



STRENGTHENING INSTITUTIONAL FRAMEWORKS FOR LOCAL GOVERNANCE

SEPARATING STATE AND LOCAL GOVERNMENT FUNCTIONS IN BELARUS

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Criteria of the State functions' separating in Belarus

▶ In Belarus the separating of state functions and local ones are generally approached to the traditional theory of multilevel government and is based on three criteria:

▶ **Macroeconomic stabilisation** (*the people expect the state to create the conditions for stable growth, low inflation, and full employment*);

▶ **Income redistribution** (*the provision of social transfers; support for unemployed persons; promoting an active regional policy; and creating social security system belong to this state function*);

▶ **Resource allocation** (*the state should provide some services for society which the market economy would not create or would produce suboptimal quantity: public goods; health care system; basic infrastructure; local services...*).

Criteria/ Functions	Central	Subnational / Local governments
Macroeconomic stabilisation	✓ +	-
Income distribution	✓ +	✓ +
Resource allocation	✓ +	✓ +

An actual distribution of the State functions in Belarus

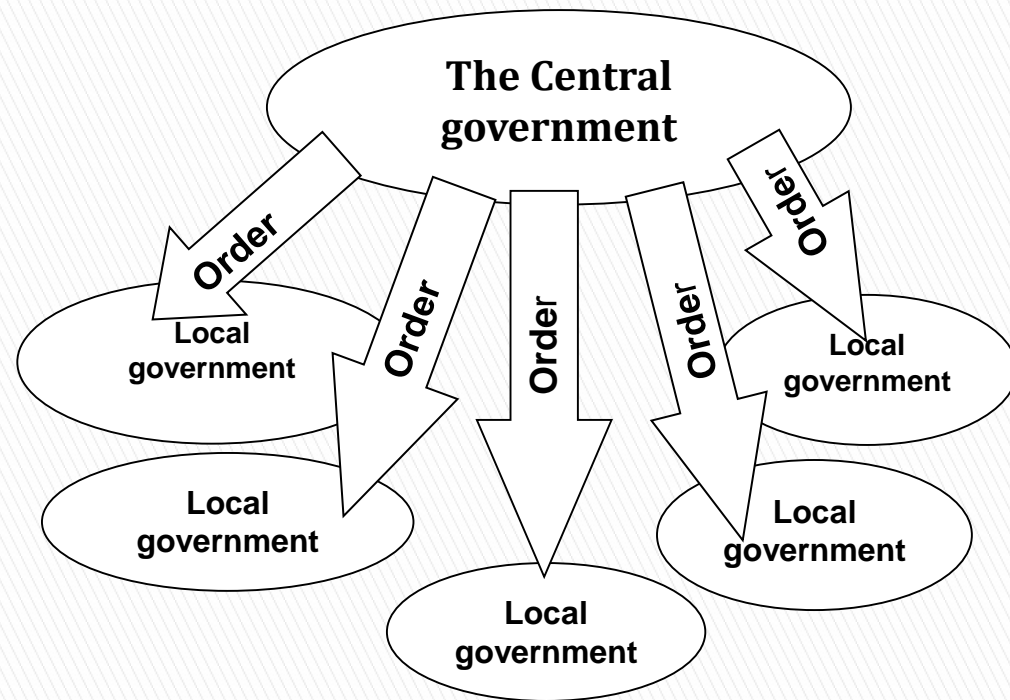
Function	Policy and standards oversight	Provision/ administration
Defense	National government	National government, Local governments
Foreign relations	National government	National government
External trade	National government	National government, Local governments
Monetary policy, currency, banking	National government	National government
Interregional trade	National government	National government, Local governments
Immigration	National government	National government, Local governments
Air and railway communication	National government	National government, Local governments
Insurance on unemployment	National government	National government
Environment	National government, Local governments	National government, Local governments
Highways	National government, Local governments	National government, Local governments
Education, health and social welfare	National government, Local governments	National government, Local governments
National resources	National government, Local governments	National government, Local governments
Industrial and agricultural policy	National government, Local governments	National government, Local governments
Law-enforcement activity	National government	National government, Local governments

