

Report No. 89737-BY

BELARUS

Public Expenditure and Financial Accountability (PEFA) Public Financial Management Performance Report

June 2014

Europe and Central Asia Region



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CURRENCY AND EQUIVALENT UNITS

(Exchange Rate Effective June 3, 2014)
Currency Unit = Belarussian Ruble (BYR)
US\$1 = 10,100 BYR
Euro 1 = 13,750 BYR

GOVERNMENT FISCAL YEAR

January 1 to December 31

PEFA ASSESSMENT PERIOD

2010 - 2012

WEIGHTS AND MEASURES

Metric System

ABBREVIATIONS AND ACRONYMS

AGA	Autonomous Government Agency	MoIA	Ministry of Internal Affairs
ASOSAI	Asian Organization of Supreme Audit Institutions	MoL	Ministry of Labor and Social Protection
Belstat	National Statistical Committee	MoT	Ministry of Trade
BYR	Belarussian Ruble	MoTL	Ministry of Taxes and Levies
CCCU	Customs Code of the Custom Union	MoF	Ministry of Finance
CIT	Corporate Income Tax	MTFP	Medium Term Financial Program
CPI	Consumer Price Index	NBRB	National Bank of the Republic of Belarus
CoA	Chart of Accounts	n/a	Not applicable
CoFoG	Classification of Functions of Government	PE	Public Enterprise
DSA	Debt Sustainability Analysis	PEFA	Public Expenditure and Financial Accountability
EUROSAI	European Organization of Supreme Audit Institutions	PFM	Public Finance Management
GDP	Gross Domestic Product	PIN	Payee Identification Number
FY	Fiscal/Financial Year	PIT	Personal Income Tax
GFS	Government Finance Statistics	SCC	State Control Committee
GFSM1986	Government Finance Statistics Manual (IMF, 1986)	SCustC	State Customs Committee
GFSM2001	Government Finance Statistics Manual (IMF, 2001)	SIP	State Investment Program
IFRS	International Financial Reporting Standards	SNG	Subnational Government
IMF	International Monetary Fund	SPF	Social Protection Fund
INTOSAI	International Organization of Supreme Audit Institutions	TSA	Treasury Single Account
KRU	Department of Control and Inspection	USD	United States Dollar
MDAs	Ministry, Department, Agency	VAT	Value Added Tax
MoE	Ministry of Economy		

Table of Contents

Acknowledgements	iv
Summary	v
I. Integrated Assessment of PFM Performance	v
A. Credibility of the budget	v
B. Comprehensiveness and transparency	vi
C(i). Policy-based budgeting	vii
C(ii). Predictability and control in budget execution	vii
C(iii). Accounting, recording and reporting	viii
C(iv). External scrutiny and audit	ix
II. Assessment of the impact of PFM weaknesses	ix
1. Aggregate Fiscal Discipline	ix
2. Strategic Allocation of Resources	x
3. Efficient Service Delivery	x
III. Change in performance since the previous assessment	x
IV. Prospects for PFM Reforms	xii
1 Introduction	1
1.1 Objective of the PFM-PR	1
1.2 Process of preparing the PFM-PR	1
1.2.1 Stakeholders and their roles	1
1.2.2 Assessment process	2
1.3 Methodology	2
1.4 Scope	3
2 Country Background Information	4
2.1 Description of country economic situation	4
2.1.1 Country context	4
2.1.2 Overall government reform programme	6
2.1.3 Rationale for PFM reforms	6
2.2 Description of budgetary outcomes	6
2.2.1 Fiscal performance	6
2.2.2 Allocation of resources	8
2.3 Legal and institutional framework for PFM	9
2.3.1 The legal framework for PFM	9
2.3.2 The institutional framework for PFM	11
3 Assessment of PFM Systems, processes and institutions	15
3.1 Budget credibility	15
3.1.1 PI-1 Aggregate expenditure out-turn compared to original approved budget	15
3.1.2 PI-2 Composition of expenditure out-turn compared to original approved budget	16
3.1.3 PI-3 Aggregate revenue out-turn compared to original approved budget	18
3.1.4 PI-4 Stock and monitoring of expenditure payment arrears	19
3.2 Comprehensiveness and transparency	21
3.2.1 PI-5 Classification of the budget	21

3.2.2	PI-6 Comprehensiveness of information included in budget documentation	23
3.2.3	PI-7 Extent of unreported government operations	25
3.2.4	PI-8 Transparency of inter-governmental fiscal relations	28
3.2.5	PI-9 Oversight of aggregate fiscal risk from other public sector entities	31
3.2.6	PI-10 Public access to key fiscal information	35
3.3	Policy-based budgeting	38
3.3.1	PI-11 Orderliness and participation in the annual budget process	38
3.3.2	PI-12 Multi-year perspective in fiscal planning, expenditure policy and budgeting	41
3.4	Predictability and control in budget execution	44
	<i>Background to Tax Administration</i>	44
3.4.1	PI-13 Transparency of taxpayer obligations and liabilities	45
3.4.2	PI-14 Effectiveness of measures for taxpayer registration and tax assessment	48
3.4.3	PI-15 Effectiveness in collection of tax payments	51
3.4.4	PI-16 Predictability in the availability of funds for commitment of expenditures	54
3.4.5	PI-17 Recording and management of cash balances, debt and guarantees	56
3.4.6	PI-18 Effectiveness of payroll controls	59
3.4.7	PI-19 Competition, value for money and controls in procurement	61
3.4.8	PI-20 Effectiveness of internal controls for non-salary expenditure	65
3.4.9	PI-21 Effectiveness of internal audit	67
3.5	Accounting, recording and reporting	70
3.5.1	PI 22: Timeliness and regularity of accounts reconciliation	70
3.5.2	PI-23 Availability of information on resources received by service delivery units	71
3.5.3	PI-24 Quality and timeliness of in-year budget reports	72
3.5.4	PI-25 Quality and timeliness of annual financial statements	74
3.6	External scrutiny and audit	76
3.6.1	PI-26 Scope, nature and follow-up of external audit	76
3.6.2	PI-27 Legislative scrutiny of the annual budget law	78
3.6.3	PI-28 Legislative scrutiny of external audit reports	80
3.7	Donor practices	82
3.7.1	D-1 Predictability of Direct Budget Support	82
3.7.2	D-2 Financial information provided by donors for budgeting and reporting on project and program aid	83
3.7.3	D-3 Proportion of aid that is managed by use of national procedures	84
4	Government Reform Process	85
4.1.	Recent and ongoing reforms	85
4.2.	Institutional factors supporting PFM reform planning and implementation.	86
	Annexes	87
	Annex 1: PFM Performance Measurement Framework Indicators Summary	88
	Annex 2: Organizational Structure of the Ministry of Finance	103
	Annex 3: Variance in Expenditure Composition of General Government Budget	104
	Annex 4: Sources of Information and Evidence	107
	Annex 5: List of Stakeholders Interviewed	114
	Annex 6: List of Documents Consulted	118
	Annex 7: Disclosure of Quality Assurance Mechanism	124
	Annex 8: Assessment Team Composition and Roles	127

Table 0.1. Overview of PFM Performance Scores

PFM Performance Indicator		Scoring	Dimension Ratings				Overall
		Method	i.	ii.	iii.	iv.	Rating
A. PFM-OUT-TURNS: Credibility of the budget							
PI-1	Aggregate expenditure out-turn compared to original approved budget	M1	C				C
PI-2	Composition of expenditure out-turn compared to original approved budget	M1	B	A			B+
PI-3	Aggregate revenue out-turn compared to original approved budget	M1	B				B
PI-4	Stock and monitoring of expenditure payment arrears	M1	A	B			B+
B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency							
PI-5	Classification of the budget	M1	A				A
PI-6	Comprehensiveness of information included in budget documentation	M1	A				A
PI-7	Extent of unreported government operations	M1	D	A			D+
PI-8	Transparency of inter-governmental fiscal relations	M2	D↑	A	A		B
PI-9	Oversight of aggregate fiscal risk from other public sector entities	M1	C	A			C+
PI-10	Public access to key fiscal information	M1	B				B
C. BUDGET CYCLE							
C(i) Policy-Based Budgeting							
PI-11	Orderliness and participation in the annual budget process	M2	D	C	A		C
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	M2	C	C	D	D	D+
C(ii) Predictability and Control in Budget Execution							
PI-13	Transparency of taxpayer obligations and liabilities	M2	B	A	B		B+
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	M2	A	A	A		A
PI-15	Effectiveness in collection of tax payments	M1	A	A	A		A
PI-16	Predictability in the availability of funds for commitment of expenditures	M1	B	B	B		B
PI-17	Recording and management of cash balances, debt and guarantees	M2	A	B	B		B+
PI-18	Effectiveness of payroll controls	M1	B	A	A	B	B+
PI-19	Competition, value for money and controls in procurement	M2	D	D	D	D	D
PI-20	Effectiveness of internal controls for non-salary expenditure	M1	C	B	A		C+
PI-21	Effectiveness of internal audit	M1	D	n/a	n/a		D
C(iii) Accounting, Recording and Reporting							
PI-22	Timeliness and regularity of accounts reconciliation	M2	A	A			A
PI-23	Availability of information on resources received by service delivery units	M1	A				A
PI-24	Quality and timeliness of in-year budget reports	M1	C	A	A		C+
PI-25	Quality and timeliness of annual financial statements	M1	C	A	D		D+
C(iv) External Scrutiny and Audit							
PI-26	Scope, nature and follow-up of external audit	M1	C	A	A		C+
PI-27	Legislative scrutiny of the annual budget law	M1	B	B	D	C	D+
PI-28	Legislative scrutiny of external audit reports	M1	A	D	D		D+
D. DONOR PRACTICES							
D-1	Predictability of Direct Budget Support	M1	n/a	n/a			n/a
D-2	Financial info provided by donors for budgeting/reporting on project/program aid	M1	n/a	n/a			n/a
D-3	Proportion of aid that is managed by use of national procedures	M1	D				D

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The assessment team greatly appreciates the contributions of all other participants, who took part in the interviews and attended the workshops (including the Parliament, the State Customs Committee, the National Bank, the National Statistics Committee, the Ministry of Trade, the Ministry of Health, the Ministry of Education, the Ministry of Industry, the Ministry of Labor and Social Protection, the Main State Treasury for the city of Minsk, the Financial Department of the Minsk Oblast Executive Committee, as well as representatives of the non-governmental organizations).

The World Bank assessment team was comprised of Mrs. Elena Nikulina (Team Leader, ECSP4), Mr. Sebastian Eckardt (Co-leader, ECSP3), Mr. Andrew Mackie, Mr. Mark Silins (ECSP4), Mrs. Yelena Slizhevskaya, Mr. Kiryl Haiduk and Mrs. Maryna Sidarenka (ECSP3). The team received guidance from Mr. Adrian Fozzard, Sector Manager, Public Sector and Institutional Reforms, Europe and Central Asia Region (ECSP4). Valuable inputs were received from the peer reviewers, including Mr. William Dorotinsky (PRMPS), PEFA Secretariat, and IMF team for Belarus. Mrs. Alina Gres (ECCBY) provided excellent support during preparation process. Mrs. Virginia Yates (ECSP4) put significant effort into formatting the report and preparing it for publication.

Summary

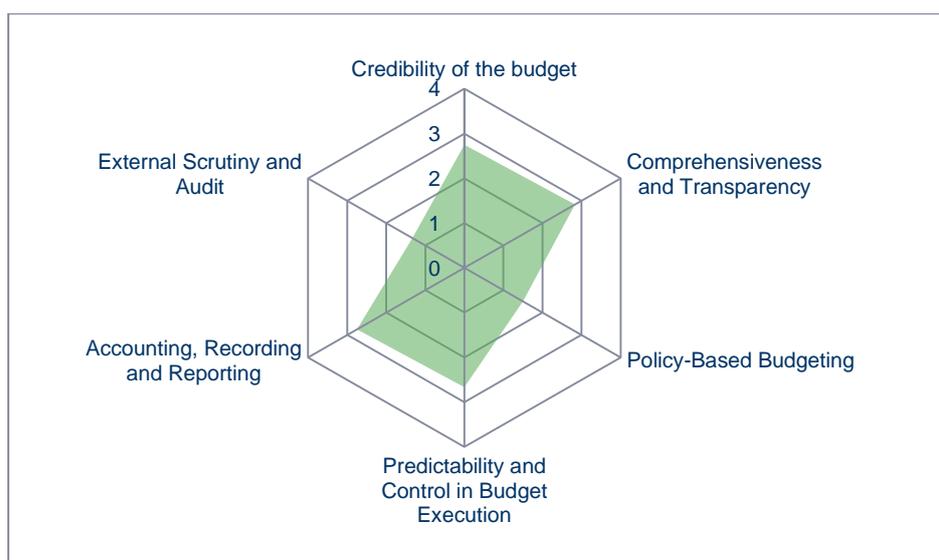
I. Integrated Assessment of PFM Performance

The period since the 2009 PEFA assessment was marked by persistent macro-economic crisis in Belarus. In the face of substantial fiscal pressures, fiscal management was dominated by short term consolidation needs. While the government succeeded in maintaining fiscal discipline, short term crisis management has to some extent crowded out more long term institutional reforms to strengthen the way the budget is managed.

Overall, PFM improvements during 2010-2012 focused on strengthening the legislative framework. Notable progress has been made with the adoption of the Tax Code, Budget Code and the introduction of codified procurement legislation. However, in several important areas, such as medium term budgeting and intergovernmental fiscal relations, implementation of the new legal provisions has been slow.

Figure 1 presents the aggregate scoring of six core dimensions of PFM performance as defined by the PEFA framework. Brief summary of the assessment results for each dimension follows below.

Figure 1. Aggregate scores for the core dimensions of PFM performance, 2013 assessment.



Source: World Bank staff.

Note: PEFA framework uses alphabetic scores for the indicators, where A is the highest score and D is the lowest. For the purposes of this chart, those scores were converted into numeric scale (where 4 corresponds to the highest A score) and averaged for each core performance dimension.

A. Credibility of the budget

Macroeconomic instability undermined reliability of revenue and expenditure forecasts resulting in significant revenue and expenditure deviations compared to approved budgets. Actual expenditure exceeded planned expenditure in two out of the three years, with the deviation of aggregate general government expenditures exceeding 30 percent in 2011. Aggregate revenue also deviated substantially from the original revenue forecast. During 2011 and 2012 high inflation boosted revenue collection considerably in excess of

original estimated revenues. The functional composition of actual expenditures was less affected. While the variance in expenditure composition exceeded 10 percent in 2010, it was less than 10 and 5 percent in 2011 and 2012, respectively.

Notwithstanding the challenges, the government succeeded in containing the budget deficit. Strong budget controls and payment management prevented accumulation of expenditures arrears, the stock of which remained low throughout the period despite the absence of formal commitment controls. Aligning the definition of arrears with international practice and introducing the requirement for obligatory registration of the invoice due date in the treasury system could further strengthen the existing mechanisms for monitoring of arrears.

B. Comprehensiveness and transparency

Belarus' budget documentation is fairly complete and comprehensive. The budget classification used is largely consistent with IMF's Government Finance Statistics Manuals (GFSM) and Classification of Functions of Government (CoFoG). Complete budget execution data is collected and reported for all levels of government and regularly consolidated. There remains scope for unification of the existing multiple financial reporting structures and their fuller integration with the budget classification. This might be an important improvement in preparation for the development of the new financial management information system. In addition, some gaps in the budget documentation remain: the macro-economic indicators for FY 2012 did not include exchange rate estimates, and information on the stock of financial assets is missing.

A significant share of public finances is managed outside the formal budget process undermining transparency, control and efficiency in the use of public resources. Based on available data, quantifiable elements of extra-budgetary activity represented more than 10% of central government expenditures in 2012. This includes: own-source revenues of spending agencies, special funds, and significant cross subsidies in the utility sectors. In addition, there are significant tax expenditures which are not reflected in the budget.

Oversight of aggregate fiscal risk resulting from operations of public enterprises (PEs) represents a particular challenge for Belarus, given their economic significance. Due to Belarus' gradual transition path, state owned enterprises account for more than half of output and about two thirds of public employment. In addition, the banking system remains heavily dominated by state owned banks which perform large quasi-fiscal activities related to lending under government programs, mostly in the housing construction and agricultural sector. While these operations have created significant fiscal risks (in the form of called guarantees and bank recapitalization expenditures), at present, Belarus does not explicitly include aggregate fiscal risk analysis in either its fiscal framework or the annual budget process. Also, overall fiscal risks are not systematically reflected in the consolidated report on public enterprises prepared by National Statistical Committee.

Enactment of the Budget Code established a solid basis for improved transparency of inter-governmental fiscal relations but the rules based transfer formula has not yet been implemented. Transfers to subnational governments are reasonably transparent but continue to be based on incremental adjustments while the newly developed rules based formula is being tested. This is an area where further improvements are expected. Lower tier territorial governments are provided with reliable information on the resources available for the forthcoming budget year in a timely fashion before they start their detailed budget preparation. Complete budget execution data, broken down by function, economic and administrative classifications, covering both local and central government budgets, is collected and reported quarterly.

The availability of key fiscal information to the general public has increased but significant scope for further improvement remains in this area. Enactment of a requirement to publish contract awards increased the number of types of information made available to the public from 2 in 2009 to 3 in 2013. However, a full set of budget documentation, individual ministries, departments or agencies (MDAs) reports, the costs of operating individual service delivery units (schools, hospitals etc.) and external audit reports are not yet readily available to the public.

C(i). Policy-based budgeting

The annual budget process is orderly, in the sense that ministries and lower tier governments are given clear instructions on the economic and other assumptions to be used in preparing their detailed budget submissions. The Budget Code stipulates a basic budget calendar, but key dates, including issuance of the budget circular and submission of budget requests by MDAs, are not specified. While MDAs participate throughout the budget preparation process, the formal time given to them to prepare detailed budget requests is limited. Delays in the issuance of the budget circulars occur partly because of uncertainties about the budget outlook stemming from the macroeconomic instability. The budget circular establishes budget ceilings for MDAs, but these are not approved by the Council of Ministers and are therefore subject to revision. Parliament approves the budget before the start of the new fiscal year.

The multi-year perspective in fiscal planning and budgeting remains limited. Slow progress in this area over the recent years is partially a consequence of unstable macroeconomic environment. Medium term fiscal forecasts are prepared, but forward estimates are not systematically linked to the annual budget allocations. Ministry of Finance's debt department has made progress in developing external public debt sustainability analysis. Line ministries prepare sector strategies in the context of the development planning process. While these strategies identify and cost priority investments, the medium term, recurrent cost implications associated with these investments are not captured. Although a process for prioritising the investment budget is in place, this process remains separate from the main budget process.

C(ii). Predictability and control in budget execution

Since the 2009 assessment, Belarus has undertaken significant reforms which have simplified and improved the taxation system. In 2010, a unified Tax Code came into force, which means that taxpayers can now refer to a single consolidated law addressing their tax obligations. In addition, some taxes were removed or reduced, access to information was simplified and the administrative burden in relation to taxpayer compliance was reduced. Some limited discretionary powers still exist in the law. Administrative appeals are open to all taxpayers, however, a transparent and independent tax appeal mechanism is only available to legal, and not physical persons. Tax registration and assessment mechanisms are effective. Audit and investigations are conducted using comprehensive six month plan which is based on an assessment of taxpayer risk.

Belarus has achieved good progress in implementing the Treasury Single Account (TSA) for consolidation of cash balances for most central government accounts. Most receipts and payments pass through the treasury single account which is reconciled on a daily basis, however own source revenues and a few small extra-budgetary funds remain outside. An annual cash flow forecast is prepared, broken down by quarter and months. The forecast is updated quarterly, although informal monitoring occurs more frequently in the Treasury. Belarus operates a quarterly budget allocation process which sets hard budget controls and cash limits. The system works effectively in providing certainty over funding for budget institutions; changes are

permitted but are controlled by the Ministry of Finance (MoF). In the final quarter of 2012, due to cash flow problems there were some delays which affected a small amount of funding of unprotected items¹.

Controls over payroll and non-salary expenditures are relatively strong. The control framework is comprehensive and well understood and the compliance level is high. In the case of non-salary expenditures, the major weakness is limited coverage of mandatory commitment controls which are only applied to certain categories of expenditures. In the case of payroll, one area for improvement is the development of automatic linkages between human resources and accounting systems of budget organizations to synchronize changes. The advent of system based controls has not fully replaced manual based controls leading to some duplication. With the implementation of the Law on digital signature this practice is expected to disappear.

Controls over debt and guarantees have improved since 2009. Debt recording and monitoring for central government is well developed with comprehensive monthly reporting. The issuance of debt and guarantees for central government is clearly defined in the legislation; criteria exist for borrowing and issuing guarantees, and a single entity, the MoF, signs for debt and guarantees. Monetary ceilings rather than fiscal targets are set in the annual budget law.

Internal audit – in the sense of an operation reporting to management on the performance of the systems for which it is responsible – does not yet exist in Belarus. The existing heavy framework of controls at central and local levels is focused on compliance rather than addressing improvement of public finance management (PFM) systems. In addition to the procedures operated by and within spending Ministries or lower tier authorities to ensure correctness, there are periodic inspections by MoF central and/or local inspectorates, sometimes in conjunction with the State Control Committee (SCC). The main focus of these inspections is comprehensive ex-post checking of transactions, with a view to the discovery and correction of errors.

Prior to 2012, the procurement framework was extremely fragmented, but progress was made in this area with introduction of a new Public Procurement Law in 2012. While the data provided on the Ministry of Trade website appears to be comprehensive, the present procurement system lacks a comprehensive system to validate whether the procurement methods are justified in accordance with legal requirements. The Law requires government bidding opportunities and contract awards to be made available to the public through electronic means. A procurement Complaints Commission has been established under the new Law however this does not yet have representation from the private sector or civil society and there is no legal requirement for the publication of the resolution of procurement complaints.

C(iii). Accounting, recording and reporting

Basic systems for accounting, recording and reporting are in place. There are regular reconciliations between transactions data in the Treasury system, and accounting data provided by ministries and lower tier governments. There are accounting records for every service delivery unit (schools, hospitals, cultural centers, etc.), which provide reliable information on all types of resources received on a monthly, quarterly and annual basis. Monthly revenue and expenditure execution data is prepared on a timely basis and appears to be accurate. However there is no separate reporting of commitments. Public sector accounting is based on national

¹ Selected items of budget expenditures (wages, food stuff, medicaments, transfers to population, public debt payments) are traditionally given a priority in funding and for that reason are referred to as “protected”.

rules which are applied consistently but do not comply with international standards. National accounting standards are not disclosed in the annual financial statements.

C(iv). External scrutiny and audit

The current external audit arrangements in Belarus deviate from the international practice embedded in the PEFA methodology. The SCC, reporting to the President, performs many of the tasks assigned to supreme audit institutions in other countries. The coverage of SCC audits is reasonably comprehensive but the scope of work is limited. There is no disclosure of SCC's audit procedures other than the recently developed Performance Audit guidelines. The SCC annual conclusion on the execution of the republican budget is presented to the National Assembly on a timely basis. There is good follow up to SCC recommendations by the Government, however, neither the recommendations, nor their discharge are published. Legislative scrutiny of external audit reports is limited to the hearings on the SCC conclusion on annual republican budget execution. SCC is not obliged to provide any of its inspection reports to the legislature and they are not discussed in the parliamentary Committees.

Clear procedures exist for the legislature's budget review and these are respected. The legislature's review covers fiscal policies for the forthcoming budget year as well as detailed estimates of expenditure and revenue, but does not cover the medium-term framework. While informal procedures exist for the legislature to get involved in the review of the budget from early stages of its preparation, the official time allowed for the formal review is insufficient. There are also clear rules limiting in-year amendments to the budget without prior legislature approval. However these rules allow for extensive reallocation and expansion of total expenditure without legislative consent.

II. Assessment of the impact of PFM weaknesses

An effective PFM system is essential for the implementation of public policies and the achievement of strategic national objectives by supporting aggregate fiscal discipline, strategic allocation of resources and efficient service delivery. An open and orderly system is one of the enabling elements for those three levels of budgetary outcomes:

- Effective controls of the budget total and management of fiscal risks contribute to maintaining aggregate fiscal discipline
- Planning and executing the budget in line with government priorities contributes to implementation of government's objectives
- Managing the use of budget resources contributes to efficient service delivery and value for money

A brief summary of the impact of the identified weaknesses of Belarus PFM system at those three levels of budgetary outcomes is presented below.

1. Aggregate Fiscal Discipline

While budget outcomes for 2010-2012 prove the ability of Belarus PFM system to contain the budget deficits during difficult times, the prudent fiscal position was undermined by fiscal risks. Notwithstanding the continuous macroeconomic instability, the government avoided a substantial deterioration of the headline

fiscal position. Despite revenue shortfalls, the strong treasury function and control structure effectively contained expenditures and expenditure arrears have been minimal. However, significant below the line fiscal costs to recapitalize state owned banks weakened the overall fiscal position. Contingent liabilities and fiscal risks associated with the large stock of quasi-fiscal debt under government-directed lending in the banking sector continue to threaten consolidation efforts.

2. Strategic Allocation of Resources

The budget process does not have a strong policy or strategic focus. Absence of a proper medium term budget framework, weak links between sector plans and budget allocations and parallel process for preparation of investment program are not conducive for efficient targeting of resources to strategic policy priorities. The significant share of extra budgetary activities and parallel use of different budget management procedures for budget funds and own source revenues of budget organizations additionally complicate strategic prioritization of resources. Legislative changes to the national planning framework that are being considered may facilitate a move towards medium term budgeting.

3. Efficient Service Delivery

The current Belarus PFM system is control oriented and does not focus on efficiency and effectiveness of service delivery. The top-down budgeting and expenditure control system does not encourage more intensive use of existing resources. The control environment is burdensome, and obliges those responsible for the delivery of public services to focus their efforts on compliance rather than improving performance and the effectiveness of service delivery. The procurement system is being modernised and, if implemented successfully, could result in improvements in the quality and cost effectiveness of procurement for goods and services. Recent introduction of the elements of performance auditing is encouraging and has a potential to draw more attention to the issues of efficiency and effectiveness of service delivery.

III. Change in performance since the previous assessment

2013 assessment is the second PFM performance assessment for Belarus based on the PEFA framework. When comparing the 2013 scores with the scores from the 2009 assessment, it should be kept in mind that not all the scores are directly comparable for the reasons explained below:

- for indicators PI-2, PI-3 and PI-19, the methodology for scoring and calibration has been revised by PEFA Secretariat in January 2011.
- three donor indicators D1, D2, D3 were not used in the 2009 assessment;
- in twelve cases, a different interpretation of the PEFA framework based on the latest methodological guidance from the PEFA Field Guide and broader set of data available in 2013 resulted in a different score than in 2009 in the absence of change in PFM performance.

Table 1.1 summarizes changes in performance scores compared to the 2009 assessment.

Table 1.1. Changes in the Scores Compared to 2009 Assessment

Performance Score	Improved	No change	Deteriorated	Total
Improved	PIs 10, 13, 17	PI 23, 26	different interpretation	5
No change		PIs 1, 5, 6, 8, 14, 15, 16, 22		8
Deteriorated	PIs 3*	PIs 4, 7, 9, 12, 18, 20, 21, 24, 25, 28	PI 2*, PI 11, PI27	14
Total	4	20	3	27**

Source: World Bank staff

Note: * Revised methodology applied

** PI 19 scores are not comparable due to the change of methodology, and D1, 2,3 indicators were not used in 2009.

When considering the aggregated performance at the indicator levels, rather than at the dimension level, we observe no change in performance for twenty performance indicators. In the case of three indicators there is a slight improvement in performance and score and two indicators slightly deteriorated². In addition, one dimension achieves an upward arrow in recognition of reforms which have been implemented but which have yet to impact on PFM performance.

Main improvements in performance were observed in the following areas:

- PI-10 (public access to key fiscal information) - there is an improvement in performance due to the introduction of the publication of contract awards.
- PI-13 (transparency of taxpayer obligations and liabilities) - improvements to the tax system, including access to information and administrative processes.
- PI-17 (recording and management of cash balances, debt and guarantees) - improvements due to the extended coverage of the treasury single account and controls over loans and guarantees.
- PI-8 (intergovernmental fiscal relations) receives upward arrow recognizing significant legislative reforms since 2009 which have yet to impact on PFM performance.

