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2015

NATIONAL HUMAN DEVELOPMENT REPORT

REGIONAL COMPETITIVENESS
IN THE REPUBLIC OF BELARUS



Executive Summary

INTRODUCTION

Considerable disparities in socioeconomic development between regions, especially between individual districts and urban settlements, are among the key regional development challenges in Belarus. A high concentration of industries and social sector institutions is observable in Minsk, regional capitals and other big cities.

Disparities in socioeconomic development between the regions result in employment constraints and a low quality of social services experienced by residents of small and medium-sized towns and rural areas. Demographic imbalances (outflow of people from rural to urban areas, “ageing” of the Belarusian villages, etc.) are also a significant feature.

Regional development management practices are dominated by a centralized approach to addressing many local concerns. Under the current system of intergovernmental fiscal relations, this means that the regions are more interested in securing allocations from the central budget than in expanding their own source revenues. An important constraint is the underdevelopment of local self-government systems and of the institutional, socioeconomic, organizational and psychological environment for encouraging local community initiatives to address regional development challenges. Another impediment is that the borders of some administrative and territorial jurisdictions do not reflect actual socioeconomic patterns.

A new paradigm in Belarus’s regional development provides for the enhancement of regional competitiveness as the overarching imperative. Making a region competitive means focusing investments, innovations and new governance initiatives on the creation of a maximally enabling environment for livelihoods. When people are willing to live and develop their potential and opportunities in their communities, and when a newly formed family is confident that the locality is attractive and successful and that they would like to link the future of their children with this particular locality, it implies that the region is more competitive in terms of the realization of human potential.

The Report team conducted a detailed analysis of the socioeconomic and environmental situation in the regions of Belarus and developed proposals for the national and regional authorities, focusing on the comprehensive development of territories that would secure the realization of competitive advantages.

METHODOLOGY AND CONTEXT

The Report uses a comprehensive approach to the analysis of regional development and the preparation of recommendations for the Government and local authorities. This approach reflects the human, economic and social dimensions, innovation and environmental development, as well as institutional frameworks in the regions.

Based on this approach, the competitiveness of the regions is defined as the ability of national and regional (local) governments and local communities to establish a better environment for businesses and investments through a more efficient use of regional resources and to create an enabling environment for the development, dissemination and adoption of innovations.

A region is competitive if: it has secured environmentally friendly and comfortable conditions for livelihoods, including better accessibility and quality of social services; it has established a sound local government and self-government system; and it has created opportunities for implementing local initiatives and harnessing the creative potential of all households.

Competition in Belarus at the regional and local government level is understood in the Report as:

the formation of a competitive environment that facilitates economic activity and innovation among businesses, accompanied by structural transformations in the regional economy;

the realization of the competitive advantages of individual territories, taking into account the existing natural resources and socioeconomic potential and searching for new ways to promote the regions in the national and international context and build up their respective images;

a pro-active position of local authorities and local communities in mobilizing additional reserves and identifying new material and financial drivers of economic growth in the region, utilizing the available skills, traditions, identities and mentalities of the local population;

a focusing efforts by local governments and self-government bodies at different levels to enhance the competitiveness of the national economy and facilitate the balanced development of territories.

Factors contributing to the enhancement of regional competitiveness and the promotion of the competitive advantages of individual territories include:

development and enhancement of human potential and enlargement of opportunities for its realization as the goal and driver of increases in regional competitiveness, through the improvement of demographic, education, staffing and other policies;

structural transformations in the regions through the establishment and promotion of new economic activities that build upon regional resources and create regional synergies: high-tech jobs in industry and the service sector; “green economy” (ecosystem services, recycling, agro-ecotourism, organic farming, environmentally and socially responsible business); engagement of non-governmental organizations and local communities in regional development processes;

utilization of intersectoral drivers of regional growth, based on cluster policies that enable coordinated efforts by ministries and agencies and the strengthening of self-organization instruments;

development of regional environments using instruments for the coordination and communication of economic, social and other entities located in the territory through the development of regional infrastructure (market-based, environmental, transport, IT, innovation, and social infrastructure) and taking into account the cultural contexts (behavior models, local customs and traditions, etc.);

further development of business and adoption of market-based instruments in the social and ecological services sectors (social entrepreneurship, social purchase order, public-private partnerships).

Enhancement of regional competitiveness implies a new approach to regional policy, incorporating a number of policy dimensions:

polarized development based on the formation of growth drivers in the regions, taking into account their competitive advantages;

equalizing policies intended to facilitate economic activity and to provide organizational and financial support to socially disadvantaged regions;

matching of various regional development dimensions (economic, social, environmental, human and innovation development);

cohesion and horizontal interaction of the regions at different levels and inter-regional cooperation.

HUMAN DEVELOPMENT IN THE REGIONS OF THE REPUBLIC OF BELARUS

HUMAN DEVELOPMENT INDEX

Refocusing the system of values away from economic growth toward quality of life entails the advancement of the following regional priorities: human development, enlargement of human capabilities, improvement of knowledge and education, territorial mobility, and development of creativity and skills. The Human Development Index, which measures progress in health and life expectancy, knowledge and income¹, is used as a composite indicator at the national level.

According to the Human Development Report 2014, Belarus ranks 53rd out of 187 countries by Human Development Index (HDI). Belarus is in the high human development group and outperforms all other CIS countries. Given that the required statistical data are unavailable, the pre-2010 methodology is used for measuring human development in the regions of Belarus.

The calculations (Table 1) suggest that Minsk has the highest HDI value – 0.904. Minsk Oblast consistently ranks second in the HDI regional rating.

Per capita GDP is the most variable component of HDI in the territorial dimension. It is influenced by the economic development specifics of the regions. Territorial differences by per capita GDP by region (excluding Minsk) made up 1.5 times in 2002, 1.3 in 2010 with a subsequent increase to 1.4 in 2013.

Life expectancy at birth in Belarus was 73.2 years in 2014 and rose by 4.7 years versus 2001. Life expectancy at birth rose from 69.8 to 74.4 years among the urban population and from 65.2 to 69.6 among the rural population. Although life expectancy has been progressively increasing, Belarus still lags behind developed countries, with a gap of 10-12 years.

There are differences between the regions in terms of life expectancy, reflecting the age and sex structure of the population in a particular region, which, in turn, is influenced by mortality rates and the common causes of death. The lowest life expectancy at birth and its respective index² is reported in Minsk Oblast (71.4 years and 0.773).

TABLE 1

Human Development Index and ranks of the Oblasts and Minsk in Belarus

	2008	2009	2010	2011	2012	2013	Rank		
							2010	2012	2013
Belarus	0,839	0,838	0,844	0,847	0,857	0,860	–	–	–
Brest Oblast	0,814	0,818	0,824	0,818	0,828	0,836	5	7	6
Vitebsk Oblast	0,810	0,810	0,814	0,817	0,831	0,839	7	5	4
Gomel Oblast	0,819	0,819	0,823	0,823	0,836	0,841	3	3	3
Grodno Oblast	0,815	0,819	0,820	0,820	0,833	0,838	4	4	5
Minsk	0,891	0,885	0,894	0,902	0,903	0,904	1	1	1
Minsk Oblast	0,822	0,815	0,825	0,834	0,845	0,846	2	2	2
Mogilev Oblast	0,813	0,812	0,819	0,815	0,829	0,834	6	6	7

Source: Belstat

1. Before 2010, UNDP calculated HDI as the arithmetic mean of three sub-indices: life expectancy at birth; household incomes by per capita GDP at purchasing power parity (PPP), and education level taken as a total of the adult literacy rate (with two-thirds weighting) and enrollment ratio (with a one-third weighting). In 2010 a new methodology for measuring HDI was introduced: HDI was adjusted for socioeconomic inequality. <http://belstat.gov.by/ofitsialnaya-statistika/mezhdunarodnye-sravneniya/operativnaya-informatsiya/respublika-belarus-v-mezhdunarodnom-reitinge-po-indeksu-chelovecheskogo-razvitiya/>
2. Life expectancy index (LEI) measures progress in attaining survival goals. It depends on household income, quality and accessibility of healthcare, etc. LEI is calculated as a ratio of two values: the difference between actual life expectancy at birth in the respective country and the minimum value among all countries, and the difference between the maximum and minimum values of this indicator among all countries.

The calculation of the **education index** in the **adult literacy rate** assumes that it is equal to the nationwide value of this indicator, which is 0.997 according to the data of Human Development Reports.

The *Enrollment ratio* was calculated as the ratio of students in all types of educational establishments to the population of the region aged 6-24. The values ranged from 74% in Minsk and Brest Oblasts to 78.3% in Mogilev Oblast. The capital city has the highest share of students – 94.8%. Differences are influenced by the territorial distribution of educational establishments, age structure of the population and urban/rural population ratio.

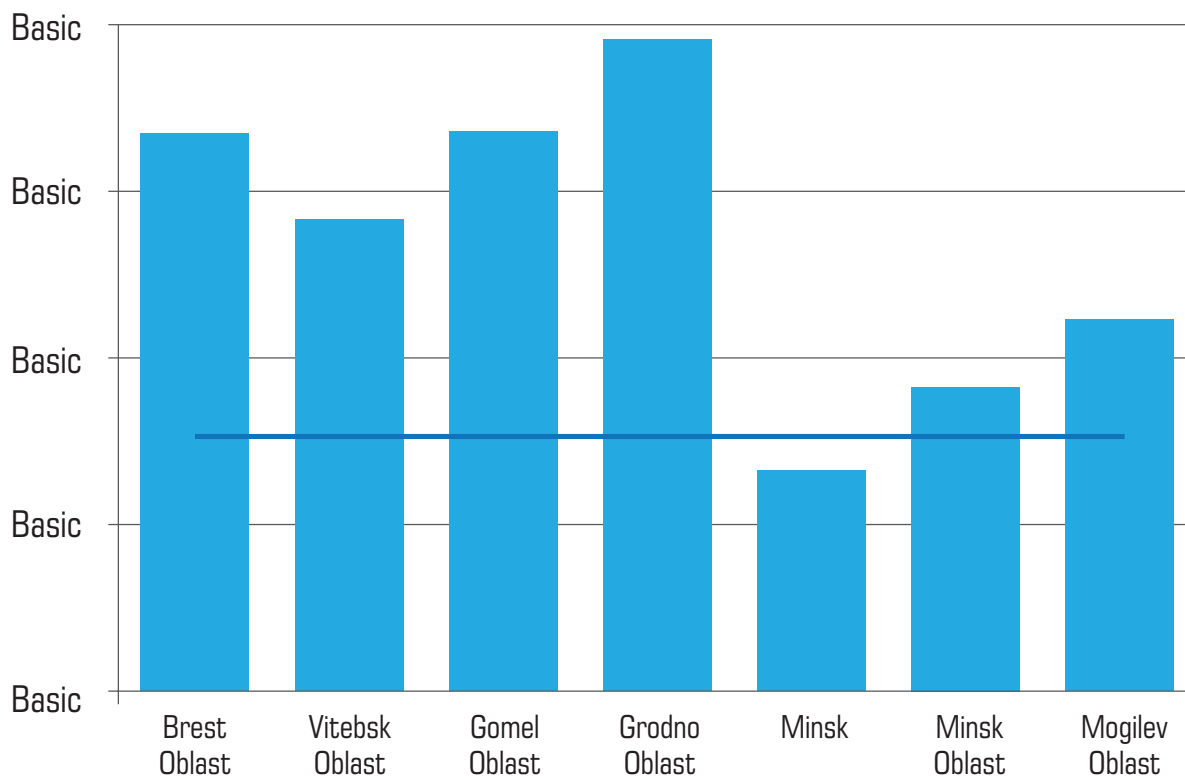
GENDER INEQUALITY INDEX

Gender Inequality Index (GII) is calculated internationally to quantify the extent of gender inequality. GII measures inequality between men and women in three dimensions: reproductive health, empowerment and labor participation.

GII in Belarus is calculated based on the UN methodology described in the Human Development Report 2013. With GII being 0.152 in 2014, Belarus ranks 28th by Gender Inequality Index.

Calculations of **GII by region** in Belarus using a methodology devised by the authors are presented in Figure 2. Gender inequality is the lowest in Minsk, Minsk Oblast and Mogilev Oblast.

FIGURE 1
Gender Inequality Index in Oblasts and Minsk, 2009-2012



The following measures are proposed to reduce gender inequality in Belarus and in the regions:

- develop gender equality institutes, including by elaborating and adopting a Law on Gender Equality, and formulate and implement a strategy for ensuring equality between men and women;
- develop measures facilitating more active engagement of women in social and political processes, including the setting of quotas for female MPs at 40-50%;
- raise awareness among women about the opportunities and benefits of businesses run by women, especially in the Rayons that have a high share of female employment (Baranovichi, Grodno, Diatlovo, Zelva, Svisloch, Minsk, Nesvizh and Soligorsk Rayons);
- enhance the participation of men in the upbringing of children and housekeeping, by opening responsible fatherhood schools and organizing Father's Days in pre-schools and schools.

ANALYSIS OF THE CURRENT SITUATION ACCORDING TO KEY PILLARS OF BELARUS'S COMPETITIVENESS

OVERVIEW OF HUMAN DEVELOPMENT TRENDS

An analysis of demographic trends suggests that the population is declining in all regions except Minsk. In early 2014, the respective indicator was 9 468.2 (76.8% urban population and 23.2% rural population) versus 9 956.7 in 2001.

The share of the able-bodied population is in decline, with a reduction by 3.8% in 2014 relative to 2001. Regional differences are most evident between the urban and rural population in terms of the share of the able-bodied population and age and sex structure.

An analysis of population reproduction trends suggests that the main cause of population decline is natural loss mainly among rural population. Internal migration is the main factor of population growth. Out of 118 districts, the death rate is above the country average in 88 districts, including 9 rural districts where it is 1.5 times higher.

Mortality in Belarus is caused mainly by external factors (household income level; lifestyle and behavior models) while in EU countries it is attributed to the population ageing. The prevailing public health risks in Belarus include alcohol abuse, smoking, inadequate diet and low physical activity, and unsafe sex.

There are regions with a persistently low birth rate (Vitebsk Oblast with 11.1‰) and those with a persistently high birth rate (Brest Oblast with 13.2‰ and Minsk Oblast with 13.3‰). There are two contributing factors: demographic indicators (the crude birth rate rose from 9.2 ‰ in 2001 to 12.5‰ in 2013) and socioeconomic factors (maternal and child protection and family support measures). As a result, Belarus ranks 26th out of 176 countries according to the maternity index of the international organization "Save the Children" in the list of maternity friendly countries. Child mortality rates decreased almost threefold between 1990 and 2013.

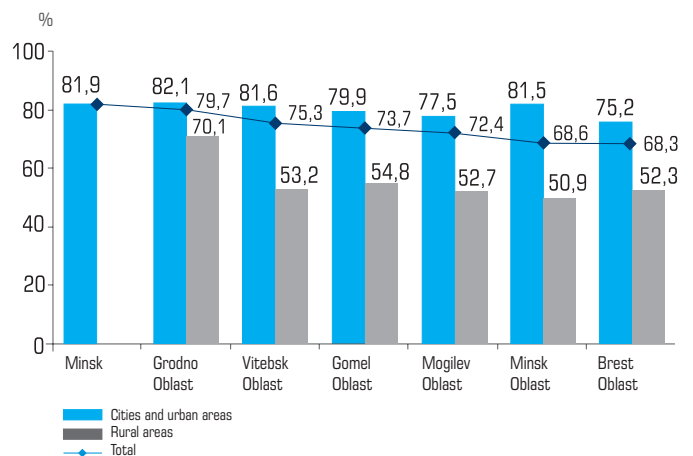
An overview of different education levels (pre-school, general secondary, higher and postgraduate education) by region in Belarus has highlighted the following trends.

Pre-school and general secondary education seem to have similar development levels in all regions of the country, with Vitebsk Oblast, Mogilev Oblast and Minsk being above the country average.

The biggest regional differences are reported in higher and postgraduate education. The concentration of education establishments and the academic community in Minsk is among the key risks for the development of a competitive economy in the regions.

Considerable differences exist within the regions: disparities in education system development and access to education between urban and rural areas are still evident (Figure 1).

FIGURE 2
Pre-school enrollment in the Oblasts and Minsk at the beginning of the 2012/2013 school year, % of total population aged 1-5



An analysis of labor market trends in Belarus suggests that administrative regulation and budget support have resulted in the maintenance of excess employment, irrespective of enterprise profitability, and a rigid sectoral structuring of the economy. Movement of labor takes place mainly within existing jobs, with slow creation of new and efficient forms of employment. This results in an inability to respond to innovation development challenges.

An important trend is the gradual contraction of the able-bodied population, while the official unemployment rate persistently stays low, ranging from 0.1% in Minsk to 0.6% in Gomel Oblast. Belarus's labor market is characterized by a highly educated labor force and a deficit of workers with skills for which there is a demand.

Regional labor market development trends at the oblast level do not reflect evident differences. Inter-regional differences are attributed to the following employment disparities:

1) disparities within the capital city agglomeration (between Minsk and suburban districts);

2) disparities at the rayon level: employment disparities range from 0.582 (in Gomel Rayon) to 1.068 (Minsk Rayon), which can be explained by the concentration of export-oriented production in selected rayons and the subsidization of inefficient loss-making productions;

3) disparities between rural and urban areas that reflect the contraction of rural employment due to demographic trends and economic factors (low level of income and labor mobility, absence of alternative employment opportunities).

An analysis of the inter-regional movement of labor in Belarus between 2008 and 2013 suggests that nearly 44-47% of residents out-migrate from the oblasts and 56-53% migrate within the oblast. 75% of intra-oblast migrants out-migrate from their districts and another 25% migrate within districts. Almost all of them move to cities and urban settlements. Labor migrants working outside the country accounted for about 0.9% of the employed (0.4% of the total population).

According to the 2009 population census, short-term migrants accounted for 8.9%, or 4.8% of Belarus's population – compatible with Poland but lower than in Hungary, the Czech Republic and Slovakia, and much lower than in the developed countries (Belgium, Austria, UK, the Netherlands). This phenomenon is reported mainly in the capital city agglomeration: about 63,000 residents of Minsk Oblast travelled to Minsk for work every day.

Econometric analysis using the authors' methodology has identified the main factors of the Belarusian regions' attractiveness for migrants: agglomeration effects (attractiveness of the big cities and the capital) and economic criteria (high wages, availability of able-bodied population in the region, high trade turnover and output, etc). The ecological situation in the locality also matters. These factors highlight a need to mainstream inter-regional migration management in regional policies.

The key problem of staffing policy that affects regional development relates to underdeveloped arrangements for keeping young professionals in the regions, particularly in healthcare, education, culture and sporting establishments. The system of providing placements for graduates to jobs in rural areas is unable to fully solve the problem.

A mismatch between regional labor markets and education services has resulted in considerable training gaps in education levels, professions and specialities.

Staffing policy at the management level needs improvements in order to address negative trends in the regions, such as: corruption and inefficiency among top managers; insufficient qualification of civil servants; the problem of "elderly" managers; and numerous instances of relocating managers being engaged in misconduct between managerial positions.

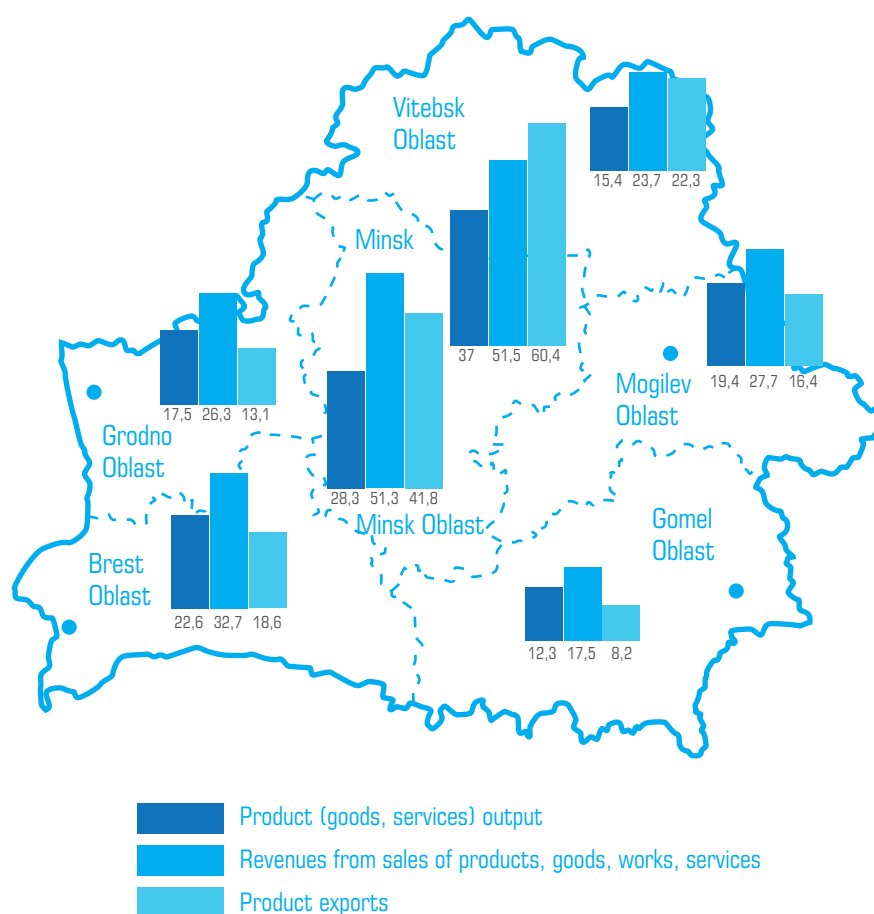
OVERVIEW OF ECONOMIC DEVELOPMENT IN THE REGIONS

The main trends in the actively evolving small and medium business (SMB) sector in the regions of Belarus include:

- a growing number of small and medium businesses (their share in GDP made up 22.3% in 2013) and SMB growth in small and medium-sized towns outpacing the respective growth in big cities.
- SMB contribution to the socioeconomic development of the regions is largest in Minsk and Minsk Oblast, while in Gomel Oblast it is lowest (not exceeding 10-15% by certain indicators) (Figure 3).
- SMB prevalence in Minsk (36.1%) is attributed to developed infrastructure and the concentration of the skilled labor force.
- an enabling environment exists in big industrial districts: Soligorsk, Mozyr, Orsha et.c. where SMB operation is linked to the activity of large export-oriented enterprises.
- Apparent regional differences in SMB distribution by sector: in Minsk SMB in the public utilities, social and financial services sectors account for almost 70%, while in the regions SMB tend to concentrate on the transport and telecommunication sectors (around 40-45 %).

FIGURE 3

SMB contribution to oblast-level economic development indicators, %, 2013



- small and medium businesses are concentrated mostly in sectors that do not require high qualifications and special knowledge, such as the trade sector.
- lack of interest on the part of large manufacturers in developing outsourcing at small enterprises;
- inappropriate business processes, weak business forecasting and planning, etc.

The main constraints for SMB development include:

- enforcement practices in the regions as regards the existing regulatory framework for SMB development;
- underdeveloped ownership relations (the majority of entrepreneurs are leaseholders);
- Energy efficiency policy in Belarus is intended to make an important contribution in addressing a number of economic, environmental and social challenges at the regional level, because domestic fuel and energy resources account for only

15%. The share of energy is about 20% of total imports. Natural gas accounts for a large share of fuel and energy use (57.2% in the fuel mix and 97.2% in the power system).

Between 2011 and 2015 power generation from renewable energy sources rose by 3.7 times. However, the share of electrical energy generated from renewable energy sources is still low – 0.4%.

Gomel Oblast enjoys competitive advantages in terms of the availability of domestic fuel and energy resources. The oblast has the largest share of oil production – 40.4%. There are regional disparities in power generation and consumption. Vitebsk Oblast has the largest generation – 42.3%, while the largest consumption is reported in Minsk Oblast – 34.4%.

One of the obstacles to energy sector development is related to the insufficient activity of local authorities. Positive practices are evolving in only a few regions under GEF/UNDP-supported projects on “green” city development (utilization of domestic renewable energy sources, a wind farm in Novogrudok) and energy efficiency improvements in residential buildings (construction of three new generation multi-storey houses).

An analysis of the foreign economic relations of the regions suggests that Minsk takes the lead in the regional structure of export goods and services, which accounted for 40–43% between 2008 and 2013 (with a subsequent decline to 36.4% in 2014). Gomel, Minsk and Vitebsk Oblasts also demonstrate leading positions in exports.

The contribution of the regions to services exports is different: in addition to the city of Minsk, Minsk, Gomel and Brest Oblasts make a more significant contribution.

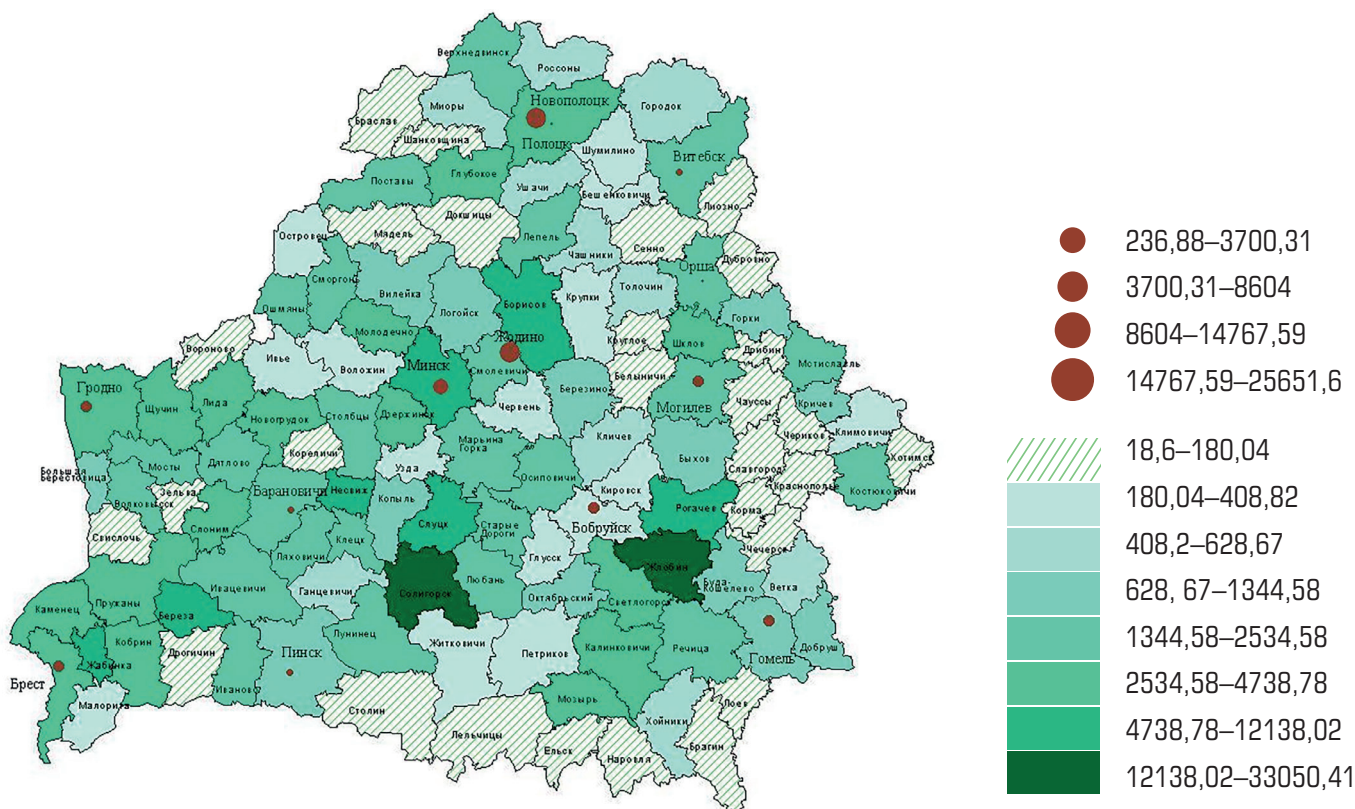
Regional distribution of imports mirrors the export patterns, supporting the conclusion that import is shaped by export-oriented production.

CIS countries are the priority foreign trade destinations for the regions; this is particularly true for Brest and Mogilev Oblast (up to 90% of supplies are directed toward the CIS).

Disparities between the districts in terms of export of goods (a composite index of export activity as an arithmetic mean over three years of goods exports per employee was used) highlight the following trends (Figure 4):

FIGURE 4

Export of goods by cities and districts of Belarus per employee, 2010–2013, US\$ per person



- the locus-based nature of export distribution, related to the concentration of foreign economic activity at the level of agglomerations and economic centers;
- that environmentally disadvantaged territories and localities with large natural complexes and low agro-resource capacity tend to be outsiders in terms of export of both goods and services;
- that the competitive advantages of some territories (the capital city, regional capitals, free trade zones for the development of high-tech export; the natural and recreational capacities of the regions for export of tourism services) are not being utilized.

OVERVIEW OF SOCIAL SECTOR DEVELOPMENT

Consolidated budget spending on social services as a share of GDP has tended to decrease in Belarus since 2006. This is explained by the streamlining of privileges. A 2007 law eliminated certain categorical privileges related to utilities, medicines and transport services. Starting from 2010, the consolidated budget spending on social services as a share of GDP has remained stable and was 13.2% in 2010 and 12.3% in 2013. Between 2006 and 2009 social expenditures were financed mainly from the national budget, and since then they have been funded from local budgets. In 2012 the share of local budgets reached 70.2%.

The challenges facing the social sector include standardization, a need to improve the quality and accessibility of various social services for households, and diversification of sources of finance.

An assessment of housing policy, based on a set of indicators that reflect the quality, affordability and sufficiency of housing, has highlighted the following trends.

In terms of housing sufficiency, Belarus lags behind a number of other European countries. Belarus has 25.4 m² per person versus 30-40 m² per person in most European countries. In rural areas the situation is better: 33.7 m² per person compared with 22.8 m² per person in urban areas. This is a reflection of negative trends, such as continuous population loss and the depopulation of villages.

Belarus has 6 newly built apartments per 1000 residents (compared with 7.8 in France). This relatively good performance is attributed to the high rate of housing construction in Minsk, Minsk Oblast and other large cities. However, there is a pending problem of housing provision for individuals in need of better living conditions. As of the beginning of 2014, 773 thousand people in need of better living conditions were registered in Belarus.

The housing affordability indicator, measured as a ratio of the cost of construction of 1m² of total dwelling area to the average monthly income, is only at the level of 1:1 in Minsk. In

other regions this ratio ranges from 2.2:1 to 2.7:1. In general, the cost of dwelling for individuals on the waiting list is 2 times higher than household incomes.

There is also a pending problem of housing stock renovation, especially in rural areas and small and medium-sized towns (where the sufficiency of engineering infrastructure in the housing stock averages 74%). The sufficiency of engineering infrastructure for the housing stock is met at 100% in only a few cities, including Minsk, Novopolotsk and Soligorsk.

Analysis has demonstrated that the country still needs to address many problems in the housing and utilities sectors, both at the national and regional levels (high depreciation of fixed assets, high unit cost of utilities, and inefficiency of utility companies combined with subsidization and overdue receivables that undermine the attractiveness of the sector for investors).

ENVIRONMENTAL ASSESSMENT

Analysis suggests that, despite continuous reductions in pollutant emissions from stationary sources in all regions, the dynamic of total emissions per capita in the oblasts and Minsk is less robust (Figure 5).

There is a problem of the underutilization of large-tonnage wastes generated at sites that produce potassium and phosphate fertilizers (solid halite waste generated at Belaruskaliy in Soligorsk and phosphate gypsum waste generated at the Gomel Chemical Plant).

Between 2008 and 2013 all oblasts (except Minsk Oblast) sustained a positive trend of reducing discharges of under-treated (contaminated) wastewaters to water bodies. Contamination and salinification of subsurface waters in Minsk Oblast result from adverse water impacts associated with the operation of Belaruskaliy and enterprises located in the city of Minsk.

OVERVIEW OF INNOVATION DEVELOPMENT OF THE REGIONS

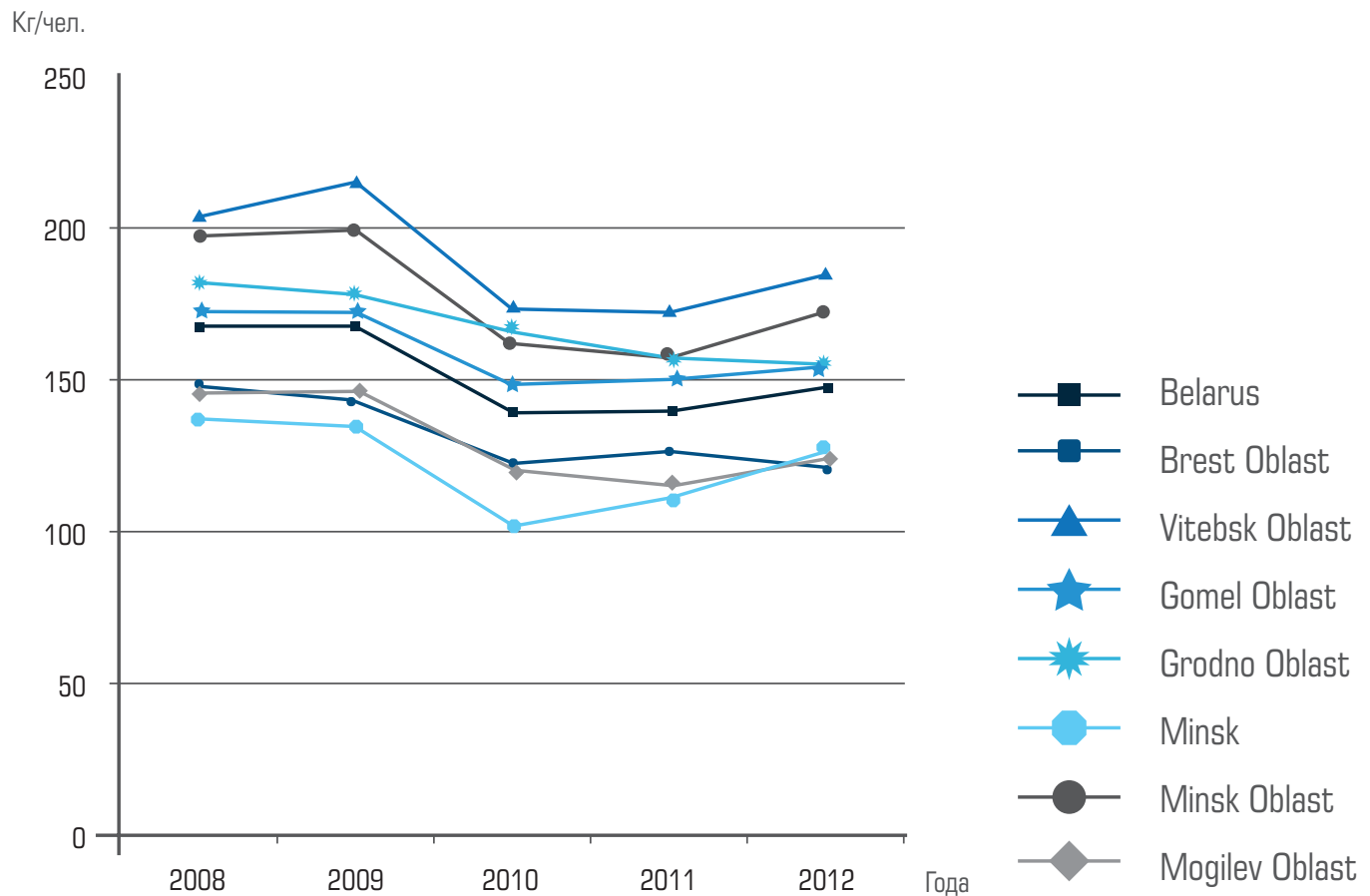
The Innovation environment of the regions is driven by a number of factors including accessibility for innovation, absorption capacity defined as a territory's ability to absorb knowledge, and the availability of instruments for the dissemination of innovations.

Analysis of selected indicators in the above dimensions has highlighted the following innovation development trends in Belarus.

- Skilled labor is evenly distributed across the country; however, the research community tends to be concentrated in the capital city region (84% of the overall research community).

FIGURE 5

Per capita air emissions in the Oblasts and Minsk (kg/per capita)



- The number of postgraduate students is in decline (in 2013 the ratio of PhD/doctoral degree graduates per 1000 people aged 25-34 was 0.8, twice as low as the EU average).
- The science intensity relative to GDP has not reached the target expected to be met in 2015 (2.5% of GDP) and was 0.52% in 2014 versus the global average of 2.2%; only the figure for Minsk was close to the target level.
- The share of the population with tertiary education (higher or secondary specialist education) in the total number of employees is almost twice as high as in the EU countries (23.5% in 2008). However, the level of innovation activity in Belarus is more than two times lower than in the European Union, on average. This is related to the quality of staff training and a mismatch between the country's economic structure and its education potential.
- An insignificant level of innovation activity in the regions reflects the irresponsiveness of the economy to innovation and a lack of demand for new knowledge on the part of entrepreneurs (Figure 6).

Innovation spending on new technologies accounted for 0.4% of total innovation costs in Belarus in 2012 and 2013. There are considerable regional differences in the structure of

innovation costs, related to the implementation of innovation development programs.

Financial constraints remain a serious impediment to innovation development. Enterprises' own revenues are a major source of investment financing (50.3%). The share of local budgets is insignificant (0.1-0.3%).

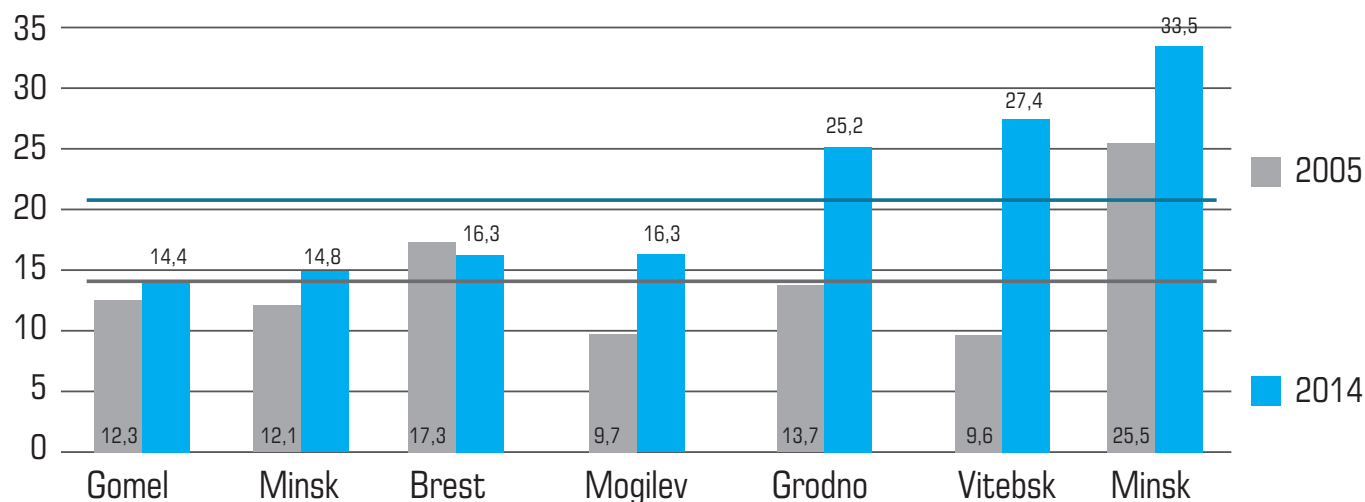
In general, innovation in the current regional policy of Belarus seems to be of a formal nature, and efficient coordination between central and regional authorities and participants in the innovation process is still uncommon. The weak integration of science, education and business remains a major constraint to the establishment of regional innovation systems.

Information accessibility in the regions, improvements in management efficiency and the quality of service delivery to households largely depend on information and communication technologies (ICT). In the ITU Measuring the Information Society Report 2013, Belarus ranked 38th out of 157 countries by ICT development index, outperforming other CIS countries.

In 2013 98.4% of Belarus' territory was covered by mobile telecommunication services; 51.7% of households had personal computers and could access the internet from

FIGURE 6

Share of innovation-based entities spending on technological innovations in the total number of surveyed entities in the regions and Minsk, %



a home computer. The share of elderly users remains low relative to other population segments. Minsk has the highest level of internet use among all regions. Only Grodno Oblast is close to the country average; Minsk Oblast has the lowest share of users.

The major challenges to further informatization in the regions include: a low level of technical infrastructure; low quality of e-services; psychological barriers to ICT use; an insufficiency of skilled staff; and lack of servicing.

SPATIAL DEVELOPMENT

In accordance with the administrative and territorial structure, Belarus is comprised of 6 oblasts and 118 rayons as well as village councils, cities and urban settlements. The oblast is the country's main unit of socioeconomic structuration, allowing the authorities to ensure territorial management in the most efficient way.

The largest oblasts by size are Gomel, Vitebsk and Minsk Oblasts (as of beginning of 2014 - 19.2–19.5% of total territory). The rate of urbanization rate is higher in Mogilev, Vitebsk and Gomel Oblasts, where the share of the urban population ranges from 75.9 to 78.4%.

The rayons as administrative and territorial jurisdictions vary by almost five times in terms of area, by more than 18 times by the number of residents, and also demonstrate considerable differences in terms of economic potential.

The majority of the rayon capitals (65 out of 118) are classified as small urban settlements because they have fewer than 20 thousand residents. Village councils also differ

in terms of their location relative to the rayon capital, the location of the center of the rural council, and the number of residents. The largest village councils by the size of their territory are located in Vitebsk Oblast, and by the number of residents – in Minsk Oblast. The smallest village councils in terms of territory and population are located in Gomel Oblast and Mogilev Oblast, respectively.

The current system of base level (rayons and oblast subordination cities) and primary level (village councils) administrative and territorial jurisdictions does not correspond to the optimal configuration for the formation of market relations, the enhancement of social focus of governance, the expansion of the role of scientific and technical progress and the education level of the population, and the development of democratic processes at the local level.

Many administrative rayons do not have sufficient socioeconomic and labor capacities to build up a robust financial base for addressing local concerns and ensuring comprehensive development with their own resources.

COMPARATIVE ANALYSIS OF THE OBLASTS, ADMINISTRATIVE RAYONS AND CITIES BASED ON THE COMPOSITE COMPETITIVENESS INDEX

Because identification of the competitive advantages of the regions and the drivers of further growth is a key objective of the Report, an assessment of regional competitiveness is possible. The methodology developed by the team of authors was used for calculating the composite competitiveness index of Belarus's regions. The methodology assumes that

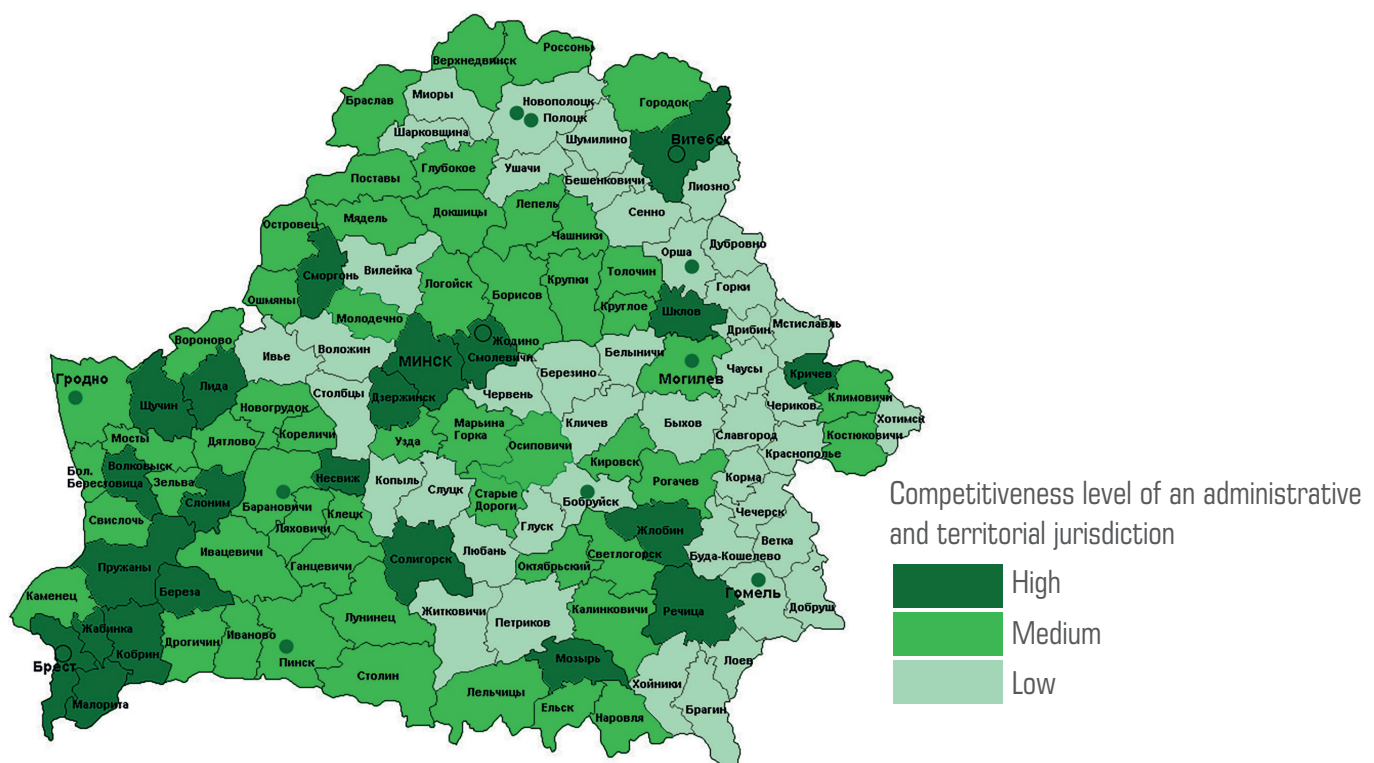
a region's competitiveness is expressed in the assessment of its achievements, rather than in the efficient use of existing conditions and resources relative to other regions of the country. A comprehensive assessment of the regions' competitiveness looks at six dimensions: economic, social, human, environmental, innovation and institutional.

The general interpretation of the results of ranking the oblasts and rayons by the level of regional competitiveness is presented in Figure 7. A comparative assessment has identified a group with a high ranking (Minsk and Minsk Oblast) and regions which are far behind (Vitebsk and Mogilev Oblasts). The scoring of Gomel, Brest and Grodno

Oblasts, ranked 3rd-5th respectively, demonstrates negligible differences.

Among intra-oblast territories, high values of the composite index are reported in the oblast capitals and oblast subordination cities, with 7 being in the group of top ten performers and competing with Soligorsk Rayon (ranked 1st), Minsk Rayon (ranked 3rd) and Mozyr Rayon (ranked 10th). The lowest values of the index are reported in Kranopolye, Bobruisk, Cherkov, Bykhov, Khotimsk and Chaussy Rayons of Mogilev Oblast, Buda-Koshelevo and Kormyansky Rayons in Gomel Oblast, and Polotsk and Dubrovno Rayons in Vitebsk Oblast.

FIGURE 7
Graphic interpretation of the competitiveness levels of the rayons and cities of Belarus



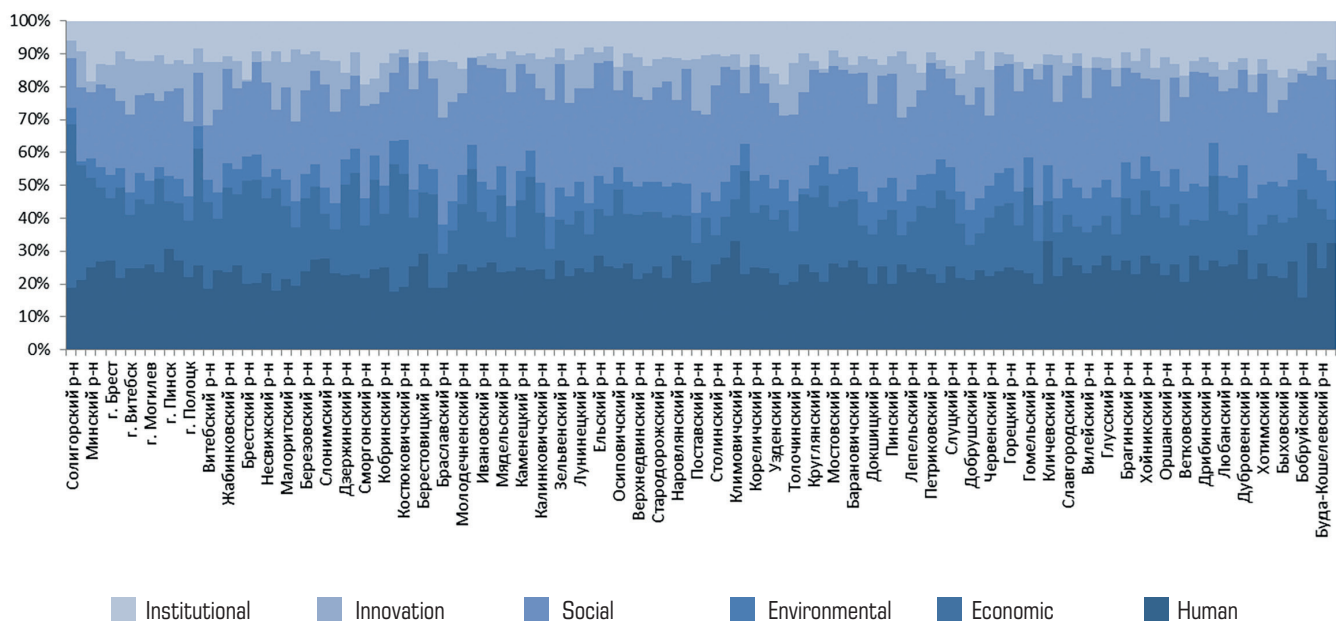
An assessment of six dimensions measured with selected indicators to the composite index suggests (Figure 8) that no region follows a comprehensive development approach.

The economic dimension plays a central role in regional development, and differences in the economic dimension seriously affect a comprehensive assessment of competitiveness. The highest competitiveness level by the economic dimension is reported in Minsk and Minsk Oblast, while Vitebsk and Mogilev Oblasts have the lowest ranks.

A correlation analysis of the data aggregated by rayons and oblast subordination cities has demonstrated that the economic dimension's value is largely determined by the scope and efficiency of economic activity. The territories with high economic competitiveness also have the largest share of persons employed in micro- and small entities – about 17%, on average. The investment activity level makes a smaller contribution to the final assessment of the economic dimension.

FIGURE 8

Contribution of factors on six dimensions to the composite competitiveness index



An analysis of the innovation dimension of the composite competitiveness index of the regions has demonstrated that the city of Minsk and Vitebsk Oblast are most open to innovation. The correlation between competitiveness level and innovation development is not as strong as in the case of economic potential. This proves that the regions of the country are at the second stage of development – the efficiency stage. In this case, competitiveness is facilitated by the development of higher education and professional training, efficient labor, and the operation of product and financial markets. At the third innovation stage, companies compete by producing new products and adopting in-house innovations. Industry, research and university centers in the country are moving toward this stage.

The human dimension of competitiveness demonstrates considerable regional differences. The sub-index value of the Minsk ranking is 4.7 times higher than that of Vitebsk Oblast, which has the lowest rank.

Analysis of the environmental dimension suggests that the regions with high natural capacity and recreation capacity and high quality environment are unable to provide well-paid jobs. None of these territories is present in the high competitiveness group.

At the same time, large industrial regional centers such as Polotsk, Novopolotsk, Orsha, Zhlobin, Mozyr, Zhodino, Soligorsk and Bobruisk, which report strong economic growth and high employment rates, do not always undertake

environmental protection measures that are consistent with their economic status and the extent of adverse environmental and human health impacts. For example, Mozyr Rayon ranks 10th according to the composite competitiveness index and 128th out of 130 surveyed territories in the environmental dimension.

The influence of the social dimension on the composite competitiveness index is evident only in Minsk and oblast cities, and is less apparent at the rayon level.

Assessment of the institutional environment in the regions suggests that Minsk, Smolevichi, Logoisk and Dzerzhinsk rayons in Minsk Oblast strongly outperform other areas. These territories, considered as potential growth drivers as satellite towns of the capital city, have low social development indicators.

In general, assessment of the competitiveness level has highlighted considerable regional disparities. The assessment has confirmed a number of trends that have characterized regional development in Belarus for many years: the existence of economic and social development disparities between urban and rural areas; and the highest level of innovation and economic development being in the capital city the oblast capitals and territories in their zone of influence as well as industrial centers where export-oriented enterprises are located. The majority of small and medium-sized settlements are still among outsiders.

MAIN FOCUS POINTS FOR THE ENHANCEMENTS OF REGIONAL COMPETITIVENESS IN BELARUS

REGIONAL POLICY

A new paradigm for regional policy in Belarus builds on new approaches and provides for the use of improved instruments of governance.

There is a need to change the role of the state, including at the local level: a stronger emphasis should be placed on strategic aspects of regional development, a cluster approach should be implemented, and an institutional and legal environment for market-based relations should be created. In the future, certain management functions should be delegated through outsourcing to private companies which would provide advisory and business services to economic entities as regards the use of territorial resources and the implementation of regional projects.

The new regional policy principles should include:

- differentiation of socioeconomic development policies between regions (oblasts, rayons, cities) depending on existing natural resources and socioeconomic capacities and based on local sustainable development strategies;
- engagement of small and medium businesses, non-governmental organizations and local communities in regional relations, alongside the large state-owned enterprises;
- formation of a new type of relationship between different entities located in the territory and engaged in the regional process, based on partnerships and horizontal coordination.

Under the HUMAN DEVELOPMENT dimension, the following main focus points of demographic policy including the regional aspect have been identified:

- Strengthening of the status of family and expanding economic incentives for encouraging childbirth;
- reducing the death rate caused by external factors, primarily among the able-bodied population;
- establishing a mechanism for substituting natural population loss through migration in some regions (selective migration policies, regionally differentiated measures for redistributing immigration flows between regions);
- improving the quality and accessibility of healthcare services, enhancing the prevention pillar in healthcare (development of mobile forms of treatment and diagnostic services in rural areas, establishment of a scheduling service in the regions).

The Report places a special emphasis on establishing an environment for the adoption of a healthy lifestyle and self-protection behavior models among residents of the regions:

- establishing a health center in every rayon and small and medium-sized town with support from local governments and self-government bodies;
- creating a special health fund at the enterprise level for financing sport training for employees and their family members;
- addressing risk factors by limiting the physical accessibility and price accessibility of alcohol and tobacco;
- developing and implementing healthy lifestyle strategies that target vulnerable populations including children, disabled people and retirees;
- promoting the Public Health Code.

The key focus points for improvements in education to enhance regional competitiveness include:

- improving access to education and elaborating programs for the engagement of individuals exposed to social exclusion risk and unable to compete in the labor market;
- matching staff training and the demands of the labor market (partnerships between education establishments, employers and authorities in formulating sectoral competence systems);
- developing region-oriented vocational, secondary special and supplementary education for adults and tailoring education to the needs of private enterprises;
- formulating a National Lifetime Learning Strategy;
- gradually joining the Bologna process, enlarging international cooperation and implementing programs for the improvement of the competitiveness of Belarusian universities.

To ensure an efficient employment structure and reallocation of labor toward more productive economic sectors based on regional interests, and to mitigate the adverse impacts of the restructuring of loss-making and unprofitable enterprises, the following measures are proposed:

- supporting self-employment, including small and medium business development;
- promoting flexible forms of employment at the local level, including various types of distance work (data collection, processing and analysis, internet marketing, etc.), wild plant harvesting, agrotourism and recreation tourism in

rural areas;

- creating new jobs for unskilled workers in the green economy (recycling, planting and territorial improvement).
- establishing anticipatory retraining programs;
- changing the status and responsibilities of territorial employment services, with a transition from registration functions toward the functions of information and counseling centers;
- engaging the elderly in active work activities.

The implementation of these measures, together with the introduction of a “mobility allowance” for redundant workers and further improvements in the system of allowances for the resettlement of the unemployed, will facilitate labor mobility which, as a rule, helps to mitigate the social impacts of unemployment and optimize the regional labor market structure.

Under the concept of a transition from personnel management to human resource management and the adoption of the principle of hiring staff for government bodies on a competitive basis and enhancing performance-based incentives, improvements in staff policy should include:

- increasing the prestige of the civil service (civil servant promotion schemes, formation of regional databases of highly qualified employees, elaboration of ethical rules);
- establishing a national system of competences that would include performance evaluation, certification, competence and skills development, information infrastructure, advisory and career guidance services;
- developing professional standards in the general system of government and respective standards in education;
- improving the system of recruitment and professional development for civil servants and top managers; optimizing the general functions of government.

The following efforts are expected to contribute to an enhancement of the ECONOMIC COMPETITIVENESS of Belarus’s regions:

Cluster policy:

- drafting a set of recommendations on the provision of methodological and information support for the formation of clusters;
- establishing specialized cluster policy institutes in the regions (cluster development centers as units of emerging Regional Development Agencies; working groups and non-governmental councils on clusters, etc.);
- elaborating a set of measures on the provision of organizational and financial support to cluster initiatives, selected on a competitive basis depending on the priority

development objectives of the regions;

- elaborating and implementing the cluster strategies of regional development.

Small and medium business:

- expanding the powers of the Oblast and Minsk Municipal Executive Committees as regards the privatization of municipal enterprises;
- developing a regional system for supporting small and medium businesses in all sectors, focusing on exports and innovations and creating jobs for young people and the disabled;
- adopting incentives for local senior officials to encourage the development of small and medium businesses.

Key measures for improving energy efficiency:

- ensuring the adoption of an integrated approach to the assessment of the use of fuel and energy resources, taking into account economic, social and environmental effects;
- engaging private companies in the energy sector for the implementation of projects using wood, biogas plants, heating pumps, wind and solar energy;
- improving the financing instruments for adopting energy efficient technologies and equipment (PPP; establishment of special funds, attraction of international funding);
- developing an instrument for compensating additional expenditures associated with the construction of energy efficient housing and the thermal renovation of houses.

Development of foreign economic activity at the regional level would require:

- the creation of an appropriate regional environment for integration in the form of information, financial and marketing infrastructure;
- territorial de-concentration of foreign trade, enhancing export potential and promoting export in small and medium-sized towns and agricultural areas;
- the development of new organizational and economic forms of cross-border and inter-regional cooperation and new instruments for supporting them in the context of the Eurasian Economic Union (EAEU), such as inter-regional or cross-border clusters, regional or globally oriented strategies, and the International Association of Regions of EAEU Member States.

It is proposed that management of the SOCIAL SECTOR OF A REGION can be improved in the following dimensions:

- developing standards and norms for the quality assessment of social services, introducing tools for service quality management, using innovative technologies of social services delivery;
- commercializing the social sector using instruments for the enhancement of the social responsibility of business and the development of social entrepreneurship;
- using public-private partnership instruments in setting up social infrastructure;
- engaging the non-governmental sector in social services delivery, based on social order;
- identifying new sources of services sector financing, such as, for example, active adoption of “social package” instruments at the enterprise level, which are provided to an employee by an employer at the employer’s expense;
- introducing an automated system for taking into account beneficiaries’ opinions about the quality of social services.

The main principle of the new housing policy reflected in the national legislation of Belarus is the provision of a broader set of options for solving the country’s housing problems. Its focuses include:

1. developing the stock of social housing, including for families with many children, which is provided to individuals under a rental contract for social dwelling;
2. establishing a rental housing market (it accounts for 60% in Germany, 57% in Sweden, 55% in the Netherlands and 34% in Japan and the USA);
3. using new financial instruments for the construction of houses for people not eligible for state support (such as mortgages, housing construction savings, and housing bonds).

Local governments and self-government bodies should create conditions for the implementation of these measures at the regional level. It is proposed that a major part of government funding earmarked for housing construction is transferred to local authorities and that a single public purchaser with legal responsibility for planning is assigned, in order to monitor the cost and quality of houses to be constructed and coordinate the activities of all participants in the investment process.

Operational problems in the housing and utilities sectors can be addressed through the formation of a market for housing and utility services in the regions which, in turn, would require solvent customers of these services such as, for example, various associations of dwellers including a partnership of owners with the status of a legal entity and empowered to conduct economic activity.

In the future, consideration should be given to the creation of a mechanism for service cost compensation by households

that would aim to gradually achieve 100% cost recovery. This approach should be matched with social policies that take into account increasing household incomes and targeted assistance to certain categories of people.

With a view to creating a competitive environment in the utility services market and attracting private investments in the sector, consideration can be given in the future to the development of private companies that operate on a level playing field with state-owned companies.

Classification of certain utility subsectors as natural monopolies, due to their centralization and the operation of a single interrelated communication network, makes it impossible to fully transfer them to the private sector. In such circumstances it might be appropriate to use public-private partnership arrangements – a common model in the utilities sector in developed countries.

With a view to mitigating the impacts of introducing competitive practices in social services delivery, the improvement of the social protection system should be guided by the following principles:

- flexibility of social benefits,
- a beneficiary should not be attached to a particular region;
- sufficiency to facilitate mobility in searching for a job, training, etc., thus allowing people to avoid poverty traps.

Local authorities should therefore be empowered to pay from local budgets an elevated and targeted monthly allowance in social assistance (to set a higher eligibility threshold). It is necessary to adopt new social care models, including social assistance practices or partnerships in the form of medical or legal practices to ensure the continuity of outreach to children with behavior deviations or orphaned children. It is also necessary to strengthen the monitoring of social problems by local authorities and to create an appropriate information platform for this purpose.

INNOVATION DEVELOPMENT in the regions is associated in the Report with the creation of an appropriate regional innovation environment.

The innovation environment should ensure integration and close collaboration between all participants of the innovation chain, which is comprised of knowledge generating entities, enterprises that apply knowledge, and various institutions that perform intermediary functions (provision of infrastructure, financing of innovation projects, market assessment, etc.). Proper attention in the regional innovation environment should be given to increasing responsiveness to innovations among economic entities located in the regions and orienting innovations toward meeting demand and addressing regional problems.

Human development should become a central focus in addressing this problem. This implies attracting skilled labor

to the regions, encouraging improvement of the professional qualifications of the existing labor force, developing the research and technical creativity of young people, and training and retraining in the innovative economy.

The Report proposes the following priority measures aimed at creating an innovation environment in the regions.

1. Creating an effective information basis for the development of formal and informal networks that can facilitate contact and integration between the business community and the research and education sectors by:

- establishing special information centers;
- expanding the list of innovation indicators, using international methodologies for calculating the regional innovation indices;
- supporting international mobility among researchers and students.

2. Facilitating demand for innovations in a region, which implies:

- mandatory location of production capacities, R&D units and services divisions in the regions;
- compilation of lists of technologies recommended for application by enterprises located in these territories;
- provision of consultative support for investment in innovation as a condition for the provision of support to a project by local authorities.

3) Establishing an institutional framework for innovation development in the regions, including:

- active growth of so-called knowledge providers (new technologies, promising research, etc.);
- establishment of consortiums between business, science and education, establishment of “business angels” networks to secure inflow of venture capital to the region;
- establishment of strong regional centers for innovation development management;
- development of regional innovation development strategies, defining priorities in business engagement (the so-called “entrepreneurial discovery process”) and in the creation of an environment for selecting “smart specialization” as the lead strategy for innovation and regional development.

ENVIRONMENTAL POLICY priorities have been identified with a view to preventing contamination of the environment and generating certain economic and social benefits that would allow Belarus to move ahead with the implementation of the sustainable development concept and green economy principles. Concrete recommendations have been proposed in the following areas:

- In the area of establishing new energy efficient productions, it is proposed that, in addition to the adoption of low- and no-waste technologies and environmental charges and penalties, the education system should be improved for the benefit of sustainable development. This implies:
- the development and introduction of special courses on sustainable development at all levels of education;
- the facilitation of broader collaboration between education establishments and local communities, aiming to transform these establishments into “centers of sustainable territorial development”;
- the promotion of environmental self-awareness amongst the population, especially in the regions; promotion of green products.

With a view to forming a market of environmentally friendly products, the most important focuses of environmental policy include:

- improving the uniform system for the certification of environmentally friendly products and its alignment with similar international systems, as regards both final products and all production stages;
- introducing ecological labeling of products to inform consumers about environmental impacts;
- developing and implementing programs for mainstreaming the environment in the agricultural sector, and promoting organic farming;
- creating an enabling legislative and fiscal environment for the development of a market for environment friendly products, facilitation of environment-based investments, and the introduction of “green” public procurement instruments.

With a view to forming an eco-system services sector based on sustainable development principles that would contribute to the realization of the existing recreation potential, the following priority measures have been identified:

- establishment of a legislative framework that makes it possible to identify ecosystem services and the beneficiaries of ecosystem services;
- provision of scientific and methodological support to the formation of an ecosystem services market, including the development of methodologies of environmental and economic assessment and of analysis of ecosystem services efficiency, as well as a conceptual model for the operation of markets of ecosystem services that takes into account the specifics of Belarus’s regions.

With a view to further developing environmental tourism and agroecotourism, aimed at the maximized use of natural resources and the environmental potential of the territories as well as the skills, competences and initiatives of local communities, whilst promoting the creation of “green jobs”,

conservation of the environment, expansion of services export and improvement of household living standards, it is proposed that:

- efforts should be intensified to promote the country and the regions through branding and marketing;
- ecotourism and agroecotourism development should be integrated in the Local Agendas 21, which are currently being elaborated;
- the establishment of rural business centers providing advisory, information and organizational support to small and medium businesses and agroecotourism entities should be facilitated;
- a system for supporting the formation of regional tourism clusters should be set up.

INSTITUTIONAL FRAMEWORKS IN THE REGIONS incorporating local governments and self-government bodies, local communities (people, NGOs) as well as mechanisms of coordination, communication of economic, social and other entities located in the territory, which are connected through various types of infrastructure and culturological contexts (behavior models, local customs and traditions), constitute an overarching pillar of competitiveness.

This would require a strengthening of the role of territorial management. This is driven by a trend towards clusterization of the regional economy and the need to identify intersectoral reserves of regional growth. Sectoral management erosion is also caused by the formation of the business sector and the adoption of the General Classifier of Economic Activities (GCEA) in accounting. It is necessary to move away from directed and administrative methods in regional development management towards benchmarking and indirect management instruments. It is necessary to expand the powers of local authorities as regards the coordination and monitoring of the region's socioeconomic development, including through the use of cutting-edge ICTs.

Local sustainable development strategies (Local Agendas – 21) are seen as an instrument of regional development consistent with benchmarking planning principles and regional competitiveness enhancement goals. They should be developed based on the new methodological framework (consideration of local conditions, multiplicity of options, presentation of the strategy not as a directive but rather as a set of measures agreed by all regional process participants).

With a view to encouraging more active use of public-private partnership instruments for the development of territorial infrastructure, it is necessary to elaborate standards for infrastructural services delivery, to arrange monitoring of PPP projects, and to develop regional institutions, for example by using the platforms of Business Development Councils.

Efficient state and regional governance in relation to human development implies that the activity of governmental bodies

at the local level should be guided by the principle of openness and broad involvement of civil society and non-governmental institutions in local decision-making as well as an effective system of public accountability.

To eliminate a trend of bureaucratization in local government bodies, it is proposed that:

- an indicator of popular satisfaction with authorities' responsiveness to requests should be incorporated in the current list of performance indicators;
- the Model Ethics Code of a Civil Servant in the Republic of Belarus, which is intended to improve the style and methods of interaction with people, should be approved;
- multifunctional centers for integrated responses to problems faced by people in the areas of land-related matters, architecture and construction should be established, and their on-line operation ensured.
- legal status should be granted to local initiatives. allowing them to mobilize budgetary resources and be included in regional socioeconomic development programs.

In general, improvement of the local government and self-government system in Belarus in this context would require the identification of soft options for the realization of the principle of subsidiary responsibility, which can be linked, at least, to the following dimensions:

- decentralization of powers of governance only in instances of the feasibility of more efficient governance at the local level and in instances of the implementation of large-scale projects that affect the regions;
- piloting of new arrangements and instruments for obtaining feedback from local residents by local authorities in relation to local decision making processes;
- expansion of the practice of providing support to proactive, well performing and efficient participants of the regional process, rather than to inefficient entities and disadvantaged regions;
- formation of a system for monitoring the threats and risks affecting regional policy in terms of the interests of the state and local communities as well as regional risk management.

The most challenging and lengthy process is the improvement of financing frameworks for local governments and self-government bodies in line with the following requirements:

- financing should be sufficient for the implementation off the governance functions assigned to the respective territorial level, and the financing mechanism should "provide for minimum redistribution of funds between budgets of different levels";
- the mechanisms for the formation and expenditure of

local budget funds and intergovernmental fiscal relations should create incentives for local governments to increase budget spending efficiency and to reinforce the tax capacity of the territory;

- fiscal relations at the territorial level should secure an approximately equal level of public goods consumption among local communities;
- optimization and streamlining of the expenditure side of local budgets should be based on moving away from local development cost management toward outcome management.

With a view to forming cultural capital as a source of social, economic and environmental effects at the regional level, the following focus points have been identified:

- elaboration and implementation of a set of measures for the development of new cultural centers at the rayon level;
- establishment of national and regional cultural parks in deteriorated industrial zones, based on international experience;
- pursuance of a targeted migration policy aimed at attracting creative professionals to the regions;
- promotion of certain services subsectors as a subject matter for an economy of emotions and events (various tours, festivals, fairs, local festivities) with a view to developing local leisure services;

Enhanced competitiveness and comprehensive development in Belarus's regions is linked in the Report with improvements in the location of productive forces and the administrative and territorial structure of the country.

The concept of the location of Belarus's productive forces should reflect new factors and modes of interaction between economic actors. The implications are the following:

1. The securing of appropriate infrastructure for the territory is becoming an instrument for location policy in the market environment.

2. A considerable role is played by non-material factors, including human factors (settlement patterns, education levels and the concentration of skilled labor, the cultural environment, the image and local identity of the territory).
3. The adoption of new technologies and ensuring of intensive communication between economic entities require the formation of new location elements for productive forces: industrial parks, science parks, intellectual hubs.
4. Addressing the problem of the high concentration of industrial production and social facilities in Minsk and the oblast capitals is associated with the formation of agglomerations and the promotion of satellite towns.

The existing administrative and territorial structure in Belarus should be improved by stages to ensure a relatively equitable level of socioeconomic development in the rayons and village councils.

At the first stage of the improvement of the administrative and territorial structure, it seems reasonable to:

- finalize the merging of the oblast subordination cities (Baranovichi, Pinsk, Bobruisk) with their rayons and consolidate the municipal executive committees of the oblast capitals with the executive committees of the respective rayons;
- consolidate the rayons with populations below 20,000 people with neighboring and larger rayons and reduce the total number of rayons to 95-100, taking into account the transport accessibility of the rayon capitals, existing industrial and socio-cultural ties and public opinion;
- establish a separate administrative and territorial jurisdiction – the Minsk Capital City District.

The second stage of reform should include the change of the administrative and territorial structure, based on evolving regional and local settlement patterns, and the creation of the resources and financial capacities needed for comprehensive development and improvement of competitiveness in every region. One of the reform options may be a transition from a three-tier local government and self-government system to a two-tier system with respective changes in the administrative and territorial structure.