Why the functions aren't divided accurately and clearly

Reasons:

- ▶ Local government is completely entered into the system of State power. *So, in this case no reasons to separate the local government functions from the state ones in legislation;*
- ▶ Local authorities are regulated by the Presidential vertical. *So, local administration depends upon the Central government solutions;*
- ▶ Heads of Local executive committee are appointed by the President of the Republic of Belarus; *So, why then the local self-government is necessary;*
- ▶ The Local executive committee has position higher than elected Local Council. *In local administration's hierarchy the local executive committee is on the top and Local elected council is on the bottom.*
- ▶ Local finance are totally belonging to the State finance system and not separated from it. *So, the local budgets look like as branches of the Central budget on the local territories.*

The results of unclear separating of the State functions in Belarus



A conditional division of functions in Belarus exists

- ▶ Despite the lack of state functions' separating in belarusian legislative base between the Central government and local ones a conditional dividing functions in public sphere nevertheless exists:

Public services	Governments	
	Subnational governments	Central / State Government
Education		
• Pre-schools	x	
• Elementary schools	x	
• Secondary schools	x	
• Out-of-school education	x	
• Secondary schools for children needed in social assistance	x	
• Technical education	x	X
• Universities		X
Water supply and sewerage	x	
Electricity, heating and gas supply	x	
National defense	X	X
Public safety	x	X
Environment protection	x	X
Health care	x	X
Local economic development	x	
Public light	x	
Fire protection	x	X
Civil defense	x	X
Public transport	x	

Consequences of unclearness in separating functions

- ▶ 1. Lack of clearness in identification of necessary revenues for expenditure covering.
- ▶ 2. Possibilities to keen on ambitious and populist projects. *For example, in infrastructure, fitness and sport and other branches.*
- ▶ 3. Lack of clarity in expenditures which are produced at the subordinate level. *For example: local priorities or programs determined by the Center.*

Conclusions

Difficulties of LFB

- ▶ The illegibility and unclear in function's division and responsibilities between the central and local governments creates illusion of local government finance existence in Belarus.
- ▶ So, it is very difficult to make comparative country estimates in local financial benchmarking.
- ▶ Therefore, the local finance evolution in Belarus can negatively be estimated .