Main slippages in performance were observed in the following areas:

- PI-11 (orderliness and participation in the annual budget process) - performance deteriorated due to a shortened time period for MDAs to prepare their detailed budget requests.
- PI-27 (legislative scrutiny of the annual budget law) – performance deteriorated due to a shortened period for legislative review of the annual budget law.

² Excluding the donor indicators and PI-2, PI-3 and PI-19 which are not directly comparable with the 2009 Assessment.

Annex 1 summarises the comparability of scores and changes in performance since the previous assessment.

IV. Prospects for PFM Reforms

Overall, PFM reforms to date have focused on strengthening the legislative framework, but implementation has been slow. Notable progress has been made in strengthening the legislative framework with the adoption of the Tax Code, Budget Code and the introduction of codified procurement legislation. However, in important areas, such as medium term budgeting and intergovernmental fiscal relations, implementation of new provisions has been lagging. Therefore the PEFA scores measuring performance in these areas do not yet show improvement compared to the 2009 scores.

Commitment to further advance public financial management reform is strong among the set of institutions involved in budgetary management. The five year economic and social development plan 2011-15 of the Government explicitly states the optimization of public expenditures with a focus on achieving results, raising efficiency of the use of state funds and improvement of public debt management through the development of the Public Debt Management Strategy as key policy objectives. However, highly centralized decision making and an uncertain authorizing environment may lead to delays and stall the implementation of PFM reforms, despite commitment at the technical level

1 Introduction

1.1 Objective of the PFM-PR

The main objective of the present PFM Performance Report (PFM-PR) is to provide the Government of Belarus with an objective up-to-date diagnostic of public financial management performance based on the internationally recognized PEFA methodology. The report is expected to inform the development of the Government medium-term program for public financial management reform. The process of preparing the report was designed to build a shared understanding of PFM performance and those dimensions that require improvement.

1.2 Process of preparing the PFM-PR

1.2.1 Stakeholders and their roles

The primary recipient of the PFM performance report is the Ministry of Finance of Belarus. On the MoF request, the underlying diagnostic analysis was undertaken in the form of an external assessment led by the World Bank.

As a lead donor the World Bank provided a qualified team³ that undertook the assessment in accordance with the methodology and following the process described in the concept note agreed with the MoF. The World Bank was also responsible for quality assurance of the PFM-PR using the standard procedures for Bank funded analytical work and PEFA Check requirements.

The MoF took the initiative to undertake the self assessment as input into the Bank led assessment. It established the PEFA Working Group (WG) and coordinated the WG activities throughout the assessment process. In this capacity the MoF provided the data in its possession requested by the assessment team, advised the World Bank on key counterparts for individual indicators and facilitated the arrangement of meetings between the World Bank assessment team and the counterparts and provision of data by other agencies involved in the assessment. MoF also coordinated the review of the draft PEFA assessment report by the Working Group and assisted with organization of the launch and final workshops that involved the WG members and other stakeholders.

Other key stakeholders represented in the Government PEFA Working Group included the Ministry of Taxes and Levies (MoTL), Ministry of Economy (MoE), SCC. For assessment of indicators that required information from the line ministries and local authorities, MoF provided help to organize meetings with the ministries of health, education, labor and social protection, and Financial Department of the Minsk Oblast Executive Committee. To collect information that is not in possession of the agencies represented in the Working Group, the assessment team interviewed the representatives of the Parliament, Prime Minister's office, National Bank, State Customs Committee (SCustC), National Statistical Committee (Belstat), Chamber of Commerce and Industry and business councils. The respective meetings were organized by the World Bank office in Minsk in consultations with the MoF.

Several other donors were informed about the plans for the assessment. IMF team was invited to contribute in the role of the peer reviewer. EU and Eurasian Anticrisis Fund expressed interest in the results of the

³ Annex 8 provides information on the assessment team composition and roles.

assessment and the follow up work on the PFM reform program. Representatives of these organizations will be invited to the dissemination events.

1.2.2 Assessment process

The initial discussion on the approach to the assessment took place after receipt of the letter of the Minister of Finance in April 2013 requesting World Bank assistance in undertaking the assessment. Following the principal agreement to proceed with the assessment, the World Bank team discussed with the MoF the detailed approach that was reflected in the concept note. The concept was subject to the quality assurance review in line with the PEFA Check requirements. This review took place in September 2013. In parallel, the Bank team undertook a review of background documentation, including the self-assessment prepared by the MoF.

The first visit of the assessment team to Minsk took place on September 29th – October 11th, 2013. The MoF team organized a launch workshop at its premises at the beginning of the visit with an invitation of the members of the PEFA Working Group and other stakeholders. The World Bank team presentation at the launch workshop focused on the changes in PEFA methodology since the 2009 assessment and the guidelines for the repeat assessments. The MoF and the World Bank office in Minsk organized meetings between the World Bank team and government counterparts and other institutions as required. The purpose of the meetings was to discuss performance indicators and to collect evidence for the assessment. The World Bank team presented preliminary findings, and highlighted outstanding evidence required to the members of the Working Group at a wrap-up meeting at the end of the first field mission. Additional data was gathered through the field based team members after the conclusion of the first mission.

During November –December, the World Bank team drafted a PFM Performance Report (PEFA Report) based on the evidence gathered during and after the first mission. The team had consultations with the PEFA Secretariat on selected aspects of the methodology to make sure that it was applied appropriately. The draft report was shared with the MoF and other members of the Working Group for comments in early January 2014.

The World Bank team's second mission organized on January 29th – February 7th reviewed and revised the draft PEFA Performance Report on the basis of consultations with the stakeholders. As part of the second field visit, the MoF and the World Bank organized a series of workshops with the PEFA Working Group and other relevant stakeholders identified by the authorities. The purpose of workshops was to a) discuss the findings and conclusions of the draft PEFA Performance Report and b) solicit initial views on the priorities of the future public financial management reform program.

The work on the report continued in March-April. Quality assurance review took place in May.

1.3 Methodology

The assessment team followed the methodology for PEFA assessments as described in the latest version of the methodology documentation available at the PEFA secretariat web site (www.pefa.org), including Public Financial Management Performance Measurement Framework, the Guidance Notes for Repeat Assessments, Field guide for the assessors. The assessment team applied the Framework guidance in Annexes 1 and 2 to the Public Financial Management Performance Measurement Framework as well as subsequent clarifications and guidance on evidence issued by the PEFA Secretariat.

The assessment applied all 31 indicators of the PFM Performance Measurement Framework. The donor indicators D1-D3 were applied for the first time (donor indicators were not assessed in 2009). The reference years for the assessment are 2010-2012.

The sources of information for the assessment included relevant legislation, budget documentation and reports, methodology and other documentation and data provided by the MoF and other institutions involved in the assessment on the World Bank request, information collected by the assessment team during the interviews, MoF self-assessment, 2009 PEFA report, and relevant reports produced by the World Bank and IMF. In addition to the interviews with the public entities involved in public finance management, interviews with non-state stakeholders (Chamber of Commerce, Business councils, etc.) were organized to corroborate the evidence for selected indicators where this is required by the PEFA methodology (e.g., PI13, PI14, PI19, etc.)

The report justifies the scoring and describes, in Annexes 3-6, the analytical work which has been carried out and the sources of information used for each indicator. As required by the Guidance for Repeat Assessments, the report takes into account the changes in PFM performance since 2009 and documents the reasons for changes in indicator scores from the previous assessment.

Quality assurance process was organized to comply with the PEFA Check requirements available at the PEFA Secretariat web site. The four parties agreed to be involved in the quality assurance process starting from the Concept review stage were the World Bank, PEFA Secretariat, IMF and the MoF of Belarus. The quality assurance review was intended to ensure that the PEFA methodology was applied appropriately and advise on issues related to the use of the PEFA assessment in the PFM diagnostic. Methodology consultations with the PEFA secretariat were undertaken prior to the second mission so that the Secretariat recommendations could be taken into account in consultations with the authorities. Annex 7 provides more details on the quality assurance process.

1.4 Scope

PEFA framework focuses primarily on the national level of a country's PFM system. At the national level it seeks to cover the entire PFM system, including cross-country issues, the revenue side and the entire budget cycle from planning through execution to control, reporting and audit. A number of indicators are designed to probe into how the national level interacts with sub-national governments and with public service providers at the local level.

The scope of the 2013 assessment for Belarus was the same as in the 2009 assessment to achieve comparability of results for the indicators where methodology did not undergo modifications since the first assessment. The focus of the qualitative and institutional analysis was on the central government institutions. For quantitative analysis, both the data for the central government and the general government was analyzed, to assure comparability with the 2009 assessment. The authors of the 2009 assessment noted the centralized nature of Belarus budget process as its specific feature and considered it essential to assess the indicators related to credibility of the budget and overall budgetary planning for the consolidated budget. Since the Social Protection Fund was separated from the republican budget after the 2009 assessment, the correct comparator basis for such indicators in 2013 is the general government budget, as defined in Belarus, and including the republican budget, the subnational budgets and the Social Protection Fund budget. Details on the administrative and budget structures are provided in section 2.3.2.

2 Country Background Information

2.1 Description of country economic situation

2.1.1 Country context

The Republic of Belarus is a landlocked country with a total surface area of 20.76 million hectares and population of 9.46 million, 75.8 percent of which lives in urban areas. It is strategically located between the EU and Russia and borders with Latvia, Lithuania, Poland, Russian Federation, and Ukraine. It is an upper middle income country with GNI per capita (Atlas method, 2012) of US\$ 6,520, lower than more advanced transition economies such as Poland (US\$ 12,650) and Czech Republic (US\$ 18,060). Poverty has declined sharply over the past decade. Belarus poverty rate has declined to 4 percent (poverty line US\$ 5 a day by purchasing power parity, 2010), far below the ECA regional averages of 18.8 percent. In addition, consumption growth of the bottom 40 percent of the population was above national average growth in consumption and higher than in other ECA countries. Belarus has also one of the lowest GINI coefficients in ECA (0.26 versus 0.34 ECA average) and performs well on social indicators, being ranked 50th out of 187 countries in the UN Human Development Index (2012).

After gaining independence in 1991, Belarus faced similar challenges as other former Soviet Union countries, but pursued a gradual transition path characterized by more limited structural reforms and pervasive state intervention. The country has highly centralized decision-making and relatively strong administrative capacity. Despite some initial structural reforms, the economy continues to be characterized by a large state presence. State owned enterprises, which are supported by an extensive system of state support, still accounts for over half of output and two thirds of employment. Equally, the financial sector is dominated by state owned banks which account for over 70 percent of bank assets and which channel a predominant share of financing to less productive parts of the economy, including through pervasive state directed lending programs. Despite some initial liberalization efforts, the government also continues to regulate prices for socially important goods and services, most importantly foodstuff and communication services. While the gradual reform approach has helped Belarus avoid the social costs of economic restructuring, it has resulted in serious vulnerabilities, including loss of competitiveness, stagnant productivity growth, and dependence on underpriced energy imports from Russia.

After a decade of strong economic growth, Belarus has faced persistent macro-economic turmoil since 2009. During most of the 2000s, a combination of favorable external factors and loose macro-economic policies boosted economic growth, with annual growth rates averaging 9 percent from 2002-2008. However, strong growth was associated with increasing macro-economic vulnerabilities and growing external imbalances, which resulted in two crises in 2009 and 2011. The first was a direct outcome of the global financial meltdown of 2008/09, which was transmitted to Belarus through trade and financial channels. The second was triggered by loose monetary, fiscal and income policies in (pre-election) 2010, which generated a short-term economic recovery but resulted in a widened current account deficit (15 percent of GDP in 2010) and heightened pressure on foreign exchange reserves. This eventually led to the loss of control of the exchange rate and sharply accelerating inflation. The Belarusian Ruble (BYR) lost close to 70 percent of its value vis-à-vis the US dollar and inflation soared to 109 percent in December 2011.

Table 2.1. Selected economic indicators

	2010	2011	2012
Population			
Total population, millions	9.500	9.481	9.465
Annual population growth, %	-0.15	-0.20	-0.17
National account and prices (annual % change)			
Real GDP growth	7.7	5.5	1.7
Real GDP per capita growth	7.9	5.8	1.7
CPI (annual average), %	7.8	53.2	59.2
External sector (% of GDP)			
Current account balance (incl. grants)	-15.0	-8.6	-2.7
Trade balance of goods and services	-13.6	-2.1	4.8
Capital Account	-1.4	-6.5	-7.4
Financial Account	-13.8	-6.8	-1.5
Foreign Exchange Reserves (in months of imports of goods)	1.8	1.6	1.5
External public debt (incl. IMF)	17.6	22.8	22.1
General Government Balance	-1.8	2.8	0.7

Source: Belstat, National Bank, Ministry of Finance.

Tight monetary and fiscal policies and improved external conditions succeeded in stabilizing the economy during 2012. Slowing domestic demand expansion decelerated economic growth to 1.5 percent but helped to contain inflation, which was subdued to 21.8 percent (eop) in 2012. Devaluation together with significant terms of trade gains related to a new favorable energy trade agreement eased pressure on the current account deficit, which narrowed further from 8.5 percent of GDP at the end of 2011 to 2.8 percent of GDP in 2012.

External imbalances reemerged in 2013, heightening risks associated with Belarus' already precarious external position. The current account deficit widened as a result of a sharp contraction of net exports. After exceptionally strong export growth – especially during the first half of 2012 – foreign trade has reverted back to more typical patterns during 2013. This alongside interest payments and net payments on custom duties on refined oil products within the Customs Union widened the current account deficit to 10.2 percent of annualized GDP in 2013. In addition, the country faces significant external refinancing needs. Belarus has largely relied on external debt to finance its current account deficit with limited foreign direct investments. Gross external debt to GDP ratio increased 2.5 times over 2009–11, exceeding 62 percent of GDP, while public debt more than doubled in relation to GDP within the same period to 30.7 percent at the end of 2012. The maturity structure of private corporate and banking sector external debt is heavily weighted on the short term (around 45 percent). Belarus will also need to refinance a significant part of its public external debt in the forthcoming two years, including repayments of IMF loans and Eurobonds. This will add significantly to the country's gross financing needs and put additional strain on the balance of payments, reinforcing the continued need for tight macroeconomic policies and containment of current account deficit, especially in the context of persistently low foreign exchange reserves.

2.1.2 Overall government reform programme

Belarus has emerged from the macroeconomic crises of 2009 and 2011, but faces both formidable challenges and unique opportunities to build the foundation for sustained and shared prosperity. The macroeconomic crises of the past years have reinforced the need for structural reforms to regain competitiveness, to diversify and modernize the country's economic structure, and to create sustainable and productive jobs. There is a growing understanding within the Government that for Belarus to achieve further growth and social development, it needs to create an environment that allows its enterprises to dynamically adapt to the demands of an increasingly competitive global economy. Certain reform measures in that direction are envisaged under various strategic documents, however, a comprehensive reform program is so far missing.

2.1.3 Rationale for PFM reforms

The macro-economic outlook for the medium term dictates the need to supplement strict fiscal discipline with stronger emphasis on allocative and operational efficiency of public spending during the forthcoming years. The pattern of the recent adjustment constrains future fiscal choices. Further cuts in discretionary spending, especially in public investment and non-wage recurrent expenditures threaten to undermine the productivity of public spending, lead to deterioration of public infrastructure and undermine growth prospects. It is therefore critically important to improve efficiency of public spending and develop instruments for strategic reallocation of resources. The Government realizes that this requires changes in the way it manages public finances and launched the work on a public finance management (PFM) reform program.

2.2 Description of budgetary outcomes

2.2.1 Fiscal performance

Despite recurrent bouts of macroeconomic instability, Belarus avoided a substantial deterioration of the fiscal position over the period of 2010-12. After a moderate general government deficit (including the Social Protection Fund, SPF) 1.8 percent of GDP in 2010, the government balance moved to a surplus during the subsequent two years. In 2011, the crisis induced a sharp fiscal consolidation, and the Government curtailed expenditures, while revenue growth was fuelled by inflation, achieving a 2.8 percent general government budget surplus, followed by a smaller surplus of 0.7 percent of GDP in 2012.

However, modest headline deficits mask significant fiscal risks associated with quasi-fiscal activity in the banking system. Although the budget has remained balanced, the Government incurred substantial fiscal costs for the recapitalization of major state-owned banks. Banks were recapitalized through the issuance of sovereign bonds, and the related cost was recorded as a financing operation in the fiscal accounts (below the line). Between 2005 and 2011, the state budget injected on average 1 percent of GDP annually to recapitalize major state-owned banks, effectively compensating them for the losses incurred in directed lending programs. In 2011, bank recapitalization expenditures peaked at BYR 14.6 trillion, or 5.3 percent of GDP, as bank capital adequacy was threatened by a significant increase in foreign liabilities, induced by the devaluation. Given the state's interventionist role in the financial sector, contingent liabilities and fiscal risks associated with the large stock of quasi-fiscal debt under government-directed lending in the banking sector continue to threaten consolidation efforts.

Public debt has more than doubled from 12.9 percent in 2008 to 31.4 percent of GDP in 2012. Belarus contracted substantial external debt in both 2009 and 2010 to support the balance of payment in the context of the global financial crisis, mostly through loans from multilateral lenders and through the issuance of Euro bonds in 2009/2010. Exchange rate devaluation in 2011 further inflated the stock of Belarus' largely external and FX-denominated domestic liabilities, while below the line recapitalization expenditures to bolster state-owned banks (equal to about 5 percent of GDP in 2011) were financed through the issuance of domestic debt. As a result, the public debt to GDP (including publicly guaranteed debt) reached 31.5% of GDP in 2012 (up from 12.9 % of GDP in 2008). In addition, local government direct and guaranteed debt (which according to the national definition is not included in public debt and publicly guaranteed debt) continued to decrease. While initially on the rise – from 2% of GDP in 2004 to 13.8% of GDP in 2010, it started to fall in 2011 to 10% of GDP in 2011 and then further to 6% of GDP in 2012 (again including both direct debt and publicly guaranteed debt), mainly due to inflation erosion. While the central government has no formal obligation to bail out local governments, the high degree of fiscal dependency and the absence of a framework for dealing with subnational default create implicit liabilities and fiscal risks. While the debt to GDP ratio is relatively low for a middle income country, the redemption profile is heavily concentrated in the short term, with about half of public debt maturing in the next 3 years, creating significant refinancing risks.

Table 2.2. General Government budget (in percentage of GDP)

	2010	2011	2012
Total Revenues	41.5	38.7	40.5
Consolidated Budget Revenue	29.6	28.8	29.8
PIT	3.3	3.1	3.6
CIT	3.4	2.9	3.7
VAT	9.9	8.9	8.6
Excise	2.6	1.9	2.1
Taxes on foreign trade	3.5	5.1	4.8
SPF revenues	12.0	10.0	10.7
Total Expenditure	43.3	35.9	39.8
Non-interest expenditure	31.6	25.5	27.8
Current Expenditure	23.3	20.4	21.4
Capital Expenditure	8.3	5.1	6.4
Interest expenditure	0.7	1.1	1.4
SPF expenditure	11.2	9.3	10.6
Net lending	0.0	0.1	0.0
Aggregate balance	-1.8	2.8	0.7
Primary Balance	-1.1	3.9	2.1
Net Financing	1.8	-2.8	-0.7
Domestic	-1.0	-5.8	0.0
External	2.8	3.1	-0.7

Source: Ministry of Finance.

Note: The definition of the General Government budget used throughout the report reflects its current application in Belarus and includes republican budget, subnational budgets and the budget of Social Protection Fund. Consolidated budget includes republican budget and subnational budgets.

Reflecting the state-driven economic model, Belarus has traditionally redistributed a significant share of GDP through the budget and the Social Protection Fund. Especially prior to the 2008 crisis, buoyant revenue growth fuelled an expansion of consolidated government expenditures from 45.9 percent of GDP in 2004 to 49 percent of GDP in 2008, making Belarus the country with the largest expenditure-to-GDP ratio in ECA. Since 2008 - and induced by the two macro-economic crises - Belarus achieved one of the largest contractions in the size of government in the region. The overall expenditure envelope has contracted by almost 10 percentage points of GDP over 2008-2012, to about 40 percent of GDP at the end of 2012. In addition, there are large quasi-fiscal activities, including in the utility (below cost recovery utility tariffs for most residential services) and the banking sector (directed lending programs) as well as various tax expenditures related to tax exemptions and privileges extended to selected enterprises.

Belarus' tax system is based on consumption, income taxes and taxes on foreign trade. Consumption taxes (VAT and Excises) make up the lion share of government revenue accounting for 64.9 percent of general government revenues in 2012 followed by income taxes (CIT, PIT and payroll taxes) accounting for 23.3 percent, and taxes on foreign trade which account for 11.8 percent.⁴ Between 2008 and 2012 the overall tax burden of the general government declined from over 50.6 percent of GDP in 2008 to 40.7 percent of GDP in 2012. Initially, this decline was driven by a cyclical downturn in revenue performance, after the economic crisis of 2009, but tax policy changes have contributed to make these reductions more permanent. Major distortive and inefficient taxes—such as turnover taxes, local sales tax on goods and services (in the presence of the national VAT) and the local development fee of 3 percent on net corporate profit—were abolished during 2010/11. In 2012, the main change in tax policy was a reduction in the profit tax rate to 18%, from 24% previously. The resultant reductions are planned be partially offset by rate increases for several excise duties, including fuel, alcohol and tobacco. Despite the reduction in the tax burden, Belarus continues to have the highest tax-to-GDP ratios in the region.

2.2.2 Allocation of resources

As a result of a significant expenditure contraction, the functional composition of the budget has changed. General government expenditure fell from 49.2 percent of GDP in 2008 to 40 percent in 2012. This reduction was achieved through cuts in the capital budget, which resulted in lower spending on economic affairs, which includes many capital intensive sectors such as transport and energy. Social sectors, including social protection, education and health, on the other hand, were largely protected from spending cuts and continue to absorb a significant share of public expenditures.

In terms of economic classification, the share of capital expenditures in total general government spending took the brunt of the adjustment. As a result of the crisis induced fiscal consolidation, capital expenditures have declined significantly both as a share of total expenditures and as a share of GDP in recent years. Interest payments increased substantially as a result of the growing debt burden, more than doubling as a percentage of total budget expenditures from 1.6 percent of total expenditures in 2010 to 3.6 percent in 2012. It is noteworthy that Belarus continues to spend 12.6 percent of total expenditure on various subsidies, including in the agriculture, utility and industrial sectors.

⁴ At a rate of 20 percent, the current VAT rate is at the similar level as in most peers. The profit tax rate, which used to be among the highest in the region, has been reduced to 18% in 2012 (from 24%). A flat personal income tax rate of 12 percent (or 15 percent for self-employed) is applied to wage income, profits of self-employed and capital income accruing to natural persons. The statutory gross rate for payroll contribution to the social protection fund is 35 percent, split at 1 percent and 34 percent for employees and employers, respectively.

Table 2.3. Actual Budgetary Expenditures by Sector (in percentage of total GG budget expenditures)

	2010	2011	2012
General public services	14.7	14.8	16.4
National Defence	2.2	2.5	2.4
Public Order and Safety	4.1	4.0	3.9
Economic Affairs	17.1	14.5	14.2
Environmental Protection	0.7	0.5	0.4
Housing and Community	5.5	5.8	5.7
Health	9.1	9.7	9.7
Physical Culture, Sports, Culture, Media	2.4	2.4	2.4
Education	11.7	12.8	12.3
Social Protection	32.6	32.7	32.6

Source: Ministry of Finance

Despite these recent changes, the composition of spending continues to reflect Belarus' state driven economic model which is characterized by broad redistribution, a substantial role of the Government in capital formation and still high levels of subsidies to both consumers and producers. Spending is dominated by social assistance payments and benefits which account for estimated 12.1 percent of GDP in 2013, followed by wages and salaries which are expected to account for 9.9 percent of GDP in 2013. Despite some cuts over the past years, subsidies remain high at 4.3 percent of GDP, while capital spending is estimated to remain around 5 percent of GDP in 2013. In terms of functional composition, the allocation for economic affairs, which took the brunt of the spending contraction since 2008, is expected to decline further to estimated 5.2 percent of GDP in 2012. Education and health sectors have remained largely protected from spending cuts in the past years and are projected to remain at 4.5 percent and 5.9 percent of GDP respectively.

Table 2.4. Actual Budgetary Expenditures by Economic Classification (in percentage of total GG budget expenditures excluding net lending)

	2010	2011	2012
Current Expenditure	55.4	59.8	57.2
Wages & Salaries	20.5	22.1	21.0
Other Purchases of Goods & Services	14.0	14.4	13.5
Interest Payments	1.6	3.1	3.6
Subsidies	11.0	12.8	12.6
Transfers	8.2	7.4	6.5
Social Protection Fund	25.6	25.6	26.5
Capital Expenditure	19.1	14.2	16.2
Net lending	-0.1	0.4	0.1

Source: Ministry of Finance.

2.3 Legal and institutional framework for PFM

2.3.1 The legal framework for PFM

The legislative foundation for public financial management in Belarus has its origins in the Constitution (1994). The main PFM laws are the Budget Code (2008) and the Tax Code (General Part – 2002, Specific

Part – 2009). The table below presents an overview of the main laws and regulations that guide the PFM system in Belarus. The main guidance of the legal framework in respect to specific areas is discussed in more detail in the narrative of the respective Performance Indicators.

Table 2.5. Overview of the main laws and regulations governing PFM in Belarus

Area	Description
General	- The Constitution (1994) sets the basis for PFM.
Budget preparation and execution	- The Budget Code (2008) defines in detail the roles, functions and responsibilities in management of government revenue and expenditure. It also defines general control and reporting arrangements. - Edict №299 of the President on Preparing, Executing and Reporting on State Investment Program (2006).
Tax administration	- General Part of the Tax Code (2002) governs tax administration. - Specific Part of the Tax Code (2009) includes specific guidance on majority of taxes and fees. - Customs Code (2007), Customs Code of the Custom Union (2010).
Public sector entities	- Law on Enterprises (1992). - Law on Accounting and Reporting (1994). - Law on Audit (1994).
Expenditure control and internal audit	- Budget Code (2008). - Law on Electronic Document and Electronic Digital Signature (2009). - Edict №325 of the President on Departmental Control (2010). - Law on Public Procurement (2012). - Edict №618 of the President on Public Procurement (2008). - Edict №58 of the President on Contract Bidding in Construction (2005)
External Audit	- The Constitution (1994) - Law on State Control Committee (2010) - Edict №510 of the President On improvement of the control (supervision) in the Republic of Belarus (2009).
Legislative oversight	- The Constitution (1994). - Standing Order of the House of Representatives (2008). - Standing Order of the Council of Republic (2008).
Decentralisation	- The Law on Local Government and Self-Government (2010)
Banking and financial laws	- Banking Code (2000). - Edict №252 of the President on Approving Regulation on External State Loans and State Loans, Guaranteed by the Government (2006). - Edict №359 on Granting Guarantees of the Government for Loans Provided by Banks (2008).
Other	- Edict №136 on Approving the Program of Socio-Economic Development for 2011-2015 (2011). - Edict №575 on Approving the Concept of State Safety of Belarus (2010). - Law on Mass Media (2008). - Edict №60 of the President On Measures to Improve the Usage of the National Segment of Internet (2010).

Source: World Bank staff based on the legislation of Belarus.

Some important revisions of the legal framework took place after the 2009 assessment. The Budget Code came into force on January 1, 2009, incorporating various pieces of legislation on PFM and creating a comprehensive framework for the budget process as a whole. However, not all the provisions of the Budget

Code are in force, because selected articles of the Code have been continuously suspended since its enactment through the annual budget laws.

In 2010 the Specific Part of the Tax Code came into force consolidating more than one hundred legal acts on taxation and covering around 30 taxes and duties established at republican as well as subnational level. Starting from July 6, the 2010 Customs Code of the Customs Union came into force introducing special provisions for customs regulation in the Customs Union of the Eurasian Economic Community in relation to the movement of goods through the customs border of the Customs Union⁵.

Edict of the President №510 on improving control activity came into force in 2010. Aiming for improved transparency and coordination of the numerous inspections being conducted by different bodies in Belarus, it provided a uniform approach for planning and conducting inspections, as well as obliging control agencies to submit their inspection plans to SCC for consolidation and publication on the internet.

The Law of the Republic of Belarus On Public Procurement of Goods (Works, Services) was adopted on July 13, 2012 and came into force from January 1, 2013. It brought together all the provisions of such regulatory legal acts on public procurement applicable until the Law came into force, as Edicts of the President of the Republic of Belarus № 618 and № 58 (in the part of selecting contractors for construction) and Resolution of the Council of Ministers of the Republic of Belarus № 1987. The Law applies to all procurement of goods (works, services) utilizing government funds.

2.3.2 *The institutional framework for PFM*

Belarus is a unitary presidential republic. As the head of state, *the President* of Belarus is vested with significant powers, including those directly related to public finance management. In particular, the President endorses parliamentary approval of the law on republican budget, authorizes reallocation of appropriations set out in the annual republican budget for the current fiscal year, and approves the State Investment Program. The President also has the authority to issue edicts of a legal nature (edict № 510 on control activity mentioned above is an example of the Presidential edict of direct relevance for PFM framework).

The President has under his subordination a strong control apparatus, Belarus *State Control Committee* (SCC), which also performs many of the functions assigned to supreme audit bodies in other countries. As part of its broad control authority, this body exercises control over the use of budget funds and state property, and also verifies annual budget execution reports.

The Constitution vests the *legislative power* in Parliament – National Assembly, which consists of the lower chamber, House of Representatives (110 seats, with all members elected by universal popular vote to serve four-year terms) and the upper house, the Council of the Republic (with 64 seats, of which, 56 members are elected by regional councils and 8 members are appointed by the president, all for four year terms).

The Constitution vests the *judicial power* in the judicature which is independent of the executive and the legislature. The organization of the judicature system follows the territorial division of the country. In the assessment period the court system of the Republic of Belarus was divided into economic courts (which adjudicated business activity disputes between economic entities) and general courts of law, which adjudicated disputes with involvement of physical persons. Starting from 2014, the court system reform merged economic courts with general courts of law.

⁵ Consists of the customs territories of Republic of Belarus, Republic of Kazakhstan and Russian Federation.

Table 2.6. Overview of the roles and responsibilities of the main institutions responsible for PFM

Institution	Main role and responsibility in PFM
President	President signs laws, including on approval of republican budget for the next FY; authorizes reallocation of appropriations set out in the annual budget for the current FY; approves State Investment Program for the next FY.
Parliament	Approves annual laws on republican budget and laws on approving budget execution for the reporting period.
State Control Committee	Exercises state control over effective and efficient use of budgetary funds and state property; exercises state control over observance of the acts of the President of the Republic of Belarus, the Parliament, the Government; audits annual budget execution reports, submitting reports to the President and informing Government and Parliament on the findings.
Ministry of Finance	Formulation and implementation of fiscal policy; drafting annual laws on republican budget and laws on approving budget execution for the reporting period; preparing consolidated budget estimates; republican budget execution; domestic and external state debt management; accounting, reporting and corporate audit methodology; insurance and securities regulations; etc.
Ministry of Taxes and Levies	Administers and collects most of the taxes.
State Customs Committee	Administers and collects custom duties and fees.
Ministry of Economy	Prepares macroeconomic forecasts to be used as a basis for next FY budget estimates; prepares draft State Investment Program breakdown; develops public procurement legislation ⁶ .
Ministry of Trade	Starting with July 1, 2013 the function of developing and enforcing state policy related to public procurement was delegated to the Ministry of Trade.
Ministry of Labor and Social Protection	Functions of social and pension insurance are performed by the state Social Protection Fund under the Ministry of Labor and Social Protection.

Source: World Bank staff based on the legislation of Belarus

The *executive* power is exercised by the government. The central (republican) government is embodied in the Council of Ministers. The key ministries and agencies involved in management of public finances are the Ministry of Finance, Ministry of Taxes and Levies, State Customs Committee, Ministry of Economy, Ministry of Trade, Ministry of Labor and Social Protection. The respective roles of the mentioned ministries are summarized in Table 2.6.

The *Ministry of Finance* is the lead government agency responsible for formulation and oversight over implementation of PFM policies and procedures across the public sector. Within the MoF, Budget Policy Department is responsible for the preparation of the draft annual laws on approving republican budget, management of appropriations, preparing draft legal acts on amending the republican budget in the course of the FY, and methodology of the intergovernmental fiscal relations. The Main State Treasury Department executes the budget, consolidates MDAs financial reports and drafts annual laws approving the execution of the republican budget. The Public Debt Department is in charge of public debt management. The Department

⁶ Starting with July 1, 2013 this function has been transferred to the Ministry of Trade.

of Tax Policy and Budget Revenues is responsible for preparing revenue estimates as well as drafting tax legislation. Organizational structure of the Ministry of Finance is presented in Annex 2.

The *structure of sub-national governments* includes three levels: regions (six oblasts and the city of Minsk)⁷, rayons (also called the “base” tier)⁸, and sub-rayons (also called the “primary” tier)⁹. The Constitution entitles each level of government to exercise a considerable measure of control over the affairs of the lower level governments subordinate to them.

Sub-national governments (SNGs) are an integral part of the national political and administrative structure. According to the Law on Local Government and Self-Government, each level of government comprises two parallel governance structures: 1) Executive Committees (the local government), which are centrally appointed and directly accountable to higher levels of government; and 2) Councils of Deputies (local self-government), which are elected locally. Executive Committees are responsible for managing sub-national service functions, including oversight of service facilities (schools and hospitals) and preparation and execution of regional budgets. Elected councils in turn represent the views and preferences of local residents, approve regional budgets and prepare and adopt local bylaws.

Articles 44-47 of the Budget Code provide specific assignments of expenditure responsibilities among the levels of government. These assignments are predominantly prescribed in terms of financial responsibility. For many functional categories, the assignments overlap due to delineation of responsibility depending on the ownership of assets. Thus, the Budget Code states that local governments are responsible for maintaining institutions of education, healthcare, social services and others that are owned by or put under the authority of SNGs.

The structure of Belarus budget reflects the administrative structure as shown in Table 2.7 below. It includes republican (also called “central”) budget and subnational budgets. Since 2010, the SPF budget was separated from the republican budget and is now approved by a separate law.

The institutional arrangements in Belarus for management of budget resources could be described as highly centralized, with some operational controls devolved to MDAs and subnational governments. A strong overarching regulatory framework is set centrally, and budget planning is also predominantly top down including in relation to investments (although MDAs and subnational governments are consulted and contribute to budget deliberations). PFM procedures used at the central and local level are largely uniform and determined by the central authorities. MDAs do have some flexibility to determine detailed spending plans (ROSPICE), however, once set, these become hard budget execution controls in the centralized treasury system, which can only be amended with the approval of the Ministry of Finance (or the Financial Departments of the Executive Committee in the case of subnational governments). Central controls are supplemented by a range of centralized inspection functions including the State Control Committee and Department of Control and Inspection (KRU) in the MoF.

In addition to budgetary resources, many government sector entities also have at their disposal extrabudgetary resources, which mainly represent proceeds from revenue generating activities.¹⁰ These

⁷ The oblasts, are named after the cities that serve as their administrative centers (Brest, Gomyel, Grodna, Magilyow, Minsk oblast, and Vitsebsk.) The capital city of Minsk also has the status of oblast.

⁸ This tier includes rayons (118) and also cities (12) subordinated to the oblast government (as opposed to smaller cities in the fourth tier that are subordinated to the rayon government).

⁹ This tier includes rural districts (1,275), rural settlements (55), and towns subordinate to rayons (14).

¹⁰ Sources of extrabudgetary resources are revenue from budgetary units' engaging in a principal activity that is not funded out of the budget and in other types of activities pursuant to the budgetary units' charters. Resources obtained by budgetary units from revenue-producing activities are used, after taxes, chiefly for supporting those entities' operations and the development of their facilities and equipment.

resources are subject to a more devolved control environment which has resulted in separate regulatory, budget preparation and budget execution processes in MDAs, including parallel payment systems. Own source revenues are not channeled through the treasury system but are subject to the same level of inspection and review as budget resources.

Table 2.7 Belarus Administrative Structure

Institutions	Number of Entities	Expenditures (BYR trillions), 2012	% of total expenditure, 2012
Central Government	<p>Presidential Administration, Parliament – National Assembly (House of Representatives and Council of Republic), Council of Ministers, Constitutional Court, Supreme Court, Supreme Commercial Court, Office of Public Prosecutor, State Secretariat of the Safety Council, State Control Committee</p> <p>24 ministries (architecture and construction, internal affairs, housing and utilities, health, foreign affairs, information, culture, forestry, defence, education, tax collection, emergency situations, natural resources and environmental protection, industry, communication and information, agriculture and food, sports and tourism, trade, transport and communications, labor and social protection, finance, economy, energy, justice)</p> <p>10 State Committees (Security, Military-Industrial, Property, Science and Technology, Standardization, Border, Customs, Statistics, Forensic Examinations, Commonwealth of Independent States Executive Committee)</p> <p>other state bodies and organizations, financed from republican budget</p>	67.2	32
Autonomous Government Agencies	1 (Social Protection Fund of the Ministry of Labor and Social Protection ¹¹)	55.7	26
Subnational Governments	<p>7 regional budgets (6 oblasts and Minsk-city)</p> <p>130 base level budgets (118 rayons и 12 towns of oblasts' subordination)</p> <p>1344 primary budgets (1275 rural districts, 55 rural settlements и 14 towns of rayon's subordination)</p>	88.0	42
Total		210.9	100

Source: Ministry of Finance.

¹¹ State extra-budgetary fund which is annually approved by a separate law and executed through the Treasury system.

3 Assessment of PFM Systems, processes and institutions

3.1 Budget credibility

The first three indicators assess the credibility of the annual budget, by comparing the approved budget to actual out-turns. A credible budget based on realistic revenue forecasts with firm resource allocations is the lynchpin of sound budgetary management. While some in year adjustments may be necessary and desirable to reflect changes in the fiscal environment that were not unforeseen at budget approval, excessive changes not only indicate a lack a budget credibility and discipline that will undermine predictability, efficiency and effectiveness of resource management by budget users. The three indicators assess variance for aggregate expenditures (PI1) and revenue (PI3) as well as changes in the functional composition of expenditures (PI2).

3.1.1 PI-1 Aggregate expenditure out-turn compared to original approved budget

Table 3.1. Aggregate Expenditure Out-turn compared to Original Approved Budget, bn BYR

Year	General Government Budget			Consolidated Budget			Republican Budget		
	Planned	Actual	Deviation, %	Planned	Actual	Deviation, %	Planned	Actual	Deviation, %
2010	71,621	70,227	-1.9	53,913	51,981	-3.6	36,184	33,487	-7.5
2011	78,963	103,624	31.2	58,615	76,285	30.1	37,199	49,542	33.2
2012	181,016	203,790	12.6	134,078	147,907	10.3	85,664	90,144	5.2

Source: Ministry of Finance.

Note: General Government budget is used as the basis for the scoring of this indicator, excluding debt service payments and donor funded project expenditures in line with the PEFA methodology.

Macroeconomic instability, especially during 2011, induced significant budget deviations. Table 3.1 shows aggregate planned and actual expenditures for the years 2010-12. Actual expenditure exceeded planned expenditure in two out of the three years, with the deviation of aggregate general government expenditures exceeding 30 percent in 2011. During the examined period Belarus experienced exceptional macroeconomic volatility. Loose monetary and fiscal policies in (pre-election) 2010 boosted short term growth, but resulted in loss of control of the exchange rate and sharply accelerating inflation. As a result the Belarusian Ruble (BYR) lost close to 70 percent of its value vis-à-vis the USD and inflation soared to 109 percent in December 2011. During 2012, the economy stabilized but growth slowed down and macroeconomic risks remain significant. The high degree of volatility made macroeconomic forecasting particularly challenging. As can be seen from Table 3.2, key macroeconomic assumptions, underlying the budgets during all three years deviated significantly from the actual numbers, undermining the reliability of both revenue and expenditure forecasts.

Table 3.2. Core macroeconomic assumptions underlying the budget, change in percent

	2010		2011		2012	
	Budget Assumption	Actual	Budget Assumption	Actual	Budget Assumption	Actual
GDP Growth	11	7.7	10	5.5	5-5.5	1.5
CPI (eop)	8	9.9	7	108.7	19-22	21.8

Source: Ministry of Finance.

Score: C

PI	Dimension	Score 2009	Score 2013	Justification for 2013 score
PI-1	Aggregate expenditure out-turn compared to original approved budget	C	C	Aggregate expenditure out-turn exceeded the approved budget by more than 15% in one out of three years
Comparability of score with the previous assessment and performance change:				
Both score and applied methodology are consistent with the 2009 assessment, including coverage of General Government for the scoring of the indicator.				

3.1.2 PI-2 Composition of expenditure out-turn compared to original approved budget

(i) Variance in expenditure composition excluding contingency items

The functional composition of actual expenditures largely matched the original budget allocations, with some exceptions. Table 3.3. shows the budget variation for 2010 to 2012. While the variance in expenditure composition was less than 10 and 5 percent in 2011 and 2012, respectively, it exceeded 10 percent in 2010. The functional composition of in year budget adjustments varied from year to year, although general administration and economic affairs accounted for the lion share of adjustments in all three years. In 2010 most functions experienced budget increases, financed by cuts in economic affairs (driven by curtailment of government investment in capital intensive sectors, such as transport). In 2011, cuts across most functions financed increases in general administration spending. In 2012, cuts in most functions allowed for increases in spending in general administration and housing and communal services (tables with detailed analysis of functional variance are included in Annex 3).

Table 3.3. Functional Expenditure Variance

Year	Functional Expenditure Variance
2010	13.1%
2011	6.7%
2012	4.5%

Source: Ministry of Finance.

Note: General Government is used as the basis for the scoring of this indicator.

Score: B

(ii) *Average amount of expenditure actually charged to the contingency vote*

Contingency reserve funds typically account for less than 3 percent of overall expenditures and are subject to statutory limits, established in the Budget Code. The Budget Code of Belarus regulates establishment and allocation of various contingency funds which are budgeted under General Public Services head in republican and local budgets. In the republican budget there are two kinds of reserve funds: (i) Presidential reserve fund, (ii) reserve fund of the Government which includes financial assistance to legal entities and individual entrepreneurs and reserve fund to mitigate consequences after natural disasters. According to the Budget Code (Art. 42/43), the total amount of reserve funds in the republican budget shall not exceed 2 percent of the republican budget revenues excluding the state earmarked budget funds and grants. Local authorities are allowed to establish their own reserve funds in local budgets in amount of not more than 1 percent of local revenues excluding the state earmarked budget funds and grants from other budgets both when approving the budget and in the course of its execution. Allocations of resources from the reserve funds are made by decisions of the President, Government and local authorities respectively. Taken together allocations to these various reserve funds did not exceed 3 percent of total expenditure in any of the three years.

Table 3.4. Reserve Fund Allocations

	2010	2011	2012
Actual Reserve Fund Expenditure (bn BYR)	1,056.9	360.6	1,649.6
Actual Reserve Fund Expenditure (% to approved budget)	1.56	0.46	0.93

Source: Ministry of Finance.

Score: A

PI	Dimension	Score 2009	Score 2013	Justification for 2012 score
PI-2	Composition of expenditure out-turn compared to original approved budget	A	B+	Scoring method M1
(i)	Variance in expenditure composition excluding contingency items	n/a	B	Variance in expenditure composition exceeded 10 percent in one out of three years
(ii)	Average amount of expenditure actually charged to the contingency vote	n/a	A	Actual expenditure charged to the contingency vote was on average less than 1 percent of the approved budget

Comparability of scores and performance change:

The Methodology applied for the assessment of this indicator takes into account the revised PEFA methodology. Namely, the allocation for reserve funds is excluded from the calculation of functional expenditure variance and separate dimension scores are provided in line with the revised methodology. In contrast, the previous assessment applied the old methodology where the reserve funds are included in the calculation of functional expenditure variance and no separate dimension scores are produced.

The change in the rating from A (2009) to B+ (2013) is not caused by the change in methodology but the result of a change in performance, namely, higher degree of functional expenditure variance, especially in 2010. The 2009 score remains A even if the revised methodology is applied to the data of 2005-2007 (the period covered in the 2009 assessment) which results in A scores on both dimensions.

3.1.3 PI-3 Aggregate revenue out-turn compared to original approved budget

Aggregate revenue, especially during the crisis year 2011, deviated substantially from the original revenue forecast. Table 3.5. shows actual revenues in comparison to the initial budget estimates. Actual revenue exceeded the revenue projection in the approved budget in two out of the three years. In 2010, the economic slow-down dampened revenue collection, in particular for profit taxes, but also customs duties which declined as a result of falling exports. During 2011 and 2012 high inflation boosted revenue collection far above the originally projected revenue estimate. Especially, during 2011 annual inflation (CPI) increased to 109 percent (compared to 7 percent assumption) which boosted nominal collections across all tax types.

Table 3.5. Planned and actual budget revenues, bn BYR

Year	General Government Budget			Consolidated Budget			Republican Budget		
	Planned	Actual	%, Actual/Planned	Planned	Actual	%, Actual/Planned	Planned	Actual	%, Actual/Planned
2010	71,101	68,300	96.1	53,394	48,754	91.3	35,522	30,270	85.2
2011	76,045	115,020	151.3	55,521	85,608	154.2	33,611	54,190	161.2
2012	191,618	214,609	112.0	144,374	157,614	109.4	92,772	95,182	102.6

Source: Ministry of Finance, PEFA self-assessment.

Table 3.6. Planned and actual General Government revenue composition, bn BYR

Year	2010			2011			2012		
	Planned	Actual	%, Actual/Planned	Planned	Actual	%, Actual/Planned	Planned	Actual	%, Actual/Planned
<i>Consolidated budget revenues</i>	53,393.5	48,754.2	91.3	55,520.9	85,608.4	154.2	144,374.1	157,956.0	109.4
Profit tax	5,974.4	5,580.4	93.4	6,547.0	8,688.9	132.7	14,214.7	19,534.6	137.4
VAT	17,022.9	16,226.4	71.8	19,137.8	26,498.5	138.5	47,133.1	45,456.9	96.4
Excise taxes	4,562.6	4,350.2	95.3	1,478.7	5,599.5	378.7	11,337.2	11,190.7	98.7
Taxes on foreign economic activity	10,114.2	5,776.2	57.1	7,263.9	15,146.9	208.5	25,377.8	25,474.9	100.4
<i>Social Protection Fund</i>	17,983.0	19,655.7	109.3	20,691.4	29,573.5	142.9	47,550.9	56,995.3	119.9
Total	71,101.3	68,300.2	96.1	76,044.5	115,020.0	151.3	191,617.9	214,551.8	112.0

Source: Ministry of Finance.

PI	Dimension	Score 2009	Score 2013	Justification for 2013 score
PI-3	Actual domestic revenue compared to originally approved budget	A	B	Scoring method M1. Actual domestic revenue was between 94% and 112% of projected domestic revenue in two of the last three years
<p>Comparability of scores and performance change:</p> <p>The 2013 assessment applies the revised methodology for this indicator. Specifically, the methodology now takes into account both under- and over projection of revenues whereas the previous methodology applied in the 2009 assessment asymmetrically took into account only over-projection of revenues.</p> <p>The change in the performance rating from A (2009) to B (2013) is caused by the revised methodology. If the revised methodology is applied to the data for 2005-2007 (the period covered in the 2009 assessment), the score would be downgraded to C, with actual revenue collections exceeding 116 percent of originally approved budget in one fiscal year (2007).</p> <p>If the same, revised methodology is applied consistently, the score indicates a performance improvement from C (2009) to (B) 2013.</p>				

3.1.4 PI-4 Stock and monitoring of expenditure payment arrears

This indicator assesses whether expenditure arrears are prevalent, and the extent to which any systemic arrears problem is being brought under control and addressed. The assessment of the first dimension is as of the end of last FY 2012. The assessment of the second dimension is at the end of the last two FYs.

(i) Stock of expenditure payment arrears

The current stock of recorded expenditure arrears is low. Table 3.7 shows the quarterly stock of arrears for 2012 which is well below 1% of total expenditure. As at the end of 2012 the reported stock is just 0.01%.

However, Belarus' definition of arrears deviates somewhat from common international practice. The concept of an arrear in Belarus is defined in Article 75 of MoF Resolution № 22 (dated March 10, 2010¹²), as those accounts payable "not paid by the dates established by a contract or the legislation of the Republic of Belarus". There is in fact no specific time based definition under any legislative provision for when an accounts payable becomes an arrear¹³. The authorities thus apply a very stringent practice by international standards in that all financial liabilities¹⁴ are due to be paid once the goods or services have been properly received along with appropriate documentary evidence, such as an invoice and other proof of delivery or completion of services or work¹⁵. A review of the accounting system in the Minsk treasury revealed a few instances of payment orders which were more than 30 days overdue; however, in general payment orders were cleared within ten days of registration in the Treasury system.

¹² This resolution by the Ministry of Finance is empowered under article 128 of the Budget Code.

¹³ In some countries, a due date for payment is defined as 30 days after receipt of the goods or service and a properly rendered invoice.

¹⁴ When a contract arises a legal liability arises. Once the goods and services are received this becomes a financial liability, often termed accounts payable.

¹⁵ Article 18, Resolution number 63, of the Ministry of Finance, July 27, 2011.

Belarus has the facility within its Treasury system to record commitments, however the use of this facility is voluntary except for a few categories of spending. Despite this budget control and payment management appears to be robust. There is a possibility that budget institutions withhold invoices due for payment from the Treasury system, particularly given contracts are not registered in the Treasury system at the time they are agreed, but Article 138 of the Budget Code clearly stipulates that any commitments beyond budgetary means constitutes a breach of the Code, and would therefore be subject to sanctions. With three control agencies in a position to review such actions¹⁶, and strong indications from all the ministry officials interviewed during the assessment that budget control was extremely robust, the risk of such breaches occurring in relation to budget financing is assessed as very low.

Score: A

(ii) *Availability of data for monitoring the stock of expenditure payment arrears*

Comprehensive quarterly reports are prepared regarding the stock of expenditure arrears. Given the relatively low stock of expenditure arrears in Belarus, no specific report is produced which provides a breakdown regarding the age of arrears. However, all payment requests regarding public expenditures are passed from budget institutions to the Treasury, with a large (and increasing) percentage of these payments being processed electronically, which in general, ensures the process is timely. The Treasury system maintains a record of the date the payment was registered, and the payment date if this was defined in the contract. However, there are two issues which potentially affect the age profile of arrears. The first is the fact that the date of registration in the Treasury is not the date the invoice was received by the budget institution. Secondly, the recording of a payment due date is a relatively new process, and many payments do not have a “payment due date” in the Treasury system. Notwithstanding these issues, the fact that the authorities currently treat all financial liabilities as arrears and given that the date of registration of the invoice in the treasury system is likely to be relatively close to the date it is received in the budget institution, the treasury is able to produce a reliable and comprehensive stock of arrears (albeit based on the Belarus methodological approach which is different from the usual practice internationally¹⁷) at any time from the treasury system.

Table 3.7. Stock of Arrears, January 1, 2012 – January 1 2013, bn BYR

Date	General Government Arrears			Central government		
	Expenditures	Arrears	Arrears as % of Expenditures	Expenditures	Arrears	Arrears as % of Expenditures
January 1, 2012	106,948.8	145.2	0,14%	79,471.1	23.3	0.03%
April 1, 2012	41,629.6	153.3		29,757.5	38.8	
July 1, 2012	93,118.6	252.8		66,510.4	34.3	
October 1, 2012	145,426.5	293.1		105,100.7	46.3	
January 1, 2013	211,445.3	156.8	0,07%	152,159.7	9.6	0.01%

Source: Ministry of Finance.

Score: B

¹⁶ State Control Committee, KRU of the Ministry of Finance and the departmental control bodies of the line ministries.

¹⁷ An arrear is generally defined as an accounts payable (financial liability) which remains unpaid for a specific period. 60 days is a common benchmark internationally, although many countries will use the due date as a trigger for recognition of an arrear. In this case any payment not made by the due date is an arrear.

PI	Dimension	Score 2009	Score 2013	Justification for 2012 score
PI-4	Stock and monitoring of expenditure payment arrears	A	B+	Scoring Method M1
(i)	Stock of expenditure payment arrears (as a percentage of actual total expenditure for the corresponding fiscal year) and a recent change in the stock	A	A	The stock of arrears as at end of 2012 was just 0.01% of total actual expenditure.
(ii)	Availability of data for monitoring the stock of payment arrears	A	B	The Treasury system provides a comprehensive record of all payment orders, including the date of registration, which is reported on a quarterly basis by budget institutions, and which Belarus defines as arrears. The date of registration is not the date of receipt of the invoice in the budget institution. While some payment records also include the "due date" this is not comprehensively recorded, and therefore a comprehensive list of the age of all arrears is not currently produced. Despite this, the strong culture of compliance and the specific legislative requirement under article 138 of the Budget Code (commitments beyond the budget are illegal) provides general assurance regarding the comprehensiveness of the reporting of arrears.
<p>Comparability of scores and performance change: Scores comparable.</p> <p>(i) No change in performance</p> <p>(ii) There has been no change in performance since 2009, but the 2009 score is revised because the 2009 assessment emphasised the low existing stock of arrears rather than whether the processes in place to correctly monitor the stock of arrears were comprehensive.</p>				

3.2 Comprehensiveness and transparency

3.2.1 PI-5 Classification of the budget

This indicator assesses the structure of the budget classification and its consistent use across the budget cycle. Specifically, it reflects whether the budget classification and the chart of accounts are directly aligned so that, government accounts, budget execution reports and other budget execution data can be produced with a break-down that corresponds to the documentation for the proposed and approved budget. The assessment is based on the last completed FY 2012.

Article 10 of the Budget Code provides guidance on the requirements for the budget classification, and this is further detailed in Resolution 208 of the Ministry of Finance dated December 31, 2008 which defines seven segments: administrative, functional, programmatic, economic (expenditures), revenues, and source of deficit financing classifiers. This comprehensive set of classification segments is effectively also the Chart of Accounts for reporting against the budget, although the terminology used in Belarus is different from international practice (similarly to many former Soviet Union countries, Belarus uses the term 'Chart of Accounts' for specific financial reporting formats which differ for central and sub-national government).

- **Administrative** – This is a single level structure which is effectively the first level for budget appropriation control. It includes ministries and other recipients of budget funds including some state owned enterprises and subnational government entities;
- **Functional** - The functional classification is largely in direct alignment with the classification of the functions of government (CoFoG), including functions, sub-functions and classes. Thus Belarus has adopted the full three levels of CoFoG. The authorities have also added a fourth level, termed paragraph, which provides a more detailed breakdown by spending unit or other specific government activities. As a result this fourth level is independent of the CoFoG structure with paragraphs able to apply to more than one third level CoFoG account;
- **Programmes**- This is a two level structure with programmes and sub-programmes. Programmes generally represent a sector based descriptor with sub-programmes reflecting specific projects within each sector. Programmes are reported to cover 17% of total government activities and can change from year to year given that many of the projects will be time limited, for example infrastructure development;
- **Economic** – the economic segment is a four level structure reflecting payments (outflows) and therefore is more akin to the IMF 1986 Government Finance Statistics Manual Approach (GFSM1986) approach. Significant work has taken place during the recent years to improve the segment structure to better align with GFSM2001 and as a result it is possible to capture information in accordance with GFSM2001 through a mapping table;
- **Revenues** – the segment is a five level structure reflecting receipts (inflows) and therefore is more akin to the GFSM1986 approach. Similar to economic segment, significant work has taken place to improve the revenue segment structure to better align with GFSM2001 and as a result it is possible to capture information in accordance with GFSM2001 through a mapping table;
- **Sources of Deficit Financing** – this is a four level segment and defines the domestic and foreign sources of financing in the first three levels, with the fourth level determining whether it is an inflow or outflow. This structure also allows mapping to GFSM2001 for financial assets and liabilities;
- **Debt Types** – this is a three digit segment which defines the specific debt instruments including guarantees along with whether it is central or subnational government debt.

The last four segments of the classification system when combined represent a structure which largely accords with GFSM2001, and generally accepted accounting concepts. One major area of departure is that the acquisition of non-financial assets are treated as an outflow in the economic segment, and sales of non-financial assets are treated as an inflow in the revenue segment, which is not in line with the recommended approach for recording stocks and flows in relation to non-financial assets in GFSM2001¹⁸. However, it is entirely consistent with GFSM1986¹⁹.

There is a consistent use of the budget classification in budget formulation including submission by budget institutions and the budget documents themselves. Annex III to the Budget Law includes a detailed breakdown of proposed spending by the three levels of functional classification. Annex IV also reflects the same three levels of functions and includes an administrative component. The ROSPICE, which is the annual plan for expenditures by quarters, has a similar structure with the addition of programs (where appropriate) with a further breakdown according to the economic classification of expenditures. The Treasury system is similarly structured, with spending controlled in the general ledger in accordance with the ROSPICE. Thus in terms of expenditures, budget execution reporting is also formulated in accordance with an identical structure of the three level functional classification.

¹⁸ This issue (highlighted in IMF statistical missions) is currently being addressed by the MOF.

¹⁹ This contrasts with the approach taken in the financing segment, which treats the flows as a subcode, and therefore it is possible to derive the net position in relation to cash flows using the same third level code. This approach is consistent with GFSM2001.

However, Belarus also maintains a number of additional reporting structures which are used by budget institutions for the single purpose of preparation of financial reports in accordance with Belarus specific accounting rules. These rules and additional charts of accounts (CoAs) pre-date Resolution 208²⁰. This “dual system” has evolved because these pre-existing CoAs of budget institutions required reporting on a modified accrual basis while the original budget classification was only cash based. Thus while Belarus fully meets the requirements for CoFoG and GFSM reporting throughout the budget formulation and execution process, in addition, it also maintains parallel reporting requirements according to the pre-existing CoAs which are not fully consistent with its budget classification structure. While integration of the CoAs and budget classification would be preferred, in practice this does not materially detract from the consistency of use of the general budget classification across budget preparation, budget execution and budget reporting.

Score: A

PI	Dimension	Score 2009	Score 2013	Justification for 2013 score
PI-5	Classification of the budget	A	A	The 2012 budget formulation and execution is based on administrative, programme, functional and economic classifications consistent with GFS/CoFoG standards.
Comparability of scores and performance change: Scores are comparable, no change in performance.				

3.2.2 PI-6 Comprehensiveness of information included in budget documentation

This indicator assesses the extent to which annual budget documentation, as submitted to the legislature for scrutiny and approval, allows a complete picture of central government fiscal forecasts, budget proposals and out-turn of previous years. The assessment is based on the last budget presented to the legislature i.e. the FY 2013.

Table 3.8. List of elements included in the budget documentation

No.	Budget documentation benchmarks	Availability	Notes
1.	Macro-economic assumptions, incl. at least estimates of aggregate growth, inflation and exchange rate	Yes	The explanatory note includes a table of key macro indicators including GDP growth, inflation as well as growth in relation to industrial production, wages and imports and exports. No indicator was included for exchange rates for FY2012, however, this had been included in previous years and in FY2013 budget documentation.
2.	Fiscal deficit, defined according to GFS or other internationally recognised standard	Yes	Complete information is given about the deficit, including the above the line balances and the below the line financing (in the Annex 1 to the annual budget law), both for financial assets and liabilities, including domestic and external sources. Article 13 of the FY2013 Annual Budget Law also contains ceilings for

²⁰ In fact this approach is similar to that which existed for reporting under the former Soviet Union.

No.	Budget documentation benchmarks	Availability	Notes
			domestic and external debt and guarantees.
3.	<i>Deficit financing</i> , describing anticipated composition	Yes	Annex 1 to the Annual Budget Law, shows both the domestic and external sources for financing the budget, which has the target of being a balanced budget in 2013 (neither surplus nor deficit).
4.	<i>Debt stock</i> , incl. details at least for the beginning of the current year	Yes	Volume 2 of Draft Budget Supplementary Materials, includes both the opening balance as at 1 January 2013 and the closing balance as at 1 January 2014 for the debt stock by type of debt, in accordance with the classifications for domestic and external debt. The supplementary materials accompany the submission of the draft annual budget law to the legislator.
5.	<i>Financial assets</i> , incl. details at least for the beginning of the current year	No	No information is contained on the government's stock of financial assets.
6.	<i>Prior year's budget out-turn</i> , presented in the same format as the budget proposal	Yes	For both revenues and expenditures, the budget is presented with actual outturn for the previous year, 2011, the outturn up to the stage of preparation of the budget documents for the current year, 2012, the forecast result for the current year, 2012, and the proposed estimates for the next budget year, 2013.
7.	<i>Current year's budget</i> (revised budget or estimated out-turn), presented in the same format as the budget proposal	Yes	For both revenues and expenditures, the budget is presented with actual outturn for the previous year, 2011, the outturn up to the stage of preparation of the budget documents for the current year, 2012, the forecast result for the current year, 2012, and the proposed estimates for the next budget year, 2013.
8.	<i>Summarised budget data for both revenue and expenditure</i> according to the main heads of the classification used, incl. data for current and previous year	Yes	Summary information is provided according to the revenue classification and for expenditures in accordance with the functional classification. Summary programme information is also present. Summary information is also available for the economic (expenditures) classification for both the consolidated and republican budgets. The information is presented comparing the draft budget to the current and previous years, with the exception of the economic expenditure classification which only shows budget year data for 2013.

9.	<i>Explanation of budget implications of new policy initiatives, with estimates of the budgetary impact of all major revenue policy changes and/or some major changes to expenditure programs</i>	Yes	The explanatory note includes details on major changes in revenue policy. The budgetary impact of changes in revenue policies is also presented in supplementary materials, showing prior year revenues and the forecast changes, including as a percentage of the previous year. The explanatory note also presents an explanation of changes to expenditures, generally at a relatively high level. More detailed information on the specific changes in the draft budget compared to the approved budget for the current year can be seen in Volume 1 and 2 of the Supplementary Materials to the budget which also includes the percentage change for the new budget year compared to the current year.
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Source: World Bank staff based on the legislation of Belarus.

Score: A

PI	Dimension	Score 2009	Score 2013	Justification for 2013 score
PI-6	Comprehensiveness of information included in budget documentation	A	A	The budget includes 8 of the 9 required elements for proper disclosure of fiscal information for effective legislative review.
Comparability of scores and performance change: Scores are comparable.				
The omission of exchange rates meant that Belarus did not meet all of the requirements against the macro indicators for 2012. This does not however, change the overall rating from 2009.				

3.2.3 PI-7 Extent of unreported government operations

This indicator assesses the size of unreported operations at the central government level as defined by IMF GFS²¹ including departmental revenues such as user fees and charges, fines and rental of property, etc, as well as the reflection of donor financing in the budget. In order to be counted as “reported”, fiscal operations should be captured both ex-ante (budget estimates) and ex-post (actual expenditure) in the fiscal reports (i.e. annual budget estimates, in year budget execution reports, annual financial statements, either by consolidation with other central government expenditure, or shown in a separate document presented to the legislature). The assessment covers the *last completed fiscal year* 2012.

²¹ In GFS terminology, central government comprises all units at central level carrying out government policies including not only MDAs, but also non-market non-profit institutions that are controlled by and mainly financed by government (statutory funds, trust funds, special funds, social security funds and other autonomous agencies but excludes local authorities and public business enterprises).

(i) *The level of unreported extra-budgetary expenditure*

Table 3.9. 2012 Extra-Budgetary Activities

	bn BYR	% of Central Government Expenditures
Central Government Expenditures ²²	155,169.2	100.00
Extra-budgetary activities	15,992.6	10.31
o/w Special Funds ²³	76.1	0.06
Own Source Funds	6,867.5	4.43 ²⁴
Utility Cross-Subsidies	9,049.0 ²⁵	5.83

Source: Ministry of Finance.

The Budget Code requires the operations of state extra-budgetary funds to be included in the general government budget. Paragraph five of article 7 of the Budget Code defines the general government budget of Belarus as including the state extra budgetary funds and own source funds. Chapter five of the Code also provides guidance regarding management of these funds including that they should be included in the Treasury Single Account (TSA) (article 23) unless otherwise specified by the President. Chapter five also provides very specific guidance regarding management, classification and reporting, which in general aligns with the requirements for budgetary funds.

Notwithstanding these provisions of the Budget Code, two small special funds remain outside the standard budget process, the Fund for Civil Aviation and the Fund of the Department of Corrections. These represent a relatively small component of extra budgetary activities, at just 0.06 percent of central government expenditures. The largest of the extra-budgetary funds, SPF, has a separate budget approved by Parliament and is administered through the treasury system based on the same rules as the republican budget, so it is considered to be fully on- budget for the purposes of PI-7.

The Budget Code also stipulates own source revenues to be managed through the treasury and reflected in the budget, but in practice substantial parts of own source revenue have remained off budget. Article 105 of the Budget Code requires own source revenues from budget institutions to be managed through the TSA. If this provision would be implemented in practice these revenues and the related spending would be considered on-budget. However, each year since the introduction of the Budget Code, the Annual Budget Law over-rides this article (in 2012 this occurs in Article 29) of the Code and authorises budget institutions to collect these revenues to their own bank accounts, and to make payments from these accounts. Thus the funds remain outside the treasury and are also not subject to the same degree of ex-ante control and approval as on-budget resources. While budget institutions do provide information on these revenues and proposed spending in their annual budget submissions, this is for the information of the Ministry of Finance, and is not included as part of annual budget estimates.

In addition, there are also significant quasi-fiscal operations including cross subsidies between state enterprises, but no comprehensive information is available for the total level of these activities. Information was provided in relation to one subsidy²⁶, relating to underpriced residential utility services (district heating and electricity), which was 9,049 billion roubles in 2012, or 1.7% of GDP (about 6% of central government expenditures).

²² Central Government expenditures include Republican budget and SPF expenditures.

²³ Includes two small funds, the Fund for Civil Aviation and the Fund of the Department of Corrections of MOIA.

²⁴ In some budget institutions, for example those subordinate to the Ministry of Labor, the amount of own source funds can be as high as 35% of total resources.

²⁵ Information on other subsidies outside the budget process was not available.

²⁶ Higher corporate tariffs for electricity are used to subsidise lower residential tariffs.

A further category of activities that is not systematically reflected in the context of the budget planning process relates to tax expenditures. There are a number of explicit measures providing tax relief to certain tax-payers, including free-economic zones, but the explicit value of these foregone revenues is not currently considered as part of the budget.

Directed Lending is a fifth category not included in the budget. Directed Lending is where state owned financial institutions are instructed to provide loans to state enterprises by the government. In 2012 net lending under government programs was 6,765.3 billion roubles, or 4.36% of total central government expenditures. Directed lending is subsidized through various means, including government guarantees, interest rate subsidies, government lodging deposits (at discounted interest rates) at these financial institutions as well as periodic capital injections to recapitalize state owned banks. Directed lending occurs outside the formal budget process and is also not fully monitored through the normal debt and guarantee processes while at the same time creating significant fiscal risks and contingent claims on budgetary resources. Investment decisions regarding any deposits are also not made in a manner designed to maximise the returns to the budget regarding optimal use of any surplus cash.

When excluding the extra-budgetary activities that are not currently quantifiable, the level of extra-budgetary activity represents 10.3% of central government expenditures, which is a significant share of public finances to be managed outside the formal budget estimates process. Table 3.9 details those elements of central government activity which are currently not included in budget estimates and therefore should be classified as extra-budgetary, even though the revenues and related expenditures maybe reported ex-post in monthly, quarterly and annual fiscal reports by budget institutions.

Score: D

(ii) Income/expenditure information on donor-funded projects

The MoE is responsible for the management and monitoring of donor financing, grants and concessional loans related to direct financing of projects- although donor financing is not a significant budget source in Belarus. On the basis of the figures provided, the total value of donor financing represent only about 0.54%of the central government budget, and are therefore not significant. External loans used for direct financing of the budget, are the responsibility of the Ministry of Finance and are included in the budget estimates.²⁷ Humanitarian aid is managed by the Department of Humanitarian Work of the Department of Presidential Affairs of the President of the Republic of Belarus. Table 3.10 provides details on the direct financing of 61 projects from development partners identified by the MoE for 2012. It also includes information on the cash received for humanitarian aid. While the authorities were also able to quantify in-kind contributions of 22.4 million USD in 2012, this has not been considered in the assessment in accordance with the PEFA methodology. While detailed information is collected and monitored regarding these sources of financing, they are not included in the budget estimates, and are managed entirely outside the treasury and the treasury main account. Reports are prepared periodically but these are not integrated into formal fiscal reports.

²⁷ There were no direct loans for budget financing in 2012.

Table 3.10. 2012 Donor Financing

Fund	Bn BYR	Percentage of Central Government Expenditures
Central Government expenditures	5,169.2	100.00%
Total donor financing, including:	842.0	0.54%
Donor financing of projects	366.9 ^{28,29}	0.24%
Humanitarian aid	475.1	0.31%

Source: Ministry of Economy, Ministry of Finance.

Score: A

PI	Dimension	Score 2009	Score 2013	Justification for 2013 score
PI-7	Extent of unreported government operations	C+	D+	<i>Scoring Method – M1</i>
(i)	Level of unreported extra-budgetary expenditure	C	D	The quantifiable level of extra budgetary activity exceeds 10% in 2012.
(ii)	Income/expenditure information on donor-funded projects	A	A	The total value of donor funding is less than 1%
Comparability of scores and performance change: Scores comparabile.				
(i) Additional information was available on specific quasifiscal activity in 2012				
(ii) No change in performance.				

3.2.4 PI-8 Transparency of inter-governmental fiscal relations

This indicator assesses the transparency of fiscal relation between the central and sub-national governments and accountability for the use of these funds during the last completed fiscal year (FY2012).

SNGs derive revenue from three major sources. Shared national taxes are the largest financing item and contribute roughly 60 percent of sub-national revenue. Transfers from the central government, including both block and earmarked grants, make up another 35 percent. The remaining 5 percent come from own-source taxes and non-tax revenue.

All significant tax bases, including VAT, personal income tax, property taxes and CIT, remain under the control of the national government, but the revenue is shared with oblast governments, who in turn share these revenues with rural districts and rayon subordinate towns. Property taxes, PIT and CIT are shared on a derivation basis, while VAT revenue is shared proportional to population. The Budget Code sets the thresholds for the share of national tax revenues that can be distributed to oblast and lower tiers of governments, with retention rates set on the annual basis in the ABL. SNGs retain the full revenue of several national taxes, including property taxes and PIT. Retention rates for PIT and real estate tax of legal entities are higher for rayons to partially offset unequal distribution of tax bases. The sharing rates for VAT and CIT are set each year in the annual budget law and through decisions by Local Councils of Deputies.

²⁸ Figures were provided in USD 44,009,903 for direct project financing and 57,000,000 for humanitarian aid in cash. As an average for 2012 a National Bank conversion rate of 8,335.86 roubles was used.

²⁹ Loans from IBRD of 113,450.000 USD were also received but these were included in the budget.

The system of intergovernmental transfers equalizes fiscal capacity and finances specific SNG expenditures. The Budget Code (Chapter 12) envisions several types of intergovernmental transfers: i) general purpose block grants; ii) earmarked sectoral grants; and iii) other forms of intergovernmental transfers. The transfer system is a cascade system, where the republican budget provides grants to regional governments, which in turn provide intraregional transfers to their constituent local governments. Over 75 percent of intergovernmental transfers are accounted for by general purpose block grants and another 11 percent by capital grants. The rest are special purpose grants principally those earmarked for the mitigation of the effects from the Chernobyl accident, support to agriculture and housing vouchers. These are set each year in the annual budget law.

(i) Transparency and objectivity in the horizontal allocation among SN governments

The general purpose transfer from the central government to oblast governments is designed to equalize fiscal capacity across SNGs. According to the Budget Code, the allocation of subsidies is to be determined based on the gap between the estimated expenditure needs and revenue potential of the recipient government. The Budget Code specifies a formula to determine the fiscal gap based on revenue potential (as opposed to actual revenue) and expenditure needs (as opposed to actual expenditure), both of which are supposed to be based on a set of objective criteria of any particular locality.

In practice, however, transfers continue to be based on incremental adjustments of actual pre-transfer revenues and expenditures of the previous year. Currently, the higher-level government makes its own estimates for the revenues and expenditures of constituent jurisdictions. Revenue estimates for tax and non-tax revenue are based on incremental adjustments of the respective figures of the previous year. Similarly, expenditure estimates are derived from spending figures in previous years, adjusted for changes in the number of staff and enrolments reported by each local government. The system of transfers achieves high levels of fiscal equalization. After VAT and intergovernmental transfers, fiscal outcomes are very equitable for both rayons and cities.

A rules-based transfer formula has been developed but it has not been fully implemented due to its complexity and data requirements. The formula proposed in the Budget Code is overly complex and data-intensive; to date this has inhibited its application - as a result the formulae has been simplified but is still in its pilot phase and is being run concurrently with the existing system.

Score: D↑

(ii) Timeliness of reliable information to SN governments on their allocation

Lower tier territorial governments are provided with reliable information on the resources available for the forthcoming budget year in a timely fashion. Hierarchical arrangements for budget preparation provide lower tier governments with indications of the resources (revenues and grants) likely to be available to them for the following year from an early stage in the budget process. Based on budget proposals received from MDAs calculations of transfers from the republican budget are prepared by the MoF (including estimates of general purpose block grants and earmarked sectoral grants for each of the SNGs) and shared for consultations within the government as part of the draft republican budget documentation. Lower tier governments are quite intensively consulted in the preparation of the republican budget, before it is submitted

to the President and the Parliament, and the material provided to the Parliament includes detailed projections of SNG budgets.

Score: A

(iii) Extent of consolidation of fiscal data for general government according to sectoral categories

The consolidation of fiscal data for the general government according to sectoral categories is robust. Complete budget execution data, broken down by function, economic and administrative classifications, covering both local and central government budgets, is collected and reported quarterly. Most of the data comes from the treasury system at each level of government, but information is also included on transactions which do not pass through the treasury accounts.

Score: A

PI	Dimension	Score 2009	Score 2013	Justification for 2013 score
PI-8	Transparency of inter-governmental fiscal relations	B	B	Scoring method - M2
(i)	Transparent and objectivity in the horizontal allocation among SN government	D	D↑	Transfers are based on incremental adjustments of actual pre-transfer revenues and expenditures of the previous year. Transfers appear reasonably transparent but are not yet based on a rules based system.
(ii)	Timeliness of reliable information to SN government on their allocations	A	A	Reliable information is provided in a timely fashion to lower tier governments on the resources available from central government in the forthcoming budget year before they start their detailed budget preparation.
(iii)	Extent of consolidation of fiscal data for government according to sectoral categories	A	A	Complete budget execution data, broken down by function, economic and administrative classifications, covering both local and central government budgets, is collected and reported quarterly.
<p>Comparability of scores and performance change: Scores comparable.</p> <p>(i) No change in score. The introduction of the Budget Code and the piloting of a rules based formula justify an upward arrow for this sub-indicator.</p> <p>(ii) No change in performance.</p> <p>(iii) No change in performance.</p>				

3.2.5 PI-9 Oversight of aggregate fiscal risk from other public sector entities

This indicator assesses the extent to which central government monitors and manages fiscal risks with national implications arising from activities of subnational levels of government, autonomous government agencies and public enterprises. Fiscal risk can take the form of government guarantees, operational losses caused by quasi-fiscal operations, and expenditure payment arrears. The assessment is based on the last completed financial year (FY 2012).

(i) Extent of central government monitoring of AGAs and PEs

In Belarus public enterprises (PEs) represent a very large percentage of the economy with more than 2000 partially or fully state owned joint stock companies and other public enterprises (PEs) in operation, representing over 70 percent of Belarus industrial production. In addition, state owned banks represent over 70 percent of the total banking sector assets. Given the economic significance of PEs, oversight of both specific entity performance and risk, and aggregate fiscal risk associated with PE operations, represent a major challenge, and an important focus for Belarus.

There are a number of bodies that either monitor performance or receive reports on PEs in Belarus. Line ministries responsible for a specific sector receive quarterly and annual reports from PEs. The Ministry of Industry (MOI) also receives quarterly and annual reports for those PEs within its remit (this spans a number of ministries and sectors). MOI also indicated that it prepares a consolidated report regarding those PEs for which it has responsibility. The MoF also receives specific information from PEs in relation to its role. (For example, it receives information such as financial reports and business plans to assess the requirements for subsidies from the budget). The national statistical agency, Belstat, also receives monthly and quarterly information from medium and large PEs which it consolidates and reports, with some summary information published on its website. Consolidated quarterly reports are prepared within 50 days of the end of the quarter by Belstat. All PEs including smaller enterprises are also required to report to BELSTAT annually, and this information is also consolidated and published in an annual report on PEs by May of each year. Some 30 major indicators are collected and reported in the consolidated report, many of which provide information on fiscal risks including: profits or losses, profitability ratios, liquidity, loans and credits, foreign direct investment, insolvency, accounts payable and receivable, amongst others.

There is also a basic framework in place to assess and monitor the financial viability of state owned enterprises. Resolution N 140/206 (December 27, 2011) of the Ministry of Finance and the MoE put in place a procedure for assessing the viability of both public and private sector enterprises. It provides details on specific ratios that should be analysed from entities financial statements. This is further supported by Resolution N 1672 (12 December 2011) of the Council of Ministers which provides guidance on how the ratios should be used to measure the solvency of economic entities.

PEs are subject to inspections and some are also subject to audits. Article 3, of the Law on Audit Activity, issued in November 1994, defines the requirements for annual statutory auditing of financial statements. All public companies are covered by this clause, however, unitary enterprises are exempt from this requirement as are joint stock companies that fall under the supervision of a Ministry, and which were already inspected by its departmental KRU. Thus most government enterprises are subject to some form of audit or inspection, and the related reports are available to the government. However, not all enterprises are subject to an independent external audit and review.

However, in terms of aggregate fiscal risk associated with PE activity, Belarus does not explicitly include a respective component in either its fiscal framework or the annual budget process. It has,

however, established a high level Commission, comprising 22 senior ministers and government officials under Presidential Edict N371, dated July 10, 2002 termed *the Interdepartmental Commission on the Safety in the field of Economic Security under the Council of Safety of the Republic of Belarus*. The Commission meets at least quarterly and has as part of its mandate responsibility for “*evaluation of fiscal, tax and monetary policy and forecast developments in the financial and credit system in terms of security of the Republic of Belarus in the economic sphere.*” The mandate for this Commission is much broader than just oversight of aggregate fiscal risk for PEs. The Chair of the Commission is also the Chair of Belstat, the entity that produces the annual performance report on PEs. Proceedings of the commission are classified.

A major area of fiscal risk for any government is borrowing by PEs. While PEs are able to borrow domestically without a guarantee, there is currently no requirement for specific reporting outside of the information provided periodically to Belstat, and through annual reports and financial statements. However, in relation to PE loans guaranteed by the State, this is controlled within overall fiscal limits defined in the annual budget law (eg. Article 13 in the law for 2012 budget). The granting of new guarantees must be executed in accordance with Presidential Edict 359 of June 30 2008, *Regulations on Procedure of Granting Guarantees of the Government of the Republic of Belarus for Loans Provided by Banks of the Republic of Belarus*. The MoF also reports quarterly to the Council of Ministers regarding all guarantees within 20 days of the end of the quarter.

Moreover, as reflected in PI7, quasi-fiscal activities such as directed loans and cross subsidies between different PEs are not adequately reflected in the budget process, while creating significant fiscal risks. The level of planned directed loans for 2012 is forecast at 6 billion roubles, and is therefore monitored by the government. However, the risks associated with these operations, which require periodic recapitalization of state owned banks are not actively monitored or managed. During 2005-2011 the state budget injected on average 1 percent of GDP annually to recapitalize state owned banks, with recapitalization expenditures peaking at 4.9 percent of GDP in 2011. Information provided on cross subsidies related to residential utility services indicated that it was 1.5% of GDP and over 9 billion rubles. No data was available on the levels of other cross-subsidies, however, the utility subsidy alone is significant.

Overall fiscal risks are not systematically reflected in the consolidated report for government on PEs which is prepared by Belstat. Thus while the data collection process is substantial, it falls short of a comprehensive process for assessing the consolidated fiscal risks of government.

Score: C

(ii) Extent of central government monitoring of SN governments' fiscal position

Sub-national governments are integrated into the consolidated annual budget process. Both the Budget Code and Annual Budget Law cover sub-national fiscal targets and estimates. Sub-national governments operate separate bank accounts but these are under the control of sub-national Treasury offices, which are linked to the central treasury and utilise the same accounting software. All receipts and payments are recorded in the Treasury system, using the same unified budget classification. While the MoF access is not real time, daily updates occur allowing monitoring of the cash position of all local governments each day. Sub-national governments also have parallel reporting requirements to central government budget institutions, but instead of reporting to the Ministry of Finance they report to the Financial Departments servicing their Executive Committee at the respective level of government including seven 1st level entities (six oblasts and the city of Minsk), 130 second level entities (118 rural districts, known as Rayons and 12 municipalities subordinate to oblasts), and 1,357 primary level entities (1,288 rural councils, 55 villages and 14 towns subordinate to Rayons).

Subnational governments do not have to seek central government approval to borrow or undertake guarantees for their enterprises. However, borrowing is subject to clear fiscal rules and limited to the domestic market. The total of borrowing and guarantees for each sub-national government is limited to 80% of own source revenues³⁰, that is, revenues net of special purpose subventions (general subventions from the central government are therefore included in the calculation of the limits) from the central government. This is defined in Article 65, paragraph 4 of the Budget Code. In addition, local authorities must not enter into debt arrangements that would result in the annual debt servicing costs exceeding 15% of own source revenues (revenues net of special purpose subventions). The Department of Local Budgets in the Ministry of Finance also indicated that it monitors both revenue estimates and actual revenues in determining the ceilings. Additionally there is a target of a zero deficit at the aggregate level for each Oblast. The Budget Code also requires local executive and administrative bodies to record the debt and guarantees and to report to the MoF quarterly on this issue. The Code also requires these bodies to seek active measures to reduce debt levels. Table 3.11 reproduces the format of the report used by the MoF to monitor debt ratios of the SNGs.

Table 3.11. SNG debt and guarantees as a proportion of own source revenues, bn BYR

	Report as at 1 January 2013
SNG TOTAL	
Direct debt	7,695.0
Guaranteed debt	24,100.9
Debt liabilities, total	31,795.9
Revenues minus subventions	86,884.8
Debt to revenues minus subventions ratio	36.6
<u>Brest oblast</u>	
Direct debt	1,197.4
Guaranteed debt	4,014.9
Debt liabilities, total	5,212.3
Revenues minus subventions	11,240.7
Debt to revenues minus subventions ratio	46.4
<u>Vitebsk oblast</u>	
Direct debt	808.3
Guaranteed debt	3,994.1
Debt liabilities, total	4,802.4
Revenues minus subventions	11,045.5
Debt to revenues minus subventions ratio	43.5
<u>Gomel oblast</u>	
Direct debt	1,038.4

³⁰ In 2009/10 Local government debt for the next fiscal year could not exceed 30 percent of the planned budget revenues without transfers from other budgets. In 2011/12 no limits applied. In 2010 six Oblasts had debt and guarantee levels exceeding the 2012 80% fiscal target, with three exceeding the limit in 2011, suggesting improved control has been occurring.

	Report as at 1 January 2013
Guaranteed debt	2,599.7
Debt liabilities, total	3,638.1
Revenues minus subventions	12,363.0
Debt to revenues minus subventions ratio	29.4
<u>Grodno oblast</u>	
Direct debt	1,831.9
Guaranteed debt	2,813.8
Debt liabilities, total	4,645.7
Revenues minus subventions	9,506.6
Debt to revenues minus subventions ratio	48.9
<u>Minsk oblast</u>	
Direct debt	1,333.1
Guaranteed debt	4,540.8
Debt liabilities, total	5,873.9
Revenues minus subventions	13,163.4
Debt to revenues minus subventions ratio	44.6
<u>Mogilev oblast</u>	
Direct debt	672.9
Guaranteed debt	4,151.2
Debt liabilities, total	4,824.0
Revenues minus subventions	9,477.0
Debt to revenues minus subventions ratio	50.9
<u>Minsk</u>	
Direct debt	813.0
Guaranteed debt	1,986.4
Debt liabilities, total	2,799.4
Revenues minus subventions	20,105.6
Debt to revenues minus subventions ratio	13.9

Source: Ministry of Finance.

PI	Dimension	Score 2009	Score 2013	Justification for 2013 score
PI-9	Oversight of aggregate fiscal risk from other public sector entities	A	C+	<i>Scoring methodology (M1)</i>
(i)	Extent of central government monitoring of AGAs/PEs	A	C	Medium and large PEs report quarterly to Belstat and also to their sector ministries. Annually Belstat prepares a consolidated report on PEs which includes key performance indicators of fiscal risk. Not all PEs are subject to an annual external audit process. The consolidated report on PEs prepared by Belstat does not include all fiscal risks associated with PEs.
(ii)	Extent of central government monitoring of SN governments' fiscal position	A	A	Subnational governments execute their budgets through the treasury system, ensuring the availability of fiscal data for on-going monitoring. Debt and guarantee stock levels are limited to 80% of own source revenues (net of subventions) and in year debt services costs must not exceed 15% of those revenues. Quarterly reporting to the MoF occurs by the local Executive Committees of each government through their Finance Departments.
<p>Comparability of scores and performance change: Scores comparable.</p> <p>(i) There has been no change in performance since 2009. The additional detailed information provided regarding external audit of PEs and the oversight of aggregate fiscal risk justified the downgrading from the score allocated in 2009.</p> <p>(ii) No change in performance.</p>				

3.2.6 PI-10 Public access to key fiscal information

This indicator assesses the extent to which information on the budget and its execution by the government is easily accessible to the general public. Transparency principles require that the Government makes relevant information widely available in a comprehensive, understandable and timely fashion. The assessment is based on the last completed FY i.e. 2012.

The Constitution (Article 34) and the Law on Mass Media (Article 36) guarantee citizens the right to receive, store and distribute comprehensive, reliable and timely information about work performed by public bodies. Presidential Edict №65 of February 6, 2009 assigns personal responsibility to the head of a public body for interaction with the mass media aimed at providing timely and objective information to the public. On February 1, 2010 Edict of the President №60 On improving usage of the national segment of the Internet was adopted. The Edict introduced specific requirement for the public bodies to disclose information on their operations on their official website. Further procedures and requirements are set out in the Provision on the Functioning of the Websites of Public Bodies adopted by the Resolution of the Council of Ministers №645 of April 29, 2010. In addition, Article 8 of the Budget Code stipulates that approved budgets and budget execution reports should be published in the media, except information classified as a state secret.

Belarus also subscribed to the IMF Special Data Dissemination Standard in December 2004. Since then, the fiscal data in the SDDS format are presented on the MoF website (in English and Russian), as well as the website of the Belstat. The data includes the following information: General Government Operations (updated quarterly), Central Government Operations and Central Government Debt (updated monthly). Starting with 2012 MoF is publishing selected quarterly and annual budget execution statements in accordance with GFSM2001 methodology on its website.

The main source of fiscal information for the public is the MoF website (<http://www.minfin.gov.by>). The information provided on the MOF site is limited to the texts of legal acts on adopting, amending and approving the execution of the Republican Budget, as well as monthly and quarterly fiscal data on budget implementation. Guidelines for the preparation of Budget Proposals, Budget Speeches or individual MDAs budgets are not disclosed.

The SCC does not publish external audit reports for the Republican Budget, MDAs or other Public Bodies. The Parliament hearings on budget and external audit reports are not broadcasted on radio or TV, but summary press-releases on the hearings are made available for the public.

Table 3.12. Public access to key fiscal information

Elements of information for public access	Yes/No	Availability and means
Annual budget documentation when it is submitted to the legislature	No	While the Annual Budget Law (main text with Annexes) is accessible by everyone and posted on the MoF website as well as on the official legal website (www.pravo.by), additional documentation - as prepared for the Parliament, including the Explanatory Note, - is not accessible to the public. The major changes in budget policy are explained by senior MoF officials in mass-media. The PEFA Guidelines requires a 'complete' set of annual budget documents, including explanatory notes, to be publicly available in order to satisfy this element.
In-year budget execution reports within one month of their completion	Yes	Reports on Republican Budget execution are published monthly with a 30-day delay, and on consolidated budget execution - quarterly with 50 days delay. The reports mostly follow the structure of the adopted budget, though at a more aggregated level. On the expenditure side fiscal reports include data broken down according to the first level of the functional classification. Execution at the MDAs level or according to economic classification is not published.
Year-end financial statements ³¹ within 6 months of completed audit	Yes	There is no public access to the whole set of individual MDAs financial statements. The Republican Budget execution report is published 7 months after the end of the financial year in the form of a law on approving execution of the republican budget for the previous financial year. Preliminary annual report on the execution of the republican budget is available to the public on the MoF's website with 50 days delay.

³¹ While this element does not require that end-year financial statements have to be consolidated, it does require that the public has access to a complete set of individual MDA statements.

Elements of information for public access	Yes/No	Availability and means
All external audit reports on consolidated operations within 6 months of completed audit	No	Although the SCC's reports on budget execution are provided to members of Parliament, they are not available to the general public.
All contract awards (with value above approx. USD 100,000 equivalent) published at least quarterly	Yes	Resolution of the Council of Ministers №1987 of December 20, 2008 on selected issues of public procurement introduced the requirement of publication of information on contracts concluded under the open bidding public procurement procedures. The threshold for the publication of information is determined by the fact that open bidding procedures are obligatory for the contracts above 8000 basic units ³² (approximately equivalent to USD 34,000 and USD 93,000 for the beginning and for the end of 2012 respectively). Resolution of the MoEN ⁸ of January 15, 2009 contains procedural guidelines for the disclosure of this information, including the requirement of a legal entity to provide specified information within 15 calendar days after the contract was concluded for publication on a special government website (icetrade.by) and in information-analytical bulletin "Competitive bidding in Belarus and abroad".
Resources available to primary service unit (such as elementary schools or primary health clinics) at least annually	No	No information is published about the costs of operating particular hospitals, clinics or schools

Source: World Bank staff

Score: B

PI	Dimension	Score 2009	Score 2013	Justification for 2013 score
PI-10	Public access to key fiscal information	C	B	3 out of 6 listed types of information are disclosed
Comparability of scores and performance change: Scores comparable.				
Improvement in the 2013 score is due to improved performance - introduction of a legal requirement to publish contract award information increased the number of types of information disclosed from 2 (in 2009) to 3.				

Ongoing reforms

Starting with 2013 new legislation on public procurement came into force, requiring public disclosure of procurement information. The Law on Public Procurement introduced a requirement for public procurement information to be publicly disclosed. A further requirement for such disclosure is elaborated in the Regulation on disclosing the information on public procurement on the official website, approved by the Resolution of the Council of Ministers № 778 of August 22, 2012. According to its provisions the threshold for publication of contract awards is set at the level of 8,000 basic units, and a more detailed list of information to be disclosed was also introduced.

³² Basic unit is used in calculating the amounts of fines, fees, and other charges, with its nominal value being set and revised by the Council of Ministers.

3.3 Policy-based budgeting

3.3.1 PI-11 Orderliness and participation in the annual budget process

This indicator assesses the procedural framework of the annual budget process. A well organised budget preparation process that allows for effective interaction and structured communication between political decision makers, the MoF, MDAs and the Parliament is important for enable prioritization of expenditures and to reconcile spending requests of MDAs with the available resource envelope. The timely adoption of the budget by the legislature prior to the beginning of the fiscal year is a precondition for good budget implementation.

(i) Existence of and adherence to a fixed budget calendar

The principal budget calendar is stipulated in the Budget Code, but key dates are not specified. The Budget Code specifies several key dates in the budget calendar (see Table 3.13 below), but the timeline for some important steps, including the preparation of detailed proposals by MDAs is not stipulated. The budget process typically begins about 10 months before the new fiscal year begins and includes repeated interactions between the MoF, line ministries, and the parliament culminating in the adoption of the annual budget law in December of the preceding year. However, the length of period during which budget organizations prepare their submissions after a receipt of the Budget Circular from the MoF is not regulated and it varies from year to year. During the past three years, the time given to MDAs to prepare their detailed budget request was very limited (Table 3.14 below). Delays in the issuance of the budget circulars occurred partly because of uncertainties about the budget outlook (stemming from the macroeconomic instability during the past few years, as described under PI1).

Table 3.13 Budget Process as Set in the Provisions of the Budget Code of the Republic of Belarus

Description	Timeline	Article
Preparation of the draft republican budget shall start not later than 10 months before the beginning of the next fiscal year	by the 1 st of March	Article 91, point 1
MoE shall submit to the MoF the forecast of the key parameters of the economic development of the Republic of Belarus for three years National Bank shall submit to the MoF the forecast of the most essential monetary indicators of the Republic of Belarus for three years	by the 1 st of April	Article 83, point 4
Main directions of fiscal and tax policy of the Republic of Belarus (including medium-term financial program) shall be drafted and submitted to the Government by the MoF	by the 1 st of May	Article 85, point 1
MoF shall prepare instructions on the procedure and timeframes for submission of documents (budget circular)	based on the deadline for submission of the draft republican budget set (<i>note - annually</i>) by the Government	Article 91, point 4

Description	Timeline	Article
Budget negotiations	not specified	Article 91, point 5
MoF submits draft republican budget for the next fiscal year to the Government in the form of a draft law	not specified	Article 91, point 7
Draft law on the republican budget and estimated indicators of the consolidated budget of the Republic of Belarus for the next fiscal year shall be submitted to the President	not later than by the 1 st of September	Article 91, point 9
President submits the draft law on the republican budget for the next fiscal year to the House of Representatives	not later than by the 1 st of November	Article 95, point 1 Article 98, point 1
Draft law is approved by the House of Representatives and passed to the Council of Republic	within 5 days after approval	Article 100 of the Constitution
Draft law is passed by the Council of Republic and submitted to the President for signature	within 10 days after it is passed	Article 100 of the Constitution
Approval of the law on the republican budget for the next fiscal year	not later than by the 1 st of December	Article 96, point 1
Subnational budgets are finalized and approved after the republican budget is approved	not specified	Article 94, point

Source: World Bank staff based on the legislation of Belarus.

Table 3.14. Budget Preparation and Approval Calendar

	FY2011	FY2012	FY2013
Budget Circular issued by MOF	May 19, 2010	October 6, 2011	June 8, 2012
Budget proposals from MDAs due	May 31, 2010	October 12, 2011	June 15, 2012
Budget estimates submitted to Parliament	September 2, 2010	December 15, 2011	September 25, 2012

Source: Ministry of Finance.

Score: D

(ii) Clarity / comprehensiveness of and political involvement in the guidance on the preparation of budget submissions

A budget circular with comprehensive budget preparation guidelines and ceilings is issued, but the ceilings are not approved by the Council of Ministers. The budget circular specifies the main macroeconomic assumptions as well as costing norms to be used in preparing budget submissions. MoF also establishes indicative ceilings to guide resource prioritization by MDAs. However, since these ceilings are not reviewed or approved by the Council of Ministers, they are not binding and frequently subject to revisions. This practice not only results in time-consuming negotiations between MoF and line ministries about funding levels, but also undermines the strategic allocation and prioritization of resources within the established resource constraint.

Score: C

(iii) Timely budget approval by the legislature or similarly mandated body

The legislature approves the budget on time. During the last three years, the President has signed the budget before the start of the new fiscal year (January 1). The draft Republican budget law for the following calendar year is submitted to Parliament by November 1 and in each of the last three years, Parliament approved a new budget within a month.

Table 3.15 Timeliness of approval of Budget Appropriations

Budget year	Date when President signed the Annual Budget Law
FY2010	December 29, 2009
FY2011	October 15, 2010
FY2012	December 30, 2011

Source: Laws on Republican Budget of Belarus for 2010, 2011, 2012.

Score: A

PI	Dimension	Score 2009	Score 2013	Justification for 2013 score
PI-11	Orderliness and participation in the annual budget process	B	C	Scoring Method M2.
(i)	Existence of and adherence to a fixed budget calendar	B	D	The Budget Code stipulates a basic budget calendar, but key dates, including issuance of the budget circular and submission of budget requests by MDAs, are not specified. While MDAs participate throughout the budget preparation process, the formal time given to them to prepare detailed budget requests have in practice been very limited
(ii)	Guidance on the preparation of budget submissions.	C	C	The budget circular established budget ceilings for MDAs, but these are not approved by the Council of Ministers and therefore subject to revisions
(iii)	Timely budget approval by the legislature	A	A	Parliament approves the budget before the start of the new fiscal year

Comparability of scores and performance change: Scores comparable.				
(i)	Score for dimension is downgraded to D (2013) from B (2009) because of worse performance. This reflects the very short time period formally given to MDAs to prepare their detailed budget requests during the budget years under examination. Reportedly, the budget preparation process during all three years was adversely affected by macroeconomic uncertainty, which may account for the deterioration in the orderliness of the budget process.			
(ii)	No change in performance.			
(iii)	No change in performance.			

Ongoing reforms

No major reforms are planned with regard to the timeline for the budget preparation process. However, recognizing the increasingly compressed timeline for the submission of detailed budget requests by MDAs, MOF expressed the intention to issue budget circulars earlier and to restore prolonged preparation periods for MDAs.

3.3.2 PI-12 Multi-year perspective in fiscal planning, expenditure policy and budgeting

This indicator assesses whether the budget process incorporates a medium term perspective in fiscal planning. A medium term budget framework typically places annual appropriations within a multi-year perspective to allow for prudent control of multi-year commitments in line with projected revenues and to facilitate medium-term sustainability of fiscal choices. This entails a top-down estimate of available resources over the medium-term based on macro-economic forecasts; bottom-up estimates of the costs of carrying out policies, both existing and new; and a framework that reconciles these costs with aggregate resources, based on clearly articulated policy priorities.

(i) Preparation of multi -year fiscal forecasts and functional allocation

The authorities prepare medium term forward estimates as part of the "Medium Term Financial Program" in the context of the annual budget process. Art 83, 85, 86 of the Budget Code set out the broad principles for the medium-term budget framework. Specifically, the Budget Code provides that the budget documentation each year will include a "Medium Term Financial Program" (MTFP). The MTFP is defined as "a document containing strategy on the budget capacity to mobilize revenues and strategy of prioritize budget expenditures within the available resources in the medium-term", and it is stated that one of its objectives is to "estimate the fiscal impact of the elaborated reforms, programs and laws". In line with these provisions, the MTFP, which is prepared by the MoF, contains both aggregate revenue, expenditure and deficit projections, covering the subsequent and two additional out-years. The document also outlines significant revenue and expenditure policy changes that are expected to affect the fiscal outlook, including tax policies, policies on wages and changes in tariff of key public services, subsidized from the budget.

However, forward estimates are not systematically linked to annual budget allocations. The MTFP is currently not being approved by the Council of Ministers and is yet to be included in the annual budget documentation or submitted to the legislature. Moreover, existing forward estimates do not include a functional break down of expenditures and as such are not systematically linked to the annual budget allocations. The move towards medium term budgeting has been made particularly challenging by persistent macroeconomic volatility over the past years which undermined the reliability of fiscal forecasts. Notwithstanding this, the authorities recognize the importance of moving budgeting to a medium-term basis, especially given the continued need for fiscal consolidation.

Score: C

(ii) Scope and frequency of debt sustainability analysis

The Public Debt Department of the Ministry of Finance is routinely undertaking analysis to assess the key risks associated with the public debt stock, including external debt solvency and sustainability. Public debt, especially external liabilities, increased sharply since 2008 due to macroeconomic instability, making more active debt management a priority. Since its establishment in late 2008 the public debt department of the Ministry of Finance – which is the principal debt management entity of the Government -

has continuously developed its analytical capacity. With support from the World Bank and the IMF, the department has prepared an internal, medium term debt management strategy document which assesses the risks and costs of different borrowing options. While the MOF does not prepare a formal and comprehensive debt sustainability analysis, the department prepares medium term projections of external gross financing needs under different scenarios. This analysis is conducted annually in the context of the budget preparation process and is based on different macroeconomic scenarios, including the official government forecast, prepared by the MoE and the latest available macroeconomic framework, prepared by the IMF. The projections cover the presiding fiscal year plus three out-years. Some sensitivity analysis is undertaken to assess the impact of possible interest and exchange rate shocks. In view of large repayment obligations on external debt, including repayment of the IMF and maturing Eurobonds, the current analysis is focused primarily on external refinancing risks and on identifying available borrowing options. Given market sensitivity of the information in these documents, there are classified and not publically disclosed.³³ In addition, as part of the economic security indicators, the Government's five year plan sets out medium term target values for the Debt to GDP ratio, including both domestic and external debt. However, these are expected to constitute statutory limits and are not necessarily anchored in a consistent macroeconomic framework and analysis.

Score: C

(iii) Existence of sector strategies with multi-year costing of recurrent and investment expenditure

Strategic programs are being prepared in the context of the development planning process, however, they are not fully costed and coverage of budget expenditures is limited. State programs are prepared to operationalize the Government's five year plan. These state programs typically identify priority investment projects together with medium term cost estimates of the capital costs and justification of how projects will contribute the achievement of the objectives stated in the five year plan. However, recurrent cost implications of capital spending are not reflected comprehensively in these planning documents. Neither are these plans fiscally constrained, requiring prioritization of specific projects that are affordable within the available resource envelope during the annual budget process. Moreover, some of the state programs pertain to both budgetary and other financing sources (including bank financing and investments of state owned enterprises) whereas the coverage of budgetary expenditures is primarily limited to capital expenditures.

Score: D

(iv) Linkages between investment budgets and forward expenditure estimates

Belarus operates a specific process for the prioritization of major investment projects financed from the budget. The separation of the investment prioritization process is rooted in a development planning tradition that views public investment in relation to overall investment and the economy as whole. While the MoF is responsible for the determination of the overall resource envelope available for capital expenditures, the MoE plays a key role in prioritizing specific investment projects under the State Investment Program (SIP) which finances social infrastructure and accounted on average for around 70% of overall central government capital expenditures during 2010-13.³⁴ According to the Resolution of the Council of Ministers 967/2006 on the functions of the MoE, MoE is responsible for justifying the volume of capital investment financed from budgetary sources, as well as for monitoring the effective allocation and use of investments, and for conducting the appraisal of specific investment projects. The specific procedures for the preparation of the SIP are stipulated in the Presidential Edict 299/2006 on Approving the Guidelines on Drafting, Approving and

³³ The PEFA team reviewed the documents for the 2013 budget process on site.

³⁴ Some capital expenditures, including for example for capital repairs or purchase of equipment by budget organizations, are not included in the SIP.

Reporting on State Investment Program. These procedures are fully synchronized with the annual budget process and according to Art 89 of the Budget Code, the overall allocation for the SIP is included in the budget law.

The prioritization of investment projects is linked to the objectives of the five year plan for socioeconomic development. In practice MoE collaborates closely with MDAs to collect, appraise, prioritize and consolidate the projects that will be funded in the annual budget. The selection of projects follows multiple criteria, including project readiness, basic economic analysis and strategic fit with the objectives set in the five year plan and sectoral programs approved by the President or Council of Minister taking into account republican budget constraints. During the years examined in this assessment the overall allocation to capital expenditures declined significantly as a result of the fiscal consolidation effort. Prioritization of these spending cuts generally followed similar criteria. Priority funding was allocated to ongoing projects that would have been difficult or costly to delay. The initiation of new projects was limited to priority sectors.

While there is a clear prioritization process for capital expenditures, links with medium term budget estimates are weak. The MoE submits to the MoF estimates of the SIP for the following 3 years. However, while some recurrent cost implications are included in the investment proposals (business plans) and considered during appraisal, these are not included in the estimates submitted to MOF and therefore not reflected in the forward estimates prepared by the MOF under the MTFP. While line ministries may ensure coordination of investment and recurrent expenditures, under the present system there is a risk that recurrent cost implications of capital projects, including for maintenance and operation are not adequately addressed in medium term fiscal planning..

Score: D

PI	Dimension	Score 2010	Score 2013	Justification for 2013 score
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	D+	D	Scoring Method M2.
(i)	Multi-year fiscal forecast and functional allocations	C	C	Medium term fiscal forecasts are prepared, but forward estimates are not linked to the annual budget allocations
(ii)	Scope and frequency of debt sustainability analysis	D	C	While no formal debt sustainability analysis is undertaken by the MOF, the debt department prepares debt portfolio risk and cost analysis as well as projections of external public debt, however this analysis is limited to 2 out-years and domestic debt is not covered
(iii)	Existence of costed sector strategies	C	D	Line ministries prepare sector strategies in the context of the development planning process. While these strategies identify and cost priority investments, the medium term, recurrent cost implications associated with these investments are not captured
(iv)	Linkages between investment budgets and forward	C	D	Belarus has a strong prioritization process for the investment budget. However, this process –while

PI	Dimension	Score 2010	Score 2013	Justification for 2013 score
	expenditure estimates			synchronized- is separate from the main budget process and recurrent cost implications of investments are not systematically linked to medium term forward expenditure estimates
Comparability of scores and performance change: Scores comparable.				
(i) No change in performance				
(ii) Score upgrade reflects improved performance, the Public Debt Department is now undertaking assessment of external debt sustainability and solvency.				
(iii) No change in performance. Dimension is downgraded from C (2009) to D (2013) reflecting the limited costing of sector strategies. According to the PEFA field guide the minimum criteria for costing requires that medium term costs, included in the strategies are broken down by year, program, and main economic category (including recurrent costs) together with main parameters and assumptions underlying the cost estimates.				
(iv) No change in performance. Dimension score is downgraded from C (2009) to D (2013), reflecting the dual budget process with separate processes for recurrent and capital budgeting.				

Ongoing reforms

Legislative changes to the planning framework that are being considered may – once approved - facilitate the move towards medium term budgeting. A new Law on Government Indicative Planning of the Socio-Economic Development of the Republic of Belarus has already received preliminary consideration by the Parliament and has been submitted to the presidential administration for further review and finalization, which modifies long-term, medium-term and annual planning mechanisms. From the budgetary perspective, what is particularly important in the new planning law is the replacement of both the five-year fixed plans and annual plans with rolling three-year plans. In these rolling three-year plans, the first year will play the role previously played by the annual plan, while the subsequent two years are considered to be "forecasts". Like the annual plans under the existing system, the rolling three-year plans will continue to identify government investment projects that the budget should, as far as practicable, finance.

In conjunction with changes to the planning system, the authorities also intend to strengthen the medium term perspective in the budget process. More specifically, the intention has been that, like the planning process, the budget would move to a rolling three-year basis, in which the preparation of the annual budget would be accompanied by the preparation of what would essentially be draft budgets for the subsequent two years. In this context, rolling three-year plans and rolling three-year budgets are considered by the authorities to be complementary reforms, because the medium-term budget would be built upon the medium-term macroeconomic projections contained in the plan.

3.4 Predictability and control in budget execution

This section covers three main areas of budget execution: tax administration, treasury and public debt management, and internal expenditure controls.

*Background to Tax Administration*³⁵

The following three performance indicators, PI-13, PI-14 and PI-15 assess the performance of the revenue administration and management system based on the major tax revenue arising from all

³⁵ The tax legislation of the Republic of Belarus does not use the term "taxpayer" instead it refers to the "payer of taxes, fees/duties (another person liable) hereinafter referred to as the payer. However, to ensure consistency of meaning and terms within this report and the PEFA methodology, the term taxpayer has been substituted.

central government activities. There are seven major taxes in Belarus: VAT, excises, profit tax, real estate tax, land tax, environmental, and custom duties.

3.4.1 PI-13 Transparency of taxpayer obligations and liabilities

This indicator assesses the level of transparency of tax liabilities including clarity of legislation and administrative procedures, access to information, and the ability to contest administrative rulings on tax liabilities. The assessment is done as at time of assessment, and covers major tax revenues arising from all central government entities.

(i) Clarity and comprehensiveness of tax liabilities

Since the 2009 assessment, Belarus has undertaken significant reform to simplify and improve its taxation system. In 2010 it introduced a unified Tax Code, which now means that taxpayers can refer to a single omnibus law in relation to their taxation obligations. In addition, it has removed or reduced some taxes, simplified access to information and reduced the administrative burden in relation to taxpayer compliance. A summary of the key changes since 2010 is presented in Table 3.16. In addition, the Customs Code of the Republic of Belarus, January, 2007. Number 204-3, along with related presidential edicts and other subordinate instructions, defines the requirements in relation to the import and export of goods across the border of Belarus.

Table 3.16 - Changes to Requirements of the Belarus Tax System 2010-2012

Measure	Impact
2010	
Cancellation of the levy to support fund of manufacturers of agricultural products, food stuffs alongside with agricultural science, retail sale tax and vehicle acquisition tax	Reduced tax burden
Taxpayers able to choose quarterly or monthly profit tax payments;	Reduced Administration
Enterprises with annual receipts under 3,8 million BYR entitled to shift to quarterly VAT payments	Reduced Administration
Cancellation of goods (works, services) production and disposal costs regulation aimed at the profit tax imputation (all recorded costs are now included in tax assessment, exclusive of the explicit composition of expenditures specified by the Tax code	Simplified Compliance
Cancellation of salaries expenses, as well as advertising, information, consultancy and marketing services expenses ceilings.	Simplified Compliance and reduced tax burden
2011	
Cancellation of the territory enhancement levy, services tax and three payments incorporated in the environmental tax	Simplified Compliance and reduced tax burden
Cancellation of VAT and excise tax "advance" payments	Simplified Compliance and improved fairness
Reduction of the simplified taxation system tax imposed on export proceeds from 3% to 2%	Reduced tax burden
Initiation a new profit taxation procedure, where respective tax returns are filed once a year with quarterly advance payments	Simplified Compliance

Measure	Impact
Taxpayers able to independently (regardless of the amount of proceeds, as it used to be in 2010) determine VAT payment dates (monthly or quarterly)	Simplified Compliance and increased flexibility of the system
Cancellation of entertainment allowance regulation for taxation purposes	Simplified Compliance
2012	
Profit tax reduction from 24 to 18 per cent	Reduced tax burden
Introduction of losses' carry-forward and depreciation premium mechanisms (accelerated capital consumption in tax accounting)	Reduced tax burden
Reduced tax burden imposed on small and medium-scale businesses by means of reduction of simplified taxation system tax rates by one per cent (from 8% to 7 % exclusive of VAT and from 6% to 5 % inclusive of VAT).	Reduced tax burden

Source: Ministry of Finance.

Both the Tax Code and Customs Code are comprehensive and clearly structured and readily understood, even by a lay-person. Both the MoTL and the Customs Committee supplement the legislation with additional information on their websites, as well as providing access to officials in all of their offices and telephone advisory hotlines, where parties are not clear on their obligations.

Belarus has also embraced modern technology in both the MoTL and the SCustC. In SCustC there is the "National Automated System of Electronic Declaration (NASED)". As of the end of 2012 about 91% of all export and 78% of import deliveries were processed using e-declarations. The percentage of the electronically processed customs documents of the total number of the processed customs documents was 83%. For taxation there is the ARM-payer software for electronic lodgement of taxation returns.

In terms of discretionary powers regarding the legislation, the President does have the right to grant tax exemptions, however, this does not apply to specific tax-payers, but to groups of taxpayers. The Ministry of Finance indicated that four tax preferences were eliminated in 2011, five in 2012 and a further 12 in 2013, demonstrating a commitment to improving fairness and consistency in relation to the application of the law. Nonetheless it must be stated that some discretionary powers continue to exist in relation to tax expenditures. Import customs duty allowance (tariff privileges) is specified by the customs legislation of the Customs Union.³⁶ In this regard, tariff privileges are applied subject to international obligations of the Republic of Belarus

Improvements in revenue policy and administration are also reflected in consistent progress in the doing business indicator related to taxation. As at the time of this assessment Belarus had improved its "Doing business" rating regarding taxation from 158 in 2012 to 129 in 2013. Belarus also had an improvement from 40.5% to 60.7% in the "Doing business" assessment of the Belarus overall economic climate for business compared to an international "good practice" benchmark, or a 50% improvement in the last 12 months.

Score: B

³⁶ Application of tariff privileges in the Republic of Belarus is limited by types and procedures for their application specified in the Customs Code of the Customs Union, Treaty on Unified Customs Tariff Regulation of 25 January 2008 and also by Decision No. 130 of 27 November 2009 of the Customs Union Commission "On the Unified Customs Tariff Regulation of the Customs Union of the Republic of Belarus, Republic of Kazakhstan and the Russian Federation".

(ii) Taxpayer access to information on tax liabilities and administrative procedures

Taxpayers have access to both tax liabilities and administrative procedures. Discussions with both the MoTL and the SCustC, indicate that a number of mechanisms are in place to provide taxpayers access to information regarding their liabilities including

- access to the legislative Codes themselves on the Pravoby website³⁷ along with subordinated regulations and instructions and Presidential Edicts;
- clearly structured websites with summary information regarding key issues for taxpayers³⁸;
- specific officials assigned at each physical office of both bodies who are tasked with assisting taxpayers with their enquiries – this includes coverage at 153 locations across the territory of Belarus;
- a national hotline for both Tax and Customs, where taxpayers can obtain advice and assistance;
- a quarterly MoTL newsletter with a circulation of 27,000³⁹;
- regular workshops and events of educational nature for taxpayers;
- consultation processes regarding new laws and procedures, and an invitation for general public comment regarding specific issues;
- and regular press releases and media events publicising changes and important other issues.

The above range of support services, and the access and usability of the Ministry and Committee websites, indicate a comprehensive and user-friendly information system for taxpayers.

Score: A

(iii) Existence and functioning of a tax appeals mechanism

The legislative framework has instituted a common appeal mechanism across all of its compliance and enforcement institutions that includes two appeal options. Under Article 85 of the Tax Code taxpayers have the right of appeal. In relation to the Customs Code this is Article 32.

The first appeal mechanism is administrative, and provides a tax-payer or importer/exporter who is dissatisfied with the actions of the decision-making body, the right to appeal to a higher level tax-body or higher level official from the original decision making body. The SCusC indicated that a Commission would be formed (that is more than one senior official) to review the original decision and the appeal. The administrative review has the right to confirm or change the original decision, and must inform the complainant in writing of the review being undertaken. The original decision maker must also be informed of the result of the administrative review.

The second appeal mechanism involves the Economic Court⁴⁰ where an appeal must be lodged in writing within one year, and the Economic Court must review the appeal within one month of receipt. As with the administrative appeal process, the original decision may be supported or overturned and a new decision made or the Court may direct the administrative body to undertake a new review. Complainants are not required to undertake an administrative appeal prior to an appeal to the Economic Court. In fact both options can be instigated by a complainant. Table 3.17 shows the number of appeals to the Economic Court for both Tax and Customs. Tax appeals were also down by 72% in 2012 compared with 2011.

³⁷ <http://pravoby.net/laws/>

³⁸ The Customs' Committee website is also available in English.

³⁹ <http://www.info-center.by/seminars/plan/>

⁴⁰ The authorities have advised that in 2014 the Economic Court will combine with the Civil Court, eliminating the specialist nature of the appeal mechanism. This would result in the future in a lower rating under the PEFA methodology.

Table 3.17 Appeals Lodged in 2012

	Customs	Tax	Total
Number of appeals lodged	156	1616	1772
Resolved in favour of authority	69	1599	1668
Partially resolved in favour of authority	0	10	10
Resolved in favour of appellant	47	7	54
Unresolved	40	0	40

Source: Ministry of Taxes and Levies, State Customs Committee

The appeal mechanism is available to legal persons, including enterprises and sole-entrepreneurs, but not applicable to physical persons. Physical persons have no right of appeal to the Economic Court, and instead must take the matter through the civil court system. Thus while a comprehensive and transparent appeal mechanism is set up in Belarus for legal persons, it is not currently available to physical persons.

PI	Dimension	Score 2009	Score 2013	Justification for 2013 score
PI-13	Transparency of taxpayer obligations and liabilities	C+	B+	Scoring Method M2.
(i)	Clarity and comprehensiveness of tax liabilities	D	B	The legislation is clear and comprehensive. Some limited discretionary power exists regarding the law.
(ii)	Taxpayer access to information on tax liabilities and administrative procedures	B	A	Taxpayers have easy access to comprehensive and user-friendly information regarding their liabilities and obligations via a variety of means
(iii)	Existence and functioning of a tax appeals mechanism	B	B	Administrative appeals are open to all taxpayers, however, a transparent and independent tax appeal mechanism is only available to legal persons. Physical persons only have recourse through the normal civil court system, which is not regarded as an appropriate tax complaint mechanism .
<p>Comparability of scores and performance change: Scores comparable.</p> <p>(i) Improved performance, specific action to improve the overall taxation system has occurred since 2009;</p> <p>(ii) Improved performance, specific action to improve access to information and administrative processes has occurred since 2009;</p> <p>(iii) No change in performance.</p>				

3.4.2 PI-14 Effectiveness of measures for taxpayer registration and tax assessment

This indicator assesses the effectiveness of tax assessment encompassing both registration of liable taxpayers and accurate assessment of their tax liability. The basis for the rating is the information available at the time of the assessment and covers all major tax revenues.

(i) Controls in the taxpayer registration system

Registration of a legal entity and individual entrepreneur occurs through the Single State Registry of Legal Entities and Individual Entrepreneurs maintained by the Ministry of Justice. Registration is a requirement for undertaking business in Belarus. Without this registration businesses are unable to open up a bank account in Belarus, and therefore, largely unable to do business. The MoTL is required to register taxpayers within two days of receiving the notification electronically and is also required to issue a unique payee identification number (PIN) which will be used for all tax related matters and by Customs (Article 65 of the Tax Code).

In relation to individual taxpayers who are not entrepreneurs (physical persons), in general, income tax and social contributions are withheld by the employer on their behalf, so no mandatory registration as a tax payer is required⁴¹. In those instances where individual taxpayers may have supplementary taxable income, the MoTL also issues a PIN. SCustC also uses the PIN in its operations.⁴² Article 65, paragraph 5 of the Tax Code also requires the MoTL to maintain the Register of taxpayers and other liable persons.

Score: A

(ii) Effectiveness of penalties for non-compliance with registration and declaration obligations

The integration between business registration, operation of bank accounts and tax registration ensures strong compliance with taxpayer registration. In the event that a taxpayer does not comply with registration, or fails to meet its obligations with submitting a declaration, Article 13 of the Code of Administrative Offences establishes specific penalties as per the following table. Given the general compliance levels evident in Belarus, these rates are assessed as sufficiently high to act as a deterrent.

Table 3.18 Penalties for the non-compliance with registration or declaration requirements

Paragraph and area of breach	Penalty ⁴³
1. Non-compliance with the time framework for registration with the tax body	5/10 of the basic unit for each full or non-full week of delay but not more than five basic units.
2. Conducting a business without registration with the tax body	Individual entrepreneur - five basic units for each full or non-full month of running a business but not more than twenty basic units; for a legal entity – a fine in the amount of twenty percent of revenues from such business but not less than seventy basic units.
4.1 Non-compliance with the time framework for submission of tax declarations (return) - Late less than 3 days -	2/10 of a basic unit to two basic units for an individual entrepreneur and from one to ten basic units for a legal entity.
4.2 Non-compliance with the time framework for	non-compliance from the part of an official of a legal

⁴¹ As all income and tax deductions are fully covered by the government as the employer and the recipient of tax deductions, the assessment team considered this as the equivalent of a PIN number. There is no possibility of the employees avoiding their taxation obligations. Where other income exists for this category of taxpayers a PIN is issued.

⁴² For physical persons, both Belarus citizens and foreign nationals who are importing goods for other than business purposes, a passport number is used.

⁴³ As at 1 April 2012 a basic unit equalled 100,000 rubles.

Paragraph and area of breach	Penalty ⁴³
submission of tax declarations (return) - Late more than 3 days -	entity, - entails a fine in the amount of two basic units with additional 5/10 of a basic unit for each full month of a delay but not more than ten basic units; Individual entrepreneur – in the amount of 10% of the amount of tax, fee (duty) to be paid but not less than two basic units, for a legal entity – in the amount of 10% of the amount of tax, fee (duty) to be paid but not less than ten basic units.
4.2 Non-compliance with the time framework for submission of tax declarations (return) - Late more than 3 days	Non-compliance from the part of a private individual - two basic units with additional 5/10 of a basic unit for each full month of a delay but not more than ten basic units

Source: World Bank staff based on the legislation of Belarus.

Score: A

(iii) Planning and monitoring of tax audit and fraud investigation programs

Tax Code (articles 69-78) and Customs Code of the Customs Union (Chapters 16 and 19) provide details regarding specific issues pertaining to tax and customs inspections and control activities. As mentioned in PI13, Presidential Edict 510 regarding inspections provides additional guidance to both the MoTL and the SCustC, regarding the process for audit and inspection of taxpayers.

As a first step, taxpayers are categorized into one of three risk categories. Category one is high risk and results in an audit not more frequently than once a calendar year; category two is medium risk, and results in an audit not more frequently than once in three years, and category three is low risk and results in an audit not more frequently than every five years. If a category one taxpayer audit reveals no breaches, then the next audit is not scheduled for two years. New businesses are provided with special privileges and are exempt from audit for their first two years of operation. In addition to the broad risk categories, the MoTL conducts further analysis of risks based on a set of approximately twenty criteria regarding taxpayers, indicating that the Edict 510 Framework has been adapted to meet the specific requirements for risk assessment in this sphere. An indication of the success of its risk assessment criteria is that post inspection analysis revealed that in excess of 98% of the taxpayers were correctly assessed for risks.

A major focus of Edict 510 is to seek coordination of the various inspection functions of government, under the general supervision of the SCC. Each control function in government, including taxation and customs, submit six monthly inspection plans to the SCC, which compiles them and ensures multiple inspections are not imposed on any entities through the six month period. Where appropriate the control and inspection activities are coordinated and undertaken at the same time (often jointly).

Audits plans are publicly available. As a general principle, no audit can be undertaken unless it is in a plan vetted by the SCC. However, both tax and customs audits can be undertaken without a public announcement, for example spot audits of bodies thought to be acting illegally, with the approval of the President, Prime Minister, SCC and other senior officials. While Edict 510 requires audits and inspections to be planned, the MoTL informed the review team that it still conducts approximately two thirds of its inspections without prior warning to the taxpayer. In 2012 the MoTL undertook 57,652 inspections of solvent enterprises, of which 38,830 were for businesses and 18,632 for individual entrepreneurs. A further 46,809 inspections were

conducted on businesses which were ceasing operations including due to insolvency. The results of these inspections can be seen in Table 3.19 and indicates a 96.1% collection rate against the assessed amounts.

Table 3.19 – Results of Tax Audits Inspections (bn BYR)

	Total Value	including:	
		finances	penalties
Solvent businesses assessed taxes owing	272.1	37.5	58.1
<i>incl. collected</i>	261.4	34.4	51.9
Closing businesses assessed taxes owing	30.8	4.2	4.5

Source: Ministry of Taxes and Levies.

Score: A

PI	Dimension	Score 2009	Score 2013	Justification for 2013 score
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	A	A	Scoring Method M2.
(i)	Controls in taxpayer registration system	A	A	A comprehensive registration system exists for all businesses and individual entrepreneurs. PINs are used for individual taxpayers that are not business entities
(ii)	Effectiveness of penalties for non-compliance with registration and declaration obligations	A	A	The fines levied, along with the general focus on rule of law in society assures strong compliance with registration and tax declarations
(iii)	Planning and monitoring of tax audit and fraud investigation programs	A	A	Audits and investigations are conducted based on a comprehensive six month plan which is supplemented by very specific risk criteria for various taxpayers
Comparability of scores and performance change: Scores comparable. (i), (ii), (iii) No change in performance.				

3.4.3 PI-15 Effectiveness in collection of tax payments

This indicator assesses the ability of the Revenue Authorities to collect the taxes assessed. The assessment covers major tax revenues arising from all central government activities. The first dimension focuses on the last two completed FYs, while the second and third dimensions are assessed as at the time of assessment.

(i) Collection ratio for gross tax arrears

Gross tax and customs arrears continue to represent a very small percentage of total collections. As can be seen in Table 3.20, even in the area of audit and inspection, compliance levels for payment of

assessments are high, at 96.5% of the total value of the assessments (see also Table 3.19 in P114). The MoTL and the SCustC⁴⁴ also have significant powers under articles 49 to 58 of the Tax Code where a taxpayer has not fulfilled its obligations, including: requiring some form of collateral or surety from the taxpayer; seizure of physical assets; the suspension of expense transactions on bank accounts.

Table 3.20 – Tax Arrears as a Percentage of Total Collections

	2011	2012
Tax revenues, administered by MoTL, million BYR	45,708,472.1	88,593,869.6
Arrears on tax revenues administered by MoTL (as of end of the year), million BYR	27,946.5	32,394.6
Arrears as % of tax revenues	0.06	0.04
Customs revenues (tax revenues), administered by SCustC, million BYR	27,436,444.0	48,936,679.5
Arrears on customs revenues (as of end of the year), million BYR	66,400.0	139,626.8
Arrears as % of customs revenues	0.24	0.29
<i>Memorandum:</i>		
<i>Total consolidated budget revenues, million BYR</i>	<i>85,608,368.5</i>	<i>157,955,956.1</i>
<i>Consolidated budget tax revenues, million BYR</i>	<i>73,445,922.0</i>	<i>138,012,801.3</i>
<i>Total arrears on tax and customs revenues, million BYR</i>	<i>94,346.5</i>	<i>172,021.4</i>
<i>Total arrears as % of total consolidated budget revenues</i>	<i>0.11</i>	<i>0.11</i>
<i>Total arrears as % of tax and customs revenues</i>	<i>0.13</i>	<i>0.12</i>

Source: Ministry of Finance.

Most of these powers are executable without reference to the Courts, although the taxpayer has the right of appeal. To enforce collection through seizure of assets, a relevant court decision is required. Table 3.21 below indicates that in 2011 and 2012, 2.9% and 2.7% of total collections resulted from the use of these powers, a further indication of the ability of the MoTL to collect taxation arrears. The low level of the stock of taxation arrears (below 2%) and strong compliance means that any change in the stock during the year will be negligible.

Table 3.21 Enforced Collections by the Ministry of Taxes and Levies and State Customs Committee, million BYR

	2011	2012
Tax revenues, administered by MoTL	45,708,472.1	88,593,869.6
Collections enforced by MoTL	1,336,963.5	2,417,487.8
%	2.9	2.7
Tax revenues, administered by SCustC	27,436,444.0	48,936,679.5
Collections enforced by SCustC	56,376.0	75,397.0
%	0.2	0.2

Source: Ministry of Taxes and Levies, State Customs Committee.

Score: A

⁴⁴ The Customs Committee also derives authority from Chapter 27 of Customs Code and Chapter 14 of the Customs Code of the Union State.

(ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration

Central government taxation and customs revenues are collected to zero balance revenue accounts in the various locations around Belarus, and are transferred to the TSA held at the National Bank of Belarus each day. Article 108 of the Budget Code states that “*transactions involving the revenues of the republican budget shall be recorded on the individual accounts opened for each tax body, customs body and other organizations authorized by the legislation to collect revenues to the republican budget on the single treasury account.*” The balances in these individual revenue accounts are swept into the main TSA on a daily basis. This represents an effective structure for a TSA, and ensures full consolidation of tax collections in the TSA each day. The exception to this is security deposits paid by importers which are retained in a separate account outside the control of the Treasury. This money is not however, tax revenue, but represents money held in trust by the government.

Score: A

(iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury

Each day the MoF is required to send an electronic file to the tax authorities regarding the day's receipts, which is used to record the payments received for each taxpayer. PINs are used to reconcile the information with taxpayer accounts and assure the accuracy of this information.

All budget revenues and expenditure balances in the Treasury are reconciled at least monthly by the third working day of the following month⁴⁵. This includes total taxation and customs collections. The Treasury also passes information regarding taxpayer references in relation to all deposits made to the TSA and the zero balance accounts. Thus in addition to the daily reconciliation of taxpayer information, there is a broader reconciliation done of the balances.

Score: A

PI	Dimension	Score 2009	Score 2013	Justification for 2013 score
PI-15	Effectiveness in collection of tax payments	A	A	Scoring Method M1.
(i)	Collection ratio for gross tax arrears, being percentage of tax arrears at the beginning of a fiscal year, which was collected during that fiscal year	A	A	Total Tax and Customs arrears were less than 2% in each of the last two years of the assessment
(ii)	Effectiveness of transfer of tax collections to the Treasury by the revenue administration	A	A	All tax and customs revenue is either paid directly into the TSA at the NBB or swept to this account from zero balance collection accounts the same day
(iii)	Frequency of complete accounts reconciliation	A	A	Reconciliation between tax, customs and the treasury ledger takes place within three days of

⁴⁵ Article 45 of Resolution 143/ 171 issued by the Ministry of Finance and Board of the National Bank (December 8, 2005).

PI	Dimension	Score 2009	Score 2013	Justification for 2013 score
	between tax assessments, collections, arrears records and receipts by the Treasury			the end of each month
Comparability of scores and performance change: Scores comparable. (i), (ii), (iii) No change in performance.				

3.4.4 PI-16 Predictability in the availability of funds for commitment of expenditures

This indicator assesses the extent to which the MoF provides reliable information on the availability of funds to MDAs, which are the primary recipients of such information. The assessment focuses on the last completed fiscal year (FY2012).

(i) Extent to which cash flows are forecast and monitored

Immediately following the passage of the Budget Law, the Treasury prepares an annual cash-flow forecast for the Republican budget and the TSA. Cash forecasts are based on information provided by revenue agencies and in relation to expenditures based on known budgetary requirements and with some reference to historical spending patterns. The forecast is broken down by quarters, and within quarter by months, once that quarter has commenced. This forecast assists with overall budget monitoring, and tracking of the fiscal balance and cash position. It also provides early warning regarding issues where estimated inflows may not cover planned outflows. The forecast is updated monthly when actual outturns and adjustments are made to the forecasts. Formal adjustments are made quarterly.

The Treasury also has an informal process for updating forecasts within the month. They monitor the forecast each week until the 20th day of the month, when they switch to daily monitoring. Until the 20th most flows are relatively predictable, but from the 20th major tax revenues start to accrue, and these require more frequent monitoring and assessment, given the overall impact on the final cash position for the month and the annual forecast.

The Treasury also undertakes shorter term forecasting for liquidity management. A forecast is sent to the NBRB for the forthcoming week and it also reviews its cash position each day to determine the likely balance for the following day, and this is also shared with the NBRB. However, the Treasury does not target a minimum cash balance,, instead it determines which “low priority” payments will be released each day as an alternate form of liquidity management. This is usually termed “cash rationing”⁴⁶, although in the case of Belarus, major delays in executing payments is not common, as evidenced by the low accumulation of arrears (see PI4).

Score: B

⁴⁶ Cash rationing is the term commonly used to describe the situation whereby a Treasury manages its liquidity position on a day to day basis by determining which payments will be made and which payments will be delayed. The alternative and more “active” approach to cash management is to determine the payment requirements as early in advance as possible and to ensure adequate cash is available to meet those payments.

(ii) Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment

Belarus has a quarterly budget allocation process termed the ROSPICE. Allocations are set for each quarter within a month following the approval of the budget for the next financial year (Budget Code, Article 107 paragraph 3). These allotments become hard budget controls and cash limits for budget institutions, but they are largely free to set their own detailed quarterly cash limits, within the overall review process undertaken by the MoF and after ensuring that known commitments and priority expenditures are budgeted. Changes to the ROSPICE are allowed, but these have to be approved and executed by the MoF.

While budget institutions may be able to enter into commitments beyond a quarter, this is only with the express approval of the MoF (for example for a capital project). In practice, expenditures for capital projects are committed within each quarter, despite the fact that the actual commitment goes beyond the quarter and may even go beyond the budget year. While “cash rationing” is occurring, to date it appears to have had minimal impact on the timely release of payments for budget institutions.

Score: B

(iii) Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs

Budget institutions are responsible for setting their own cash limits within overall quarterly appropriations, but significant in year adjustments in the quarterly allocations may occur. Changes to the ROSPICE are also permitted, although these are controlled by the MoF. In 2012, the MoF and line ministries indicated that due to cash flow problems, a reduction occurred in the funds available for the 4th quarter, and that this was in the vicinity of 3-4% of total funds. The cuts were targeted at discretionary spending items. Reportedly, on this occasion sequestration was done without proper consultation with budget institutions, which may have first learnt of this when they found that their funds were blocked in the treasury system. Such an approach, particularly so late in the year, will have meant that commitments will have potentially been made that exceed the reduced ROSPICE allocation. In some cases the budget institution negotiated with the MoF for additional funds, given their limited flexibility to reduce spending late in the year. In general, budget institutions reported that in year reductions were unusual and that the MoF was open to negotiation should any reductions be difficult to absorb.

Score: B

PI	Dimension	Score 2010	Score 2013	Justification for 2013 score
PI-16	Predictability in the availability of funds for commitment of expenditures	B	B	Scoring Method M1.
(i)	Extent to which cash flows are forecast and monitored	B	B	The cashflow forecast is updated formally each quarter, although informal monitoring occurs more frequently in the Treasury.
(ii)	Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment.	B	B	The ROSPICE provides certainty over funding for the quarter in advance
(iii)	Frequency and transparency of adjustment to budget allocations, which are decided above the management of Line Ministries	B	B	In 2012 the MoF took action to sequester funds just once. This occurred in the 4th quarter.
Comparability of scores and performance change: Scores comparable. (i), (ii), (iii) - No change in performance.				

3.4.5 PI-17 Recording and management of cash balances, debt and guarantees

This indicator assesses the quality and completeness of debt records, debt management and the overall consolidation and control of government cash balances. The assessment of the first and second dimensions is as at the time of assessment, while the third dimension measures performance over the last completed fiscal year.

(i) Quality of debt data recording and reporting

The Public Debt Management Department (PDMD) of the Ministry of Finance is responsible for recording and reporting all central government domestic and external debt and guarantees in Belarus. PDMD operates three different software systems in relation to the management of debt, one each for external and internal debt and a third for the issuance of securities. The domestic debt system is used to consolidate debt information and the other systems are linked through an interface. Data quality is very high as they reconcile with creditor invoices and records monthly. The high degree of automation and oversight by the PDMD ensures that all relevant information is recorded within 10 days of any operations.

According to article 64 of the Budget Code public debt as well as debt guaranteed by the state shall be recorded by the MoF. Reporting of public debt is also required under Presidential Edict 252 and is the responsibility of the MoF. Resolution 142 of the MoF provides the formats for reporting. The report is completed by the end of the following month and is submitted to the Council of Ministers. The report includes total debt stock at month-end, transactions during the month and for the fiscal year (accumulative over the life

of the debt). The report also includes guarantees⁴⁷. It is signed off by the first Deputy Minister, is classified and for official use only. A summary is prepared and posted to the MoF website (by PDMD).

Score: A⁴⁸

(ii) Extent of consolidation of the government's cash balances

Belarus has made good progress in implementing a TSA for consolidation of its cash balances for most central government resources. All government accounts are also controlled within a single category of accounts, Group 36, allowing easier recognition of government bank accounts than might otherwise occur. Some balances do remain outside the TSA including the following: own source revenue accounts of general government budget institutions⁴⁹ (4.43% of total revenues); earmarked development partner funds (0.24% of total expenditure); cash received for Humanitarian Aid (0.31% of total expenditure); and funds collected by the SCustC which are held as collateral and represent money held in trust.

Local government budgets⁵⁰ are also managed through regional treasury offices, but are held in separate bank accounts in commercial banks, specifically Belarusbank or Belagroprombank. Local governments also maintain special accounts termed “subbotnik” where funds received through the voluntary work provided by employees is held. 50% of the funds collected are retained in separate accounts while 50% is transferred to the Treasury account. These amounts are small.

Despite these exceptions, the majority of central government funds are managed within the TSA and reconciled daily. In addition the MoF has the capacity to undertake daily interrogation and reporting on the fund balances for general government (central and sub-national) through the budget classification used in the general ledger of the treasury system.

Score: B

(iii) Systems for contracting loans and issuance of guarantees

The legal and procedural framework for debt management is well articulated. The legislative framework is consistent in that the Minister of Finance signs on behalf of the government and is also responsible for the oversight, recording and reporting on all debt and guarantees. Article 52 of the Budget Code provides the main legal basis for external and domestic borrowing and guarantees. It states that the President must approve all external loans and guarantees to non-residents. The Council of Ministers is also given specific power in this regard. The Minister of Finance signs for all external debt on behalf of government. The Minister also enters into all domestic loans and guarantees on behalf of government. Article 56 of the Budget Code also provides for the issuance of domestic securities, and these are approved within the overall framework of the budget approval process. The MoF also manages domestic securities arrangements. In addition, paragraph 4 of the Presidential Edict 252 (April 2006) defines the purposes for external borrowing as “*Financing of central government budget deficit; solving social and environmental problems, mitigation of consequences of natural disasters and supporting economic reforms; and other purposes as identified by the*

⁴⁷ It does not include local government or non-guaranteed PE borrowing.

⁴⁸ The Debt Management Performance Assessment (DeMPA) Report (2011) by the World Bank assessed Belarus as meeting the highest rating in the areas of debt recording and reporting

⁴⁹ Article 105 of the Budget Code requires these to be included in the TSA, however, this requirement has been set-aside in the Annual Budget Law each year, including in 2012

⁵⁰ There would not necessarily be an expectation that local government funds be consolidated into the central government TSA. Differing practice exists internationally. However, as these funds are also managed through the Treasury, they are included for the purposes of this assessment.

President and legislation". Paragraph 4 also defines the purposes for the provision of external guarantees: "For import of raw materials, energy resources and other goods and services in case of a critical supply situation with regard to the national economy; for implementation of investment projects and state programs according to the priorities for economic development in the country; for other purposes in accordance with the legislation." Paragraph 3 of the Council of Ministers Resolution 118 (August 18, 2003) on Redemption of State Securities states: "that government securities (covering domestic and international markets) are issued by the MoF on behalf of the Republic of Belarus to; (i) finance budget deficit; and (ii) refinancing (roll-over) of the earlier placed state securities issues".

The issuance of debt and guarantees for central government is clearly defined in the legislation.

Presidential Edict 359 (June 30, 2008) provides the legal basis for issuing domestic guarantees. The Council of Ministers is authorized to make the decision, and the Minister of Finance signs on behalf of the Council. The decision should be made on the basis of a range of criteria assessing both the financial performance of the entity seeking the guarantee and its compliance with various legislative requirements. Article 13 of the annual budget law also sets monetary ceilings for external and domestic debt and guarantees. In 2012 they are: domestic public debt, 34 trillion roubles; domestic guaranteed debt, 20 trillion roubles; external public debt, U.S. \$ 14.3 billion; and external guaranteed debt, U.S. \$ 5 billion. Clear criteria exist for borrowing and issuing guarantees, and a single entity, the Ministry of Finance, signs for debt and guarantees. However, debt and guarantee limits are not determined in accordance with fiscal targets but are controlled through monetary ceilings which are issued in the annual budget law.

Score: B

PI	Dimension	Score 2009	Score 2013	Justification for 2013 score
PI-17	Recording and management of cash balances, debt and guarantees	C+	B+	Scoring Method M2.
(i)	Quality of debt data recording and reporting	A	A	Debt recording and reporting for central government is very well developed. Comprehensive reporting occurs monthly
(ii)	Extent of consolidation of the Government's cash balances	C	B	Cash balances are consolidated daily in the Treasury system, however, there are a number of extra budgetary funds that remain outside the TSA
(iii)	Systems for contracting loans and issuance of guarantees	D	B	The issuance of debt and guarantees for central government is clearly defined in the legislation, criteria exist for borrowing and issuing guarantees, and, a single entity, the Ministry of Finance, signs for debt and guarantees. Monetary ceilings rather than fiscal targets are issued in the annual budget law
<p>Comparability of scores and performance change: Scores comparable.</p> <p>(i) No change in performance;</p> <p>(ii) Performance improvement. Belarus has made improvements in relation to cash management by extending the coverage of the TSA;</p> <p>(iii) Performance improvement. Controls over loans and guarantees have improved since 2009.</p>				

3.4.6 PI-18 Effectiveness of payroll controls

This indicator assesses the effectiveness of the payroll system. The scope of this indicator is all payrolls of the central government, even if they cover different segments of the public service, including all MDAs and AGAs. The assessment of all dimensions is done as at the time of assessment, except the fourth dimension which is assessed for the last completed three FYs.

(i) Degree of integration and reconciliation between personnel records and payroll data

The payroll process in Belarus is a combination of central control through regulations, instructions and standards and decentralised processing and management. A range of laws and regulations apply to remuneration of employees including rates of pay, allowances, bonuses and length of service. A number of legal instruments also deal with ensuring comparability of employment levels across different parts of government. Two laws apply: *The Labor Code of the Republic of Belarus* (July 26, 1999) and *The Law On State Service of the Republic of Belarus*" (14 June 2003). There are additionally two Presidential Edicts, three Council of Minister's Resolutions and two Ministry of Labor Resolutions guiding various aspects of employment remuneration⁵¹.

Both the human resource management and accounting and payment functions are decentralized (but segregated activities) to budget institutions. This includes decisions regarding how personal information is maintained and the systems used for payroll processing. There is not one system in use in Belarus and there is no central record keeping regarding public servants. Within each budget institution, changes to the "staff list", which is the list of approved employees, occur periodically, as changes are required. This is authorised at a senior level after the list is reviewed by human resources, accounting, legal and control departments. New recruitment is managed in a similar way. Thus senior control exists over who is employed, the remuneration levels, along with allowances and bonuses. The degree of automation regarding human resource management is high in Belarus, with all budget entities visited utilising some form of software. Accounting is also automated with entities generally also using a payroll system. However, the system based controls are supplemented by paper based approvals for changes. In general, changes between the personal records in human resources and the payroll in accounting are not directly linked and are taking place once a month, although controls over these changes appear to be very rigorous⁵². At least one ministry is currently implementing integrated human resource management software, which will allow a direct link between human resource records and the payroll, although even in this ministry, the current practice is for this to be supplemented by paper based records and orders.

Score: B

⁵¹ Presidential Edict № 770 (28.12.1999) On measures to improve remuneration of labor of budget organization employees; Presidential Edict № 254 (04.06.2013) "On wages of civil servants and military personnel"; Resolution of the Council of Ministers number 2070 (31.12.1999) "On measures to improve the conditions of remuneration of employees of organizations financed from the budget" Resolution of the Council of Ministers № 471 (13.05.1997) "On Approval of the Procedure and Conditions of calculating length of service of civil service"; Resolution of the Council of Ministers № 564 (29.06.2001) "On the correlation of classes of public servants and public positions in national government bodies, local government and self-government"; Resolution of the Ministry of Labor № 6 (21.01.2000), "On measures to improve the conditions of remuneration of employees of organizations financed from the budget and benefiting from subsidies" and the order of application of the Unified Tariff Scale of the workers of Belarus, approved by the Ministry of Labor of the Republic of Belarus of № 21 (21.01.2000);

⁵² Payments for staff remuneration may be made through two different systems, one for budget resources and a separate system for extra budgetary resources.

(ii) Timeliness of changes to personnel records and the payroll

Changes are made to both the personal and payroll records as required, to reflect any changes to the “staff list” that may have occurred along with the changes to monthly remuneration including bonuses. All entities visited indicated that these changes occur within the month that they occur and that no delays were being experienced.

Score: A

(iii) Internal controls of changes to personnel records and the payroll

As mentioned in PI18 (i), all changes to personal records and the payroll are occurring at a senior management level within each budget institution. These “orders” are in hard copy and duly authorised, and sent to both human resources and accounting, specifically to the Head of each of these units in the budget institution. The current “staff list” is sent from Human Resources to Accounting each month. Reconciliation also occurs back to Human Resources after the payroll is processed. One external entity also contributes to the integrity of this information: social insurance contributions are deducted for each employee and where issues or anomalies exist the Social Protection Fund will send queries back to the budget institution, requiring a follow-up review and reconciliation, although this is not a formal part of the control framework. Budget institutions are maintaining both system based and hardcopy records of all changes to personal and payroll, which are auditable.

Score: A

(iv) Existence of payroll audits to identify control weaknesses and/or ghost workers

As the payroll function is decentralised, the process of review also occurs in a decentralised manner. When a control body inspects a specific budget entity, it is usually not specifically focused on personal records and payroll, but part of a broader compliance and review audit. Nonetheless, personal records and payroll are an important element of these inspections. Presidential Edict 510, *On improvement of the control (supervision) in the Republic of Belarus* specifies that institutions must be audited according to an assessment of risk: low, medium and high. Institutions receiving budget funds are automatically classified high risk. The frequency of audits for institutions included in the high risk group is expected to be between one and two years, but not more frequently than once a year.⁵³ In practice audits take place within a two year period.

Score: B

PI	Dimension	Score 2010	Score 2013	Justification for 2013 score
PI-18	Effectiveness of payroll controls	A	B+	Scoring Method M1.
(i)	Degree of integration and reconciliation between personnel records and payroll data	A	B	Personal records and the payroll are updated once a month prior to the payroll being issued

⁵³ Article 7 of the Presidential Edict №510 on control activities.

PI	Dimension	Score 2010	Score 2013	Justification for 2013 score
(ii)	Timeliness of changes to personnel records and the payroll	A	A	Payroll is updated each month reflecting all changes occurring during the preceding month
(iii)	Internal controls of changes to personnel records and the payroll	A	A	An audit trail exists regarding all changes to personal records and the payroll
(iv)	Existence of payroll audits to identify control weaknesses and /or ghost workers	A	B	Payroll audits occur for every budget institution at least every two years
<p>Comparability of scores and performance change: Scores comparable.</p> <p>(i) No change in performance since 2009, however, based on the evidence available, the appropriate score for this dimension is B</p> <p>(ii) No change in performance</p> <p>(iii) No change in performance</p> <p>(iv) No change in performance since 2009, however, based on the evidence available, the appropriate score for this dimension is B</p>				

3.4.7 PI-19 Competition, value for money and controls in procurement

This indicator assesses the effectiveness of the procurement system⁵⁴. The first dimension focuses on the existence and scope of the legal and regulatory framework, while the other dimensions focus on the operation of the system. The assessment covers all procurement for central government using national procedures, including all MDAs and AGAs, and is done as at the time of assessment for all dimensions except the first dimension which is assessed based on the last completed fiscal year (i.e. based on the procurement regulations in place prior to the Public Procurement Law coming into force).

(i) Transparency, comprehensiveness and competition in the legal and regulatory framework

A new legislative framework for procurement was adopted in 2012. The Law of the Republic of Belarus On Public Procurement of Goods (Work, Services) (hereinafter referred to as the Law) was adopted on July 13, 2012 and came into force from January 1, 2013. Subsequently, in December 2013 two new laws were introduced (1) the Edict of the President of the Republic of Belarus dated December 31, 2013 № 591 (On undertaking procurement in construction) and (2) Resolution of the Council of Ministers dated January 31, 2014 No. 88 (On organizing and undertaking procurement of goods (works, services) and settlements between the client and the contractor in construction projects). The regulatory framework prior to 2012 was extremely fragmented. The public procurement process was governed by a number of edicts and resolutions including: Presidential Edict №618 On Public Procurement in Belarus (Nov 17 2008); Presidential Edict №58 On Contract Bidding in Construction (Feb 7, 2005); Resolution of the Council of Ministers №1987 on Public Procurement (Dec 20, 2008); Presidential Edict №261 on Electronic Auctions (March 26, 2012); and supplementary provisions for specific goods (medical, agriculture, sports and tourism).

⁵⁴ The PEFA methodology was modified in 2011 by adding a fourth dimension and completely reformulating the other three to reflect and provide linkages to the OECD-DAC 'Methodology for Assessing Procurement Systems' (MAPS) tool.

While the regulatory framework did define competitive bidding as the default procurement method, it provided for extensive exceptions. The regulations also provided for domestic preferences (for mineral fertilizers, medicines and medical equipment) and an exhaustive list of goods and services which are not subject to public procurement. Presidential Edict 618 (art 7) provided for public access to government procurement plans, bidding opportunities and contract awards but not data on the resolution of procurement complaints.

Table 3.22 Key criteria for assessing legal and regulatory framework for procurement

D	Be organised hierarchically and precedence is clearly established.	X
	Be freely and easily accessible to the public through appropriate means.	X
	Apply to all procurement undertaken using government funds.	√
	Make open competitive procurement the default method of procurement and define clearly the situations in which other methods can be used and how this is to be justified.	X
	Provide for public access to all of the following procurement information: government procurement plans bidding opportunities, contract awards, and data on resolution of procurement complaints.	X
	Provide for an independent administrative procurement review process for handling procurement complaints by participants prior to contract signature.	X

Source: World Bank staff based on the legislation of Belarus.

Prior to the enactment of the new Law there was no fully functioning complaints mechanism. Complaints were addressed to the purchasing authority or its superior body and could be appealed to the Courts. As discussed in PI-19(iv) in 2013 a Complaints Commission was established by the Ministry of Trade (MoT).

Score: D

(ii) Use of competitive procurement methods

Belstat collected detailed public procurement data until 2012 on a semi-annual basis. This process was a bottom-up process from MDAs, who prepared aggregated information which was then consolidated at a country level by Belstat. These reports were then provided to the MoE who was the authority in overall charge of public procurement until the enactment of the new Law (now the MoT). This procurement data is made publicly available on the MoT website (www.mintorg.gov.by). Starting with 2013 public procurement data is collected by Belstat on an annual basis.

According to the data available for the last FY (2012) the breakdown of procurement by types of procedure is presented in Table 3.23.

Table 3.23 Procurement by types of procedure

Procedure	2012 Number	2012, Value, trillion BYR ⁵⁵	2011 Number
Open tender	6,523		6,817
Closed tenders	106		90
Quotation request	12,561		9,563
Competitive list	111,976		102,070
Negotiation procedures	27,330		22,618
Electronic auction	1,079		415
Sub-total - Competitive procedures	159,575	31.6 (58%)	
Non-competitive procedures	83,009	22.5 (42%)	79,935
Total	242,584	54.1	

Source: Ministry of Economy, Belstat.

An Annex to the Law provides 48 justifications for the use of sole source public procurement. This includes detailed lists of items which can be sole sourced rather than a higher level description of the justification or principals of using sole source procurement. The present procurement system lacks a comprehensive process to validate whether methods used by procuring agencies other than open competition are justified in accordance with legal requirements.

Score: D

(iii) Public access to complete, reliable and timely procurement information

The Law requires government bidding opportunities and contract awards to be made available to the public through electronic means. Procuring entities are also required to prepare an annual procurement plan and place it on the official website (www.icetrade.by) before March 8th of the current year, along with subsequent amendments. There is no legal requirement for data on the resolution of procurement complaints to be published. The requirements to publicize procurement plans, bidding opportunities and contract awards are relatively new and the assessment team were informed that key bidding information (e.g. bidding documents and draft contracts) and notification of contract awards are, as of yet not routinely filed by procuring entities; nor does the MoT have the capacity to monitor compliance. The assessment team were informed that the MoT is working with key trading facilities⁵⁶ so that their software routinely flags up gaps in the publication of bidding and contractual information.

Score: D

⁵⁵ Based on concluded contracts.

⁵⁶ These are (i) Official procurement website Internet Center of Electronic Trade (www.icetrade.by), operated by Republican unitary enterprise "National center for marketing and price study" subordinate to the Ministry of Foreign Affairs, (ii) e-market place (EMP) of the Republican unitary enterprise "National center for marketing and price study" (www.goszakupki.by) and (iii) e-market place of Open JSC "Belarusian Universal Commodity Exchange" (www.zakupki.butb.by).

(iv) Existence of an independent administrative procurement complaints system

The Law defines the procedures for the administrative procurement complaints process. According to the Law a complainant may make a complaint to the authorised body on public procurement (MoT) during the tender process or, in the event of the contract being awarded within 10 working days of bidders being notified about the selection of a successful bidder. A complaint using administrative procedures does not preclude the right of the complainant to seek restitution through the Economic Court. Under the auspices of the MoT a Complaints Commission⁵⁷ was established in 2013 which presently has seven members (from the MoT, MoE, Belarusian Universal Commodity Exchange, the National Center for Marketing and Prices, Consortium "Belresursy", the Ministry of Architecture and Construction and the Ministry of Health). Representatives are considered to have relevant expertise in procurement and legal matters however a major weakness of the present structure is the lack of representation from the private sector or civil society. The assessment team was informed that, while no formal conflict of interest rules exist, in practice Commission members refrain from voting on complaints which relate to their MDA. There is no fee charged for making a complaint and the Commission has the right to suspend the procurement process while a complaint is being ruled upon. An unusual feature of the current complaints procedures is that Complaints Commission members can be subject to a fine if a complaints case is upheld in the Economic Court. The MoT Regulation requires the maximum period of investigation not to exceed 30 days. Under PEFA methodology, the absence of members from the private sector or civil society results in the Commission not being fully independent. The default score for this sub-indicator is therefore D.

Table 3.24. Key criteria for existence of an independent administrative procurement complaints system

Complaints are reviewed by a body which:		
(i)	is comprised of experienced professionals, familiar with the legal framework for procurement, and includes members drawn from the private sector and civil society as well as government.	x
(ii)	is not involved in any capacity in procurement transactions or in the process leading to contract award decisions.	√
(iii)	does not charge fees that prohibit access by concerned parties.	√
(iv)	follows processes for submission and resolution of complaints that are clearly defined and publicly available.	√
(v)	exercises the authority to suspend the procurement process.	√
(vi)	issues decisions within the timeframe specified in the rules/regulations.	√
(vii)	issues decisions that are binding on all parties (without precluding subsequent access to an external higher authority).	√

Addressing complaints under the new Law is a major part of the MOT's Procurement Department's workload. The assessment team was informed that the Commission addresses 6-7 complaints per week and meets at least twice a week.

Score: D

⁵⁷ Under the Resolution of the Ministry of Trade No 12 (26 June 2013).

PI	Dimension	Score 2009	Score 2013	Justification for 2013 score
PI-19	Competition, value for money and controls in procurement	C	D	Scoring Method M2.
(i)	Transparency, comprehensiveness and competition in the legal and regulatory framework	n/a	D	Prior to the 2012 Procurement Law the regulations were extremely fragmented. Regulations did define competitive bidding as the default procurement method however the regulations also provided for domestic preferences (for mineral fertilizers, medicines and medical equipment) and an exhaustive list of goods and services which are not subject to public procurement. Regulations provided for public access to government procurement plans, bidding opportunities and contract awards but not data on the resolution of procurement complaints. Prior to the enactment of the new Law there was no fully functioning complaints mechanism.
(ii)	Use of competitive procurement methods	n/a	D	While the data provided on the Ministry of Trade website appears to be comprehensive the present procurement system lacks a comprehensive system to validate whether methods used by procuring agencies other than open competition are justified in accordance with legal requirements.
(iii)	Public access to complete, reliable and timely procurement information	n/a	D	The Law requires government bidding opportunities and contract awards to be made available to the public through electronic means. There is no legal requirement for data on the resolution of procurement complaints to be published. The government lacks a reliable system to ensure that these requirements are complied with.
(iv)	Existence of an independent administrative procurement complaints system	n/a	D	A procurement complaints system is in operation however a default score of D has been applied as the Complaints Commission does not have representation from the private sector or civil society.
Not comparable. The revised methodology (introduced in 2011) uses 4 dimensions instead of 3 and is more comprehensive.				

3.4.8 PI-20 Effectiveness of internal controls for non-salary expenditure

This indicator assesses the internal control system for non-salary expenditures as at the time of assessment. It covers only the control of expenditure commitments and payment for goods and services, casual labor wages and discretionary staff allowances. Debt management, payroll management and management of advances are covered by other indicators.

(i) Effectiveness of expenditure commitment controls

Article 138 of the Budget Code clearly defines any commitments beyond budgetary means as a breach of the Code, and therefore subject to sanctions. “Assuming of liabilities not supported by the budget allocations if other sources of financing of the said liabilities are not available shall be interpreted as the use of the budget proceeds in violation of the budget legislation.”

A further element of control over commitments occurs through the ROSPICE, which is the process whereby annual appropriations are sub-allocated quarterly. The quarterly ROSPICE breaks down controls into very detailed cash line-item limits. These cash limits are entered into the Treasury system and represent hard cash controls. While the budget institution can seek changes to the allocations in the ROSPICE, this is subject to MoF approval. This imposes a requirement for very detailed expenditure planning in budget institutions.

In addition, certain categories of expenditures, including capital, are subject to additional controls requiring the registration of contracts in the MoF.⁵⁸ However, beyond the specific expenditure categories, the use of commitment controls is voluntary, and in practice not utilised. Notwithstanding that the combination of the ROSPICE’s detailed planning requirements, and the general high compliance culture in Belarus regarding budgetary spending, creates a strong level of cash control within the ROSPICE and overall budgetary appropriation limits, Belarus has implemented commitment controls for only specific categories of expenditures.⁵⁹

Score: C

(ii) Comprehensiveness, relevance and understanding of other internal control rules/ procedures

Belarus has a very comprehensive set of internal controls. The Budget Code is the overarching piece of legislation, underpinned by a range of Instructions, Orders and Edicts. All of these legislative requirements are readily accessible to all public servants (and the public) through various legal databases which are available on the internet. Discussions with a range of officials both in the MoF and in line ministry roles, demonstrated a strong awareness of the requirements of the Budget Code and the subsidiary rules. A common feature of interviews was the ability of officials to be able to quote these rules verbatim. This demonstrated a strong degree of assimilation of the rules into the general operations and culture of budget institutions.

There is some duplication in the control framework which potentially undermines efficient budget execution. Duplication is particularly relevant in relation to a continued dependence on manual authorisation and hardcopy documents, despite a high degree of automation and system’s based processing. Belarus has issued a Law on electronic signatures, and this may therefore be a transitional phase.

Score: B

(iii) Degree of compliance with rules for processing and recording transactions

The Treasury indicated that some errors may occur during payment processing, including minor breaches regarding the timely submission of supporting documents, but in general accuracy and

⁵⁸ Article 4 of Resolution of the MoF 120 on the Instruction on settlements on construction works (December 17, 2001).

⁵⁹ A commitment can be recognised by registering a contact in the treasury system. This is often reflected by issuing a system’s based purchase order from the accounting system, which formally recognises the commitment, and that funds have been “set aside” to honour the commitment when the goods and services are delivered.

completeness of transactions appears to be high. Information from ministry inspection units also indicate some compliance issues, including errors. KRU reports also demonstrate that errors do occur. However, overall Belarus has a strong culture of compliance, in part assured by the number of ex-post entities that are entitled to review budget institutions.

Score: A

PI	Dimension	Score 2009	Score 2013	Justification for 2013 score
PI-20	Effectiveness of internal controls for non-salary expenditure	B+	C+	Scoring Method M1.
(i)	Effectiveness of expenditure commitment controls	B	C	While a commitment control process exists, it is only mandatory for specific categories of expenditures.
(ii)	Comprehensiveness, relevance and understanding of other internal control rules/procedures	B	B	The control framework is comprehensive and well understood. The advent of system based controls has not fully replaced manual paper based controls, leading to some duplication
(iii)	Degree of compliance with rules for processing and recording transactions	A	A	Compliance level with internal controls is very high.
<p>Comparability of scores and performance change: Scores comparable.</p> <p>(i) No change in performance since 2009, however, based on the evidence available the appropriate score for this dimension is C, as Belarus does not systematically register contracts and create a commitment against the budget appropriations.</p> <p>(ii) No change in performance</p> <p>(iii) No change in performance</p>				

3.4.9 PI-21 Effectiveness of internal audit

This indicator assesses the effectiveness of the internal audit system (as opposed to control activities) based on the latest available financial and operational information.

There have been some significant developments in the arrangements for financial inspection and control in Belarus since the 2009 PEFA. These include regulations on the performance of State control and inspection; and introduction of legislation on departmental (or agency) control.

State Inspection and Control

Edict of the President № 510 on inspections was introduced in 2009 primarily to improve the investment climate by reducing the number of random inspections faced by private and public sector bodies in Belarus. To achieve this Edict 510 aims to integrate and improve the coordination of the numerous inspection agencies in the country, however it has created an extremely cumbersome system of inspection in the public sector which is not in accordance with modern international systems of public internal financial control. Under the Edict, control agencies are required to submit six monthly proposals for inspecting subordinate bodies to the SCC, Belarus's Supreme Audit Institution. The SCC prepares a consolidated

coordination plan listing of all inspections to be carried out in the next six months. The coordination plan is then posted on the SCC website.

Departmental Control

Edict of the President of the Republic of Belarus № 325 of June 22, 2010 “On Departmental Control in the Republic of Belarus” (hereinafter referred to as Edict № 325) established the concept of departmental control. All ministries and agencies, as well as oblast and Minsk city executive committees (around 150 bodies listed in the Annex to Edict 325) have departmental control services. Edict 325 specifies the key tasks of departmental control bodies which ensure control over compliance of subordinate organizations with legislation; detecting and preventing violations with the law and ensuring the targeted and efficient use of state property. This remit is fulfilled through inspection and monitoring activities. The legislation contains provisions aimed at ensuring independence of the departmental control service; departmental control bodies are subordinated to the manager of the line ministry/agency or sub-national government. At the same time a major part of departmental control's activities has to be planned and conducted according the requirements of Edict 510 (i.e. in accordance with the six-month coordination plan posted on SCC website).

Inspections of Rayons and Local Executive Committees

Financial inspections conducted by SCC and Ministry of Finance KRU on the execution of Local Executive Committees budgets are not scheduled under edict №510 provisions. For these inspections a plan is approved by the chair of the SCC with staff of the SCC and MoF KRU taking part.

(i) Coverage and quality of the internal audit function

Internal audit - in the sense of an independent service without operational responsibility advising management on overcoming operational weaknesses - is not currently part of the Belarus system. In accordance with Presidential Edict 325 inspection activities focus on legal compliance and detection of violations of the law. The Edict also requires control agencies to review the effective use of state assets and the assessment team noted some limited work in this area; for example inspections might comment on the number of personnel in an establishment and the efficient use of government buildings when compared to norms. There are no published professional standards for the conduct of inspection activities however the MOF does organize extensive training courses twice a year. KRU coverage of financial inspection is comprehensive since the Law defines all budgetary organizations as high risk, however there is little inspection work which is focused on systems' monitoring. In the absence of an internal audit function the default score for sub-dimension (i) is a D, while sub-dimensions (ii) and (iii) are non-applicable.

Score: D

(ii) Frequency and distribution of reports

State Inspection and Control

All budget entities are categorized as high risk entities and should principally be audited annually. There is a provision that these audits should not occur more frequently than annually. There is considerable overlap between the financial control activities of KRU and SCC and this is addressed in practice through joint control activities coordinated by the SCC (see PI-26). The focus of MOF and Departmental Control KRUs is on financial compliance and reports.

Under Edict 510 an inspection report is prepared and signed by the inspector no later than 5 days after completing the inspection. This report is sent to the inspected organization which has fifteen days to appeal the findings. A final decision is issued after thirty days. The organization must respond to the findings in writing and the inspecting agency carries out spot checks to ensure that the findings are acted upon. If damages exceed 1000 basic units (approximately USD 14,130 - November 2013) the findings of the inspection are forwarded by the inspecting agency (KRU, SCC) and to law enforcement agencies for further investigation. There is no requirement to share the findings with the superior body of the inspected entity or SCC.

Departmental Control

Under Edit 325 all departmental control bodies also submit aggregated statistical reports to the MoF KRU (detailing for example budgetary violations and administrative fines). Starting from 2013, these reports are part of departmental reports of the MoF and the procedure for their completion and submission is defined by Resolution of the MoF № 67 of November 30, 2012 "On Approving the Forms of Departmental Reports for 2013".

Inspections of Rayons and Local Executive Committees

A large number of separate reports are prepared and agreed by SCC and KRU inspectors. After the inspection report is finalised the SCC and/or MOF start to track management responses pertaining to their findings and, if applicable collect administrative fines. For larger violations, above a certain threshold, the MoF informs the respective ministry or law enforcement agencies. The MoF's KRU prepares a summary table of the finding of KRU staff across the oblast and submits it as the input to the overall SCC inspection report. SCC in turn adds their part of the findings and prepares an aggregate paper on the inspection of a given oblast. To discuss the findings of the report (1) SCC may convene a circuit board meeting in the inspected oblast, or (2) such a meeting may be called directly by the Financial Department (MoF's territorial unit) of the inspected oblast. An output of these hearings are Decisions, which contain a summary of the findings together with a management response plan⁶⁰.

Notwithstanding the above financial inspection arrangements, the absence of an internal audit function makes this dimension score not-applicable.

Score: Not applicable

(iii) Extent of management response to internal audit findings

As the focus of inspection findings is on identifying compliance issues and violations with the Law, there is no evidence available about management responses to systemic weaknesses identified by KRU or other inspections. After the report is issued to the inspected agency it has the right to contest the findings of the control agency and may take civil proceedings in Court if it is dissatisfied with the response. After the report is agreed the control agency issues an Order to require the findings of the inspections to be acted upon. The focus on top-down control with penalties for non-compliance ensures actions by management on findings is prompt and comprehensive however does nothing to address systemic weaknesses within government.

Score: Not applicable

⁶⁰ Although in practice by the time the hearing is held many measures may already have been taken by management.

PI	Dimension	Score 2009	Score 2013	Justification for 2013 score
PI-21	Effectiveness of internal audit	D+	D	Scoring Method M1.
(i)	Coverage and quality of the internal audit function	C	D	Internal audit in the sense of an independent service without operational responsibility advising management on overcoming operational weaknesses is not currently part of the Belarus system. However a financial control/inspection function is operational and coverage of budget organizations is high. Some systems work is carried out however there are no published professional standards for the conduct of inspection activities.
(ii)	Frequency and distribution of reports	D	n/a	Not applicable - in the absence of comprehensive internal audit coverage precludes any systematic distribution of reports.
(iii)	Extent of management response to internal audit findings	D	n/a	Not applicable - a systems review has hitherto been only a by-product of inspection activity.
Comparability of scores and performance change: Scores comparable.				
(i) No significant change in performance. The 2013 score reflects improved availability of data for the current assessment.				
(ii) Not applicable - based on guidance in the Field Guide issued after the 2009 Assessment.				
(iii) Not applicable - based on guidance in the Field Guide issued after the 2009 Assessment.				

3.5 Accounting, recording and reporting

3.5.1 PI 22: *Timeliness and regularity of accounts reconciliation*

This indicator assesses the overall reconciliation and clearance process of central government bank accounts and other accounting information related to suspense accounts and advances (e.g. travel and construction advances). This indicator assesses the situation as at the time of the assessment.

(i) Regularity of bank reconciliations

As noted in PI-17, there is a single treasury system covering central government, oblasts and rayons. For central government most revenue and expenditure pass through accounts at the NBRB, with automated reconciliations of flows and balances between accounting and banking records. Oblast and rayon treasuries operate through accounts of local bodies of the MoF opened at Belarusbank, with similar daily reconciliation of flows and balances. Both systems automate the reconciliation process and information on discrepancies and unidentified payments must be allocated at least on a monthly basis; for execution reporting. In 2010-2012, the treasury system covered all budget organizations, except for their own-source revenue.

Monthly reconciliations take place in the context of the submission of budget execution reports to the MoF. Spending authorities responsible for budget operations and extra-budgetary revenue and expenditure are required to carry out a reconciliation between their expenditure records and their bank account data before submitting their budget execution reports; thereby ensuring that reconciliations are completed at least

on a monthly basis. Budget institutions provide Treasury with information on the balances left on their own-source bank accounts on a quarterly basis as part of the procedures in preparing the budget execution reports.

Score: A

(ii) Regularity of reconciliation and clearance of suspense accounts and advances

Oblast and rayon balances at Belarusbank are part of the single treasury system. Information about them is accessible to the MoF Main Treasury on a daily basis and discrepancies and unallocated payments are resolved at least on a monthly basis as part of execution reporting. Business and travel requests are authorized in accordance with laid down procedures and advances are paid into staff members' bank accounts. Regulations require business trips to be accounted for within three business days of the staff members return to the office, and this is complied with in practice. There are clear procedures for construction advances - contractors can claim 50 per cent advances for work to be carried out in the month, which must be invoiced within a month to clear the obligation. Exceptionally, 100 percent advances for non-standard equipment can be made if delivery of the goods is within five working days. Treasury closely monitors the closure of construction advances and advised the assessment team that violations of the terms of advance provision attract penalties and breaches are rare.

Score: A

PI	Dimension	Score 2010	Score 2013	Justification for 2013 score
PI-22	Timeliness and regularity of accounts reconciliation	A	A	Scoring Method M2.
(i)	Regularity of Bank reconciliations	A	A	Bank reconciliation for all treasury bank accounts takes place on a daily basis, own-revenue accounts are reconciled at least on a monthly basis.
(ii)	Regularity of reconciliation and clearance of suspense accounts and advances	A	A	Unidentified payments are cleared at least monthly as part of end of month reporting procedures. Travel advances are accounted for within three days of completion of a trip. Procedures for construction advances are clear and monitored closely by the Treasury.
Comparability of scores and performance change: Scores comparable.				
(i), (ii) No change in performance.				

3.5.2 PI-23 Availability of information on resources received by service delivery units

This indicator assesses the extent to which the PFM systems effectively support front-line service delivery (i.e. schools and primary health care centers) through providing information on transfer of resources to the units (in cash or in kind) vis-à-vis the budget estimates. The assessment covers the last three completed FYs.

Budget resources are expended by service delivery units through the accounts of treasury bodies with cash expenditure reflected in the records of a local treasury and reconciled with accounting

records. The right of a budget organization to generate own-source revenues requires the permission of its superior body. Expenditure lists provide guidelines on how own-source revenues are spent but do provide managers with discretion on its use; assessment visits noted expenditures on staff bonuses, consumables (drugs, textbooks and equipment/vehicles). In kind contributions (e.g. equipment provided to a hospital by WHO) are recorded in the accounting records. The accounting systems in budget organizations are reliable and ensure the timely and complete accounting for operations with both budgetary and extra-budgetary resources, although the latter are managed in bank accounts outside the treasury system.

Based on accounting data, all budget organizations—irrespective of their subordination—prepare and file monthly, quarterly, and annual reports on the use of budget resources and own-source revenue.

Annual reports cover expenditures of each school, hospital etc. and the information is available to check whether service providers receive resources (both financial and in-kind) as planned in the budget although these accounts are not published. Given the level of control observed across the Belarus public finance system the risk of diversion or misappropriation of resources from front-line education or health facilities is assessed as extremely low.

Score: A

PI	Dimension	Score 2009	Score 2013	Justification for 2013 score
PI-23	Availability of information on resources received by service delivery units	B	A	Accounting systems provide reliable information on all types of resources received in cash and in kind by budgetary units - information is compiled into reports on a monthly, quarterly and annual basis.
Comparability of scores and performance change: Scores comparable.				
No change in performance, however, based on the evidence available, the appropriate score for this indicator is A.				

3.5.3 PI-24 Quality and timeliness of in-year budget reports

This indicator assesses the ability to produce accurate and comprehensive reports from the accounting system on all aspects of the budget, at both the commitment and the payment stage. The assessment is based on the last completed financial year (FY2012).

(i) Scope of reports in terms of coverage and compatibility with budget estimates

Comprehensive reports on the execution of the republican budget are prepared every month and progressively more detail is included in the quarterly and annual reports. The reports address functional, administrative and economic classification and allow direct comparison with the original budget. Reporting by MDAs on the source and usage of own-source revenues is received by the Treasury on a quarterly basis. There is no separate reporting of expenditure at the commitment stage. In a similar way, oblast and rayon bodies receive reports on budget execution from budget organizations, including information on own-source funds. Consolidated reports are submitted by local governments to the MoF on approved forms.

Score: C

(ii) Timeliness of the issue of reports

Accurate reports on funds held in the TSA are available within 2 working days and are cross checked to the information provided by MDAs on the 15th of the following month. Formally monthly reports are submitted to the MOE, Government, Belstat, SCC and internally within MOF by the 25th of the month however preliminary reports are made available to users much earlier. The budget execution reports is posted on the MOF website by the end of the following month on a slightly more aggregated basis.

Score: A

(iii) Quality of information

As noted in PI 24 (ii) above the majority of monthly information provided by MDAs is reconciled to the Treasury TSA. Own source revenues amount to approximately 5-6 percent of total revenues and are managed outside the TSA however there is no evidence of concerns regarding the quality of data provided in these quarterly reports provided to the MOF.

Score: A

PI	Dimension	Score 2009	Score 2013	Justification for 2013 score
PI-24	Quality and timeliness of in-year budget reports	B+	C+	Scoring Method M1.
(i)	Scope of reports in terms of coverage and compatibility with budget estimates	B	C	Comprehensive reports on the execution of the republican budget are prepared every month and progressively more detail is included in the quarterly and annual reports however there is no separate reporting of commitments.
(ii)	Timeliness of the issue of reports	A	A	Accurate execution reports on TSA transactions are available shortly after the month end and reporting on own-source revenues and expenditures is done on a quarterly basis. Reports are formally distributed and published within a month of the month end.
(iii)	Quality of information	A	A	There are no material concerns regarding data accuracy.
<p>Comparability of scores and performance change: Scores comparable.</p> <p>(i) Performance is consistent with 2009. Based on the evidence available, the appropriate score for Dimension (i) is C as expenditure is only reported on a payment basis.</p> <p>(ii) No change in performance.</p> <p>(iii) No change in performance.</p>				

3.5.4 PI-25 Quality and timeliness of annual financial statements

This indicator assesses the ability to prepare year-end financial statements in a timely fashion. The assessment of the first dimension focuses on the last annual financial statement provided. The assessment of the second dimension focuses on the last annual financial statement submitted for audit. The assessment of the third dimension focuses on the last three years' financial statements.

(i) Completeness of the financial statements

In accordance with the Budget Code⁶¹ the MOF is required to prepare the annual report of the execution of the republican budget (together with sources of financing) in the same format as the approved budget. The Budget Code⁶² also specifies a number of supplementary reports on (1) the execution of expenditure on the reserve fund, (2) guarantees issued by the Government, (3) public debt, (4) extension and repayments of budget loans and credits, and (5) republican accounts payable. From 2010 comprehensive data on financial assets is collected from budget institutions however this is not reported in the annual budget execution report. The Budget Code⁶³ provides similar provisions for the execution of local budgets.

Score: C

(ii) Timeliness of submission of the financial statements

The statement of the execution of the republican budget (along with the execution of the Social Protection Fund) is submitted to the Government by March 1 and the Government then has 5 working days to submit the report to the SCC. The actual dates of submission for the 2010-2012 execution report are set out below.

Table 3.25. Actual dates of submission of the republican budget execution report to the Government

Year	Date Annual Republican Budget Execution Report Submitted to Government ⁶⁴
2010	February 28, 2011
2011	February 29, 2012
2012	February 28, 2013

Source: Ministry of Finance.

Score: A

(iii) Accounting standards used

Since 2009 the Ministry of Finance has promulgated a number of accounting and financial reporting regulations. These regulations set out standards (1) relating to the treatment of intangible and tangible

⁶¹ Article 113.

⁶² Article 114.

⁶³ Article 124.

⁶⁴ The date noted is the date the financial statements were provided to the Government by the MoF. The assessment team were informed that the financial statements were provided to the SCC within the 5 working days stipulated in the Budget Code for all three FY.

assets, (2) the treatment of funds earned during Subbotnik⁶⁵, and (3) the development of budget institution charts of accounts which are in line with the Budget and Tax Code. Notwithstanding these developments the annual budget execution report is based on national public sector standards which are not fully consistent with international public sector accounting standards. Reporting is consistent over time however the accounting standards are not disclosed in the execution report.

Score: D

PI	Dimension	Score 2009	Score 2013	Justification for 2013 score
PI-25	Quality and timeliness of annual financial statements	C+	D+	Scoring Method M1.
(i)	Completeness of the financial statements	C	C	A consolidated government statement is prepared annually. Information on revenue, expenditures and financial liabilities is disclosed in full however information on financial assets is incomplete.
(ii)	Timeliness of submission of the financial statements	A	A	The consolidated government statement is submitted for inspection within five months of the year end.
(iii)	Accounting standards used	C	D	Annual budget execution reports are prepared in accordance with national standards which are not in accordance with international standards. Statements are prepared on a consistent basis, however, the standards are not disclosed in the report.
<p>Comparability of scores and performance change: Scores comparable.</p> <p>(i) No change in performance.</p> <p>(ii) No change in performance.</p> <p>(iii) No change in performance. However, based on the evidence available, the appropriate score for this dimension is D. Default score for non-disclosure of accounting standards is D.</p>				

Ongoing reforms

The new Law on Accounting introduced the legal requirement that, starting from 2016, banks will report based on the IFRS, along with insurance companies, other financial institutions and open joint-stock companies with subsidiaries. All other corporate bodies can apply the IFRS on a voluntary basis. The banking sector already has experience with IFRS since 2008, as starting that year the National Bank required them to produce IFRS compliant reports by adjusting the reports produced on the basis of the national rules.

The recent changes in the system of collecting of data on financial assets would enable the government to report more comprehensive data in the annual execution report

⁶⁵ The practice of working on a Saturday and donating their earnings to the budget.

3.6 External scrutiny and audit

3.6.1 PI-26 Scope, nature and follow-up of external audit

This indicator assesses the quality of the external audit which comprises the scope and coverage of the audit, adherence to appropriate audit standards (including independence of the external audit institutions), focus on significant and systemic PFM issues in its reports, and performance of the full range of financial audit such as reliability of financial statements, regularity of transactions and functioning of internal control and procurement systems. The assessment covers the central government institutions including all MDAs and AGAs, and extra-budgetary funds (if existing). The assessment focuses on the last audited financial year.

The current supreme audit arrangements in Belarus deviate from the international practice, embedded in the PEFA methodology. The PEFA methodology assesses public sector audit arrangements against a standard in which public external audit is carried out independently of the executive arm of government, which incorporates a full range of financial audits and aspects of performance/value for money audits which are published and freely available to the general public. There are some important differences between these institutional norms and the role of the Belarus State Control Committee (SCC). The SCC is subordinated to the President, and its Chairman is a member of the Presidium⁶⁶ of the Council of Ministers and is appointed by the President. One of the SCC primary functions is to be part of, coordinate and oversee the control function across Government (see PI-20 and 21). In carrying out this function they conduct their work in association with other agency control bodies (for example MOF and Local Executive/LM KRU bodies). Apart from the SCC's opinion on the Annual Budget Execution Report there is no formal link between the SCC and Parliament (see PI-28). The SCC's inspection work is primarily seen as scrutinising the government's internal processes and, as such their reports are not fully available to the public, however their findings are extensively covered within the mass-media.

(i) Scope/nature of audit performed

The SCC of the Republic of Belarus performs many of the tasks assigned to supreme audit institutions (SAI) in other countries. Much of its work is in the nature of compliance as is clear from the relevant statute, where the emphasis is on compliance and control. The audit performed by the SCC mainly involves inspection of operations for compliance with the legislation, although, besides financial aspects, the audit does cover issues relating to the efficiency of the use of budgetary resources. The SCC does not disclose its audit procedures, however in 2012, the SCC Chairman issued Instruction № 38 of July 18, 2012 to approve the Methodological Recommendations on Performance of Audit by the SCC Bodies. These were developed based on performance audit standards and guidelines accepted in the framework of the INTOSAI, EUROSAI, and ASOSAI. SCC is a member of INTOSAI and has access to its methodological resources. The SCC's inspections cover all the republican government bodies, extra-budgetary funds, as well as all the SNGs. According to information provided by the SCC, 51.8 bn BYR (out of 95.8 bn BYR) or 54% of republican budget expenditures were audited in FY 2012.

Score: C

⁶⁶ In accordance with Article 34 of the Law of Council of Ministers the Chairman of the SCC sits on the Presidium of the Council of Ministers; a permanent body also comprising the Prime Minister, his deputies, the Head of the Presidential Administration, Chairman of the National Bank, the Minister of Economy, Minister of Finance and Minister of Foreign Affairs; an influential forum in which it can make recommendations on high level policy and legislative issues.

(ii) Timeliness of submission of audit reports to legislature

The SCC prepares a conclusion on the report on the execution of the republican budget, which it submits to the President by May 15. SCC's opinion on the execution of the republican budget is then voiced during sessions held by the National Assembly on approval of the Annual Budget Execution Law.

Score: A

(iii) Evidence of follow up on audit recommendations

There is good follow-up to recommendations of the SCC. Each specific recommendation for action is made with a deadline attached, which will have been discussed with the managers concerned. The MoF is required to report to the SCC that the recommendations have been implemented as required; and the SCC itself reports to the President on follow-up. A unit within the MoF, usually in the Treasury, will be identified as responsible for ensuring that the recommended action is taken by the due date (which may mean monitoring the performance of another unit). This process is backed up by registering the required action in the database controlled by the Directorate of Records Management and Organizational Work. That in turn generates regular reminders and requests to ensure that all those actions to which the Ministry is committed are discharged in time; and officials are required to report if there is any risk of delay. Officials emphasized the importance attached within the MoF to the follow-up of SCC recommendations, which are regarded as obligations backed by the authority of the President. SCC officials also confirmed they were satisfied with the way their recommendations were followed-up. In some cases a full response might take some time, but this reflected objective factors – and such cases were also covered by the monitoring process. If the action was taking longer than expected, as necessary the ministry would alert the SCC of new circumstances arising which would be discussed accordingly.

Score: A

PI	Dimension	Score 2009	Score 2013	Justification for 2013 score
PI-26	Scope, nature and follow-up of external audit	D+	C+	
(i)	Scope/nature of audit performed (incl. adherence to auditing standards)	C	C	Audit coverage is comprehensive but the scope of work is limited. There is no disclosure of SCC's audit procedures other than the Performance Audit guidelines which have been developed according to INTOSAI, EUROSAI and ASOSAI standards.
(ii)	Timeliness of submission of audit reports to the legislature	A	A	The SCC annual report on the execution of the budget is presented to the National Assembly within three months of the receipt of the execution report from the Government.
(iii)	Evidence of follow-up on audit recommendations	D	A	There is good follow up to SCC recommendations which are accepted and implemented by the Government; however neither the recommendations, nor their discharge are published.

PI	Dimension	Score 2009	Score 2013	Justification for 2013 score
	Comparability of scores and performance change: Scores comparable.			
	(i)	No change in performance other than the publication of performance audit guidelines.		
	(ii)	No change in performance.		
	(iii)	No change in performance. However, based on the evidence available, the appropriate score for this dimension is A.		

3.6.2 PI-27 Legislative scrutiny of the annual budget law

This indicator assesses the legislative scrutiny and debate of the annual budget law based on such factors as scope of the scrutiny, the internal procedures for scrutiny and debate and the time allotted for that process. Adequacy of the budget documentation made available to the legislature is covered by PI-6. The assessment focuses on the last completed fiscal year.

(i) Scope of the legislature's scrutiny

The arrangements for the Parliament's involvement in budget preparation are set out in the Budget Code which was last revised on October 26, 2012. Members of Parliament (and particularly the chairmen of the relevant Standing Committees)⁶⁷ are involved in making recommendations on the budgetary issues to the Ministry of Finance and MoTL early in year and prior to the establishment of the draft Budget Law and the formal responses to these recommendations are made by the Executive. In addition there are formal arrangements for budgetary hearings (often with joint hearings of the Upper and Lower House) once the draft budget has been submitted by the President.

Budget hearings, and informal discussions, cover all aspects of fiscal policies, including debt financing, as well as details of expenditure and revenue. Although the Parliament's detailed consideration of the government's proposals is primarily directed towards the republican budget, full information is also submitted about the budgets of SNGs. Parliament's scrutiny also extends to the Social Protection Fund. As noted in PI-12 the MTFP is not yet approved by the Council of Ministers, nor is it included in the annual budget documentation submitted to the legislature.

Score: B

(ii) Extent to which the legislature's procedures are well-established and respected

The overall arrangements for the Parliament's consideration of the draft budget are set out in the Budget Code. Specialized committees have been established in both the Council of the Republic and House of Representatives to consider the macro-economic assumptions and expenditure priorities set out in the draft budget law. While the period of formal hearings is short (see PI-27(iii)), parliamentarians were keen to emphasize the importance of budget consultations prior to the submission of draft budget between members of the Parliament and key officials in the MoF, MoE, and MoTL.

Score: B

⁶⁷ The Standing Committee for Economy, Budget and Finances (Council of the Republic) and Standing Committee on Budget and Finance (House of Representatives).

(iii) Adequacy of time for the legislature to provide a response to budget proposals

Under the new Budget Code, the annual budget law must be submitted to the Parliament by 1 November, and should be approved by 1 December to give lower tier governments time to finalize their budgets. As indicated in the table below, over the last two years the formal time period for approval of the budget has been 5 and 15 days from the date of submission to Parliament to approval in the Upper House. Parliamentarians argue that the informal arrangements outlined in PI-27 (i) ensure that they have sufficient time to consider both the macro-economic outlook and budget proposals which they approve, however, this informal interaction at the prior stage of budgeting is not recognized in scoring this sub-indicator. The information on the timeline for the approval of the Republican budget over the last 3 years is provided in the Table 3.26 below.

Table 3.26. Actual timeline of the submission and approval of the republican budget by the legislature

Year	Submitted to the House of Representatives	Approved in House of Representatives (1st Reading)	Approved in House of Representatives (2nd Reading)	Approved by Council of Republic	Signed by President
FY2011	September 2, 2010	September 7, 2010	September 14, 2010	October 4, 2010	October 15, 2010
FY2012	December 15, 2011	December 16, 2011	December 19, 2011	December 20, 2011	December 30, 2011
FY2013	September 25, 2012	October 2, 2012	October 8, 2012	October 10, 2012	October 26, 2012

Source: Ministry of Finance

Score: D

(iv) Rules for in-year amendments to the budget without ex-ante approval by the legislature

In year amendment rules are set out in the Budget Code. The MoF can approve expenditure reallocations to different administrative units or for different economic purposes within the approved totals for sub-functional headings. The President can authorize more far-reaching reallocations resulting in changes of the overall total revenue, expenditure, deficit or sources of deficit financing set in the annual budget law, without legislative consent. Any textual amendments to the budget law require a supplementary law which has to be approved by Parliament, although this has never happened in practice. Comparable arrangements are in force concerning amendments to oblast and rayon budgets.

Score: C

PI	Dimension	Score 2009	Score 2013	Justification for 2013 score
PI-27	Legislative scrutiny of the annual budget law	B+	D+	Scoring Method M1.
(i)	Scope of the legislature's scrutiny	B	B	The legislature's review covers fiscal policies for the forthcoming budget year as well as detailed estimates of expenditure and revenue. But a firm medium-term framework incorporating the government's expenditure priorities and specific policy objectives has not yet been established.
(ii)	Extent to which the legislature's procedures are well-established and respected	A	B	Simple procedures exist for the legislature's budget review and they are respected. While the period of formal hearings is short, parliamentarians were keen

PI	Dimension	Score 2009	Score 2013	Justification for 2013 score
				to emphasize the importance of informal budget consultations throughout the year between individual members of the Parliament (particularly committee chairmen) and key officials in the MoF, MoE, and other ministries.
(iii)	Adequacy of time for the legislature to provide a response to budget proposals (time allowed in practice for all stages combined)	A	D	While informal procedures exist to review the budget the official time allowed for the formal review is clearly insufficient for a meaningful debate (significantly less than a month).
(iv)	Rules for in-year amendments to the budget without ex-ante approval by the legislature	A	C	There are clear rules limiting in-year amendments to the budget without prior legislature approval. These rules allow for extensive reallocation and expansion of total expenditure without legislative consent.
<p>Comparability of scores and performance change: Scores comparable.</p> <p>(i) No change in performance.</p> <p>(ii) No change in performance. However, based on the evidence available, the appropriate score for this dimension is B.</p> <p>(iii) Reduction in score from an A to a D reflects the fact that the time allowed for legislative scrutiny for the approval of the FY12 and FY13 budgets was insufficient for meaningful debate. The informal procedures described in the narrative are not scored in assessing this sub-indicator. Based on the narrative for this dimension in the 2009 assessment, the situation was considered by the assessment team as deterioration in performance.</p> <p>(iv) No change in performance. However, based on the evidence available, the appropriate score for this dimension is C.</p>				

3.6.3 PI-28 Legislative scrutiny of external audit reports

The focus in this indicator is on central government including all MDAs and AGAs. The assessment of the first dimension is based on the audit reports submitted to legislature within the last three years, while the assessment of the other dimensions is based on the last 12 months.

(i) Timeliness of examination of audit reports by the legislature

As discussed in further detail in PI-26, constitutionally the SCC is subordinated to the President and represented on the Presidium of the Council of Ministers. The only statutory obligation to Parliament within the Budget Code is that the SCC's annual conclusion on the report on republican budget execution is voiced during sessions of the House of Representatives on approval of the law confirming the execution of the budget for the year in question. The process takes about a month following receipt of the report by the Parliament. It should be noted that the SCC is not obliged to provide any inspection reports to the National Assembly and they are not discussed in Committees.

Score: A

(ii) Extent of hearings on key findings undertaken by the legislature

The only formal hearing of the National Assembly to discuss the SCC's findings is in respect of their report on the Annual Budget Execution Report. This is conducted as a joint session of the Standing

Commissions for Budget and Finance of the Council of the Republic and the House of Representatives. Other than that the assessment team were informed that the SCC and National Assembly cooperate on an ad-hoc and informal basis - there is no other Constitutional or legislative relationship between the SCC and National Assembly.

Score: D

(iii) Issuance of recommended actions by the legislature and implementation by the executive

The SCC speaks at the hearings of the National Assembly on the Annual Budget Execution Report however they do not submit their report in writing. The assessment team were informed that members of parliament make some recommendations based on this hearing however these do not relate to specific recommendations of the SCC. No communications between the National Assembly and the Government are published.

Score: D

PI	Dimension	Score 2009	Score 2013	Justification for 2013 score
PI-28	Legislative scrutiny of external audit reports	B+	D+	Scoring Method M1.
(i)	Timeliness of examination of audit reports by legislature (for reports received within the last three years)	A	A	The National Assembly considers the SCC conclusion on the report on the execution of the republican budget in a timely manner, in the context of the approval of the annual law approving the execution of the previous year's budget.
(ii)	Extent of hearings on key findings undertaken by legislature	B	D	The only formal hearing of the National Assembly to discuss the SCC's findings is in respect of their report on the Annual Budget Execution Report. This is conducted as a joint session of the Economic/Finance Committees of the Council of Representatives and House of Representatives. Other than that the assessment team were informed that the SCC and National Assembly cooperate on an ad-hoc and informal basis - there is no other Constitutional or legislative relationship between the SCC and National Assembly.
(iii)	Issuance of recommended actions by the legislature and implementation by the executive	B	D	The SCC speaks at the hearings of the National Assembly on the Annual Budget Execution Report however they do not submit their report in writing. The assessment team were informed that members of parliament make some recommendations based on this hearing however these do not relate to specific recommendations of the SCC. No communications between the National Assembly and the Government are published.

PI	Dimension	Score 2009	Score 2013	Justification for 2013 score
Comparability of scores and performance change: Scores comparable.				
	(i)	No change in performance.		
	(ii)	No change in performance. However, based on the evidence available, the appropriate score for this dimension is D.		
	(iii)	No change in performance. However, based on the evidence available, the appropriate score for this dimension is D.		

3.7 Donor practices

3.7.1 D-1 Predictability of Direct Budget Support

This indicator assesses the predictability of inflows of budget support. Belarus did not receive any budget support in FY10-FY12 and therefore this indicator is not applicable in accordance with the PEFA methodology⁶⁸.

(i) Deviation of actual budget support from the forecasts

Score: Not applicable

(ii) In-year timeliness of donor disbursements

Score: Not applicable

PI	Dimension	Score 2010	Score 2013	Justification for 2013 score
D-1	Predictability of Direct Budget Support	Not used	n/a	Scoring Method M1.
(i)	Annual deviation of actual BS from the forecasts provided by the donor agencies at least 6 weeks prior to the government submitting its budget proposals to the legislature	Not used	n/a	
(ii)	In-year timeliness of donor disbursements (compliance with aggregate quarterly estimates)	Not used	n/a	
Comparability of scores and performance change: D-1 was not used in the previous PEFA Assessment.				
(i) and (ii) The Government of Belarus received no direct budget support in FY10-FY12.				

⁶⁸ PEFA Newsflash No.5.

3.7.2 D-2 Financial information provided by donors for budgeting and reporting on project and program aid

This indicator assesses the predictability of donor support for programs and projects (including aid-in-kind) in respect to the provision of accurate and timely estimates of available funds for inclusion in the budget proposal and reporting on actual donor flows. The assessment is based on qualitative data for the donors providing project and programme support and focuses on the last completed fiscal year (FY2012).

The only data available for this indicator was from the World Bank. According to data provided by the Government total grants and IBRD loans in FY2012 totalled \$157m which is insignificant (0.85% of consolidated budget expenditures). This is broken down into \$44m grants (0.24% Grants) and \$113.45m (0.61% IBRD loans). Data on grants is collected by the MoE; data on IBRD lending (the only form of financial aid) is maintained by the Ministry of Finance. None of the data on externally financed projects and programs is presented in the annual budget, its annexes or other publicly available supporting documents. The assessment team was informed by the World Bank that, in general IBRD projects are 100% financed by the Bank without recourse to co-financing. The process for financing IBRD loans is managed through the Country Partnership Strategy (CPS) which, amongst other things spells out priorities and lending commitments. The current CPS runs from 2014-2017. As noted above Belarus has received no direct budget support since 2009.

(i) Completeness and timeliness of budget estimates by donors for project support

The existing procedures for preparation of national budget in Belarus do not require the inclusion of donor funding and therefore this indicator is not applicable in accordance with the PEFA methodology. Budget estimates for IBRD financed projects are available in project documents.

Score: Not applicable

(ii) Frequency and coverage of reporting by donors on actual donor flows for project support

As no execution data is set out in the approved national budget documents or supporting documents, this indicator is not applicable in accordance with the PEFA methodology. Detailed aggregate and project data for IBRD financed projects is available online to project implementation units and key line ministries through the World Bank's Client Connection system.

Score: Not applicable

PI	Dimension	Score 2010	Score 2013	Justification for 2013 score
D-2	Financial information provided by donors for budgeting and reporting on project and program aid	Not used	n/a	Scoring Method M1.
(i)	Completeness and timeliness of budget estimates by donors for project support	Not used	n/a	
(ii)	Frequency and coverage of reporting by donors on actual donor flows for project support	Not used	n/a	
<p>Comparability of scores and performance change: D-2 was not used in the previous PEFA assessment.</p> <p>(i) and (ii) not applicable, as no budget estimates or execution data is set out in the approved national budget documents or supporting documents.</p>				

3.7.3 D-3 Proportion of aid that is managed by use of national procedures

This indicator assesses the use of national procedures (i.e. procurement, payment/accounting, