

### Absolute environmental impact indicators by sub-national administrative unit (Oblast)

Type of impact	Oblasts						
	Belarus	Brest	Vitebsk	Gomel	Grodno	Minsk	Mogilev
Population, thousands	9849.1	1462.9	1321.1	1505.4	1146.1	3244.4	1169.2
Population density, persons per square kilometre	47	45	33	37	46	81	40
Contribution to industrial output (% of national total)	100	9.0	17.2	20.5	9.1	35.5	8.7
Water intake, millions of cubic metres	1797	265	235	299	174	629	195
Releases of atmospheric pollutants, thousands of tons	1327.5	175.8	212.9	225.3	149.9	433.0	130.6
Waste water releases, millions of cubic metres	1143	138	151	194	100	435	125
Industrial waste generation (except galites), thousands of tons (% of national total)	5624 (100)	365 (6.4)	366 (6.5)	1095 (19.5)	556 (9.9)	2821 (50.2)	421 (7.5)
Share of agricultural land, %	43.8	44.4	39.9	35.3	50.8	47.2	50.0
Share of arable land, %	27.0	24.7	23.1	20.2	33.5	32.7	31.2
Arable land subjected affected by soil erosion, % of total	9.4	6.0	10.7	4.0	13.4	9.9	11.2
Share of irrigated land, %	14.5	21.9	13.5	13.2	12.0	15.5	10.0
Tree felling and logging, thousands of cubic metres of timber (as of 2003)	12924	1726	2223	2459	1188	3157	2171
Radioactively contaminated area, % of total	20.1	11.2	0.04	65.1	5.6	3.6	30.9
Areas affected by soil degradation, %	0.12	0.10	0.14	0.09	0.13	0.19	0.08

**Table 2**  
**Regional environmental impact ratios**

	Year	Oblasts						
		Belarus	Brest	Vitebsk	Gomel	Grodno	Minsk	Mogilev
Water utilisation Cubic metres per million of roubles of GNP	2001	68.4	78.3	79.2	52.8	79.6	53.8	57.3
	2002	64.7	78.0	72.1	48.5	74.0	52.3	51.6
	2003	59.7	79.6	65.8	45.9	68.2	49.3	48.1
Industrial pollutant releases, kilograms per million of roubles of GNP	2001	15.7	11.7	34.8	15.0	15.0	8.5	13.3
	2002	14.6	10.9	31.9	14.2	13.9	7.8	12.2
	2003	13.3	9.3	29.4	13.8	13.1	7.7	10.2
Per capita water consumption, cubic metres	2001	80	70	63	80	71	95	74
	2002	80	69	65	80	71	96	73
	2003	80	66	66	80	74	96	73
Per capita pollutant releases, kilograms	2001	39	23	77	55	28	29	37
	2002	38	22	74	56	27	28	36
	2003	38	20	73	57	28	28	32
Waste water releases , thousands of cubic metres per square kilometre	2001	6.4	4.3	4.7	5.8	5.2	11.6	5.0
	2002	6.2	4.3	4.6	5.6	5.0	11.3	4.8
	2003	5.5	4.2	3.8	4.8	4.0	10.8	4.3
Annual industrial waste accumulation, tons per square kilometre	2001	112.0	6.3	4.8	29.0	24.5	516.5	10.7
	2002	125.4	23.3	8.7	24.8	17.3	573.3	14.6
	2003	134.7	11.1	9.15	27.1	22.2	625.8	14.5

**Table 3**  
**Environmental damage prevalence indices by Oblast**

Types of environmental damage	Belarus*	Brest	Vitebsk	Gomel	Grodno	Minsk	Mogilev
Radioactive soil contamination	21	0.6	0.0	3.2	0.3	0.2	1.6
Contamination of water wells	Chemical	49.7	1.2	0.7	1.1	1.1	0.6
	Microbiological	32.4	1.3	0.9	1.1	1.5	0.6
Soil erosion and degradation	7.5	0.7	1.5	0.5	1.1	1.0	1.0
Soil degradation caused by mineral extraction	0.12	0.7	1.2	1.0	1.0	1.2	0.7

\* % of territory affected.

**Table 4**  
**Environmental pollution indices by natural region**

Natural region	Air pollution	Water pollution	Chemical pollution of soils	Radioactive soil contamination	National average
Poozerye	0.898	7.481	1.177	-	3.185
Belarusian plateau	0.551	5.676	2.326	0.041	2.149
Predpolesye	0.902	11.470	2.326	0.041	3.611
Pridneprovye	0.949	11.240	2.160	0.185	3.633
Polesseye	0.592	8.847	1.559	0.267	4.378

found in Minsk Oblast, mainly at the potassium mining plant «Belaruskaliy» that creates most of the Oblast's solid industrial waste. One-fifth of the solid industrial waste is deposited in Gomel Oblast, of which the majority is at Gomel Chemical Plant, which has accumulated massive stockpiles of phosphogypsum.

Environmental impact ratios have been exhibiting a downward trend, with the exception of the solid waste accumulation ratio, which has clearly been rising. Waste disposal is perhaps the greatest environmental concern. The stockpiles of unutilised solid industrial waste have already exceeded 700 million tons, occupying a space of 3 140 hectares. An estimated 30 million tons of new solid waste is generated each year. Minsk and Gomel Oblasts are the worst affected. Subsoil water and atmospheric air quality have been negatively impacted by the massive deposits of mining waste and slurry created by the mining corporation 'Belaruskaliy', the large stockpiles of phosphogypsum and lignite accumulated by the Gomel Chemical Plant and the hydrolysis plants in Bobruisk and Rechitsa, and the large quantities of sludge kept by several heating power stations. Numerous household waste dumps are also contributing to atmospheric air pollution.

In principle, all sub-national administrative units are affected by very similar environmental problems. However, regional variations in environmental impact ratios point to a number of disparities caused by regional differences in the extent to which human economic activity is affecting the ecosystems. Unsurprisingly, the highest technogenic impact is borne by Minsk City and Minsk Oblast. Vitebsk Oblast generates the largest amount of industrial air pollution, both in absolute terms, and in relation to output and population. Most of the air pollution comes from the petrochemical corporations 'Polimir' and 'Naftan' and other high-risk chemical industries. Gomel and Mogilev Oblasts are the most affected by radioactive contamination (Table 1).

To properly compare the significance of each particular environmental threat across regions, further aggregation and analysis are required. The use of the index method can bring greater clarity to the comparative assessment of regional environmental disparities.

The Institute of Economy under the National Academy of Sciences has proposed two composite indices – the State of the Natural Environment Module and the Technogenic Impact Module. The calculated values of these indices have shed light on the environmental disparities among the natural regions of Belarus (see Table 4).

Addressing environmental disparities is an important policy priority for the Belarusian government. Large regional variations still exist in environmental impact ratios. For example, per capita releases of atmospheric pollutants from industrial sources vary from 73 kg in the Vitebsk Oblast to 20 kg in the Brest Oblast, waste water releases from 10,600 cubic meters per square kilometre in the Minsk Oblast to 3,800 cubic meters per square kilometre in the Vitebsk Oblast. As suggested by these numbers, there is still ample room for further progress in reducing regional environmental disparities and controlling the ecological damage from human activity.

The environmental situation has stabilised somewhat in the regions and at the national level. This is mainly the result of more stringent enforcement of environmental protection regulations by the government. However, the pre-eminence of outdated and wasteful technologies is still a persistent source of environmental risk. Its effective management is contingent on large-scale economic modernization and restructuring, and a broader diffusion of environmentally-friendly, research intensive and resource saving technologies.



## DEMOGRAPHIC SECURITY AND THE ROLE OF THE STATE

Although demographic problems are less obvious than economic, they are still highly relevant, as they relate to the vital needs of the country and its people. It should be noted, however, that even under the best of circumstances and with a highly successful demographic policy aimed at increasing fertility and reducing mortality, the natural population decrease will persist for many years, and will be only partly offset by immigration to Belarus.

The 2002 Law «On Demographic Security» and national and regional demographic security programmes are intended to provide a coherent framework for future demographic policy. Such a policy will lay the ground for future demographic improvements, and better conditions for population development. The legal foundations for better health care and disease prevention were laid by the laws «On Health Care», «On Public Health Protection», «On Disability Prevention and Rehabilitation of Disabled Persons», «On Ratifying the Protocol on Uniform Implementation of Technical, Medical, Pharmaceutical, Sanitary, Veterinary, Phitosanitary and Environmental Norms and Standards to Goods Imported in the Customs Union Member States», and «On Ratifying the Basic Agreement between the Government of Belarus and WHO on Technical Cooperation».

The promotion of healthy lifestyles is another significant priority. Such activity is being supported by the Council of Ministers Resolution «On Healthy Lifestyle Promotion among Secondary, Upper-secondary and Tertiary Students», and the State Health Promotion Programme for 2002 – 2006, adopted in 2001. Other important documents include the «Strategy for Preventing the Spread of Illicit Drugs», and the «National Programme of Action for the Prevention of Heavy Drinking and Alcoholism».

Social support for families with children is guaranteed by law. The labour law provides legal protections for mothers with children that regulate their employment, dismissal and working conditions. Some of these protections have been extended to men who are raising children. As required by the law «On State Benefits to Families with Dependent Children», the amount of such benefits is being regularly reviewed to reflect changes in the subsistence minimum. Benefits are being paid for 678,000 children, representing one-third of the total child population. Over 90% of families with children below three years of age are recipients of monthly child support benefits, which are not means-tested. Entitlement to benefits for children over three years of age depends on the total family income.

Tax breaks, childcare fee waivers, textbook fee waivers, free and reduced-cost meals, free infant feeding programs, reduced-cost medical drugs and subsidized transportation fares are some of the other means of economic support for families with children. Considerable progress has been made in clarifying the relevant legal framework and entitlement criteria. Further measures to improve the housing conditions of families with many children have been introduced by presidential and government edicts and regulations. These include subsidized housing loans and partial housing debt cancellation. Significant priority is being attached to the support of orphaned children and children left without parental support.

The Council of Ministers Resolution «On Cash Compensations to Families upon the Birth of Twins» and the presidential decree «On Improving Financial Support to Families with Newly Born Children» took effect in January 2005. Work is in progress on a new programme of action for implementing the law «On Demographic Security». In light of all these efforts, the country's demographic futures should improve.