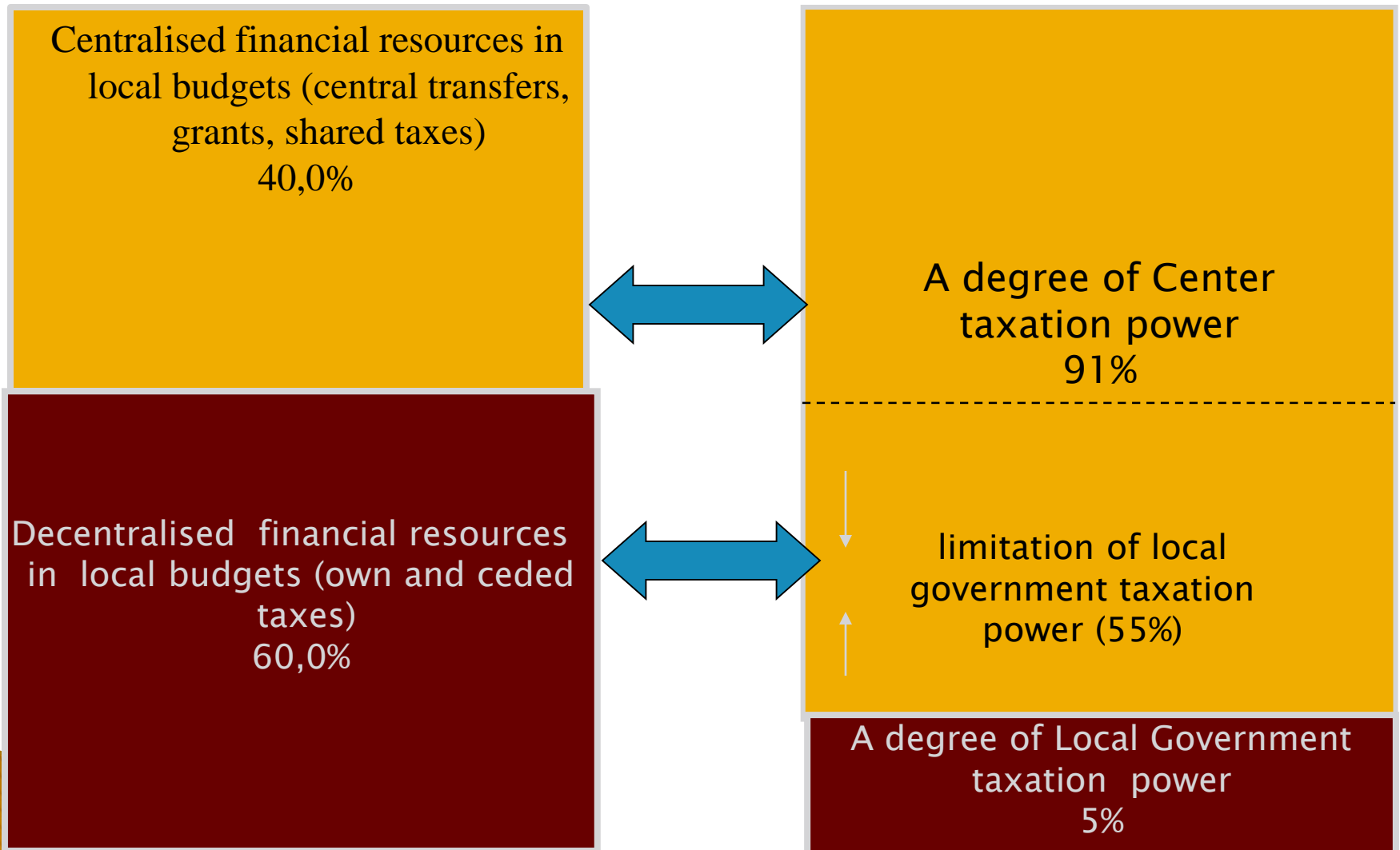
How unclear function's division and responsibilities influence on LFB:

- ▶ **1. In revenue autonomy area:** Results of an objective assessment revenue's generation by the local governments are distorted. Due to the lack of local financial autonomy the local governments can't work by the principle of self-financing of their expenditures. So, there is no independence of the local governments in tax administration and levy taxes.
- ▶ **2. In financial equalization area:** There is no transparency and objectivity in financial equalization process. Lack of formula -based in financial equalization creates bases for financial inequality, injustice and political and economic influence of the Center on local governments.
- ▶ **3. In local borrowing area:** There is no responsibility of local governments for municipal debts. It reminds a "rearrangement" of money from one State pocket in another one. The typical example for municipal loans is that the local governments are issuing municipal bonds and the Central National bank is buying these bonds, then loan repayment are making by the State savings bank.

Contradiction between financial resources and taxing power of local governments (example 2013 year)

Financial resources

Tax power



European Charter of Local Government articles which not implemented in Belarus

- ▶ Article 4: Scope of Local self – government –
- ▶ Article 5: Protection of local authority boundaries
- ▶ Article 6 : Appropriate administrative structure and resources for the tasks of local authorities
- ▶ Article 7 : Conditions under which responsibilities at local level are exercised
- ▶ Article 8: Administrative supervision of local authorities' activities
- ▶ Article 9 : Financial recourses of local authorities –Paragraph1, 2,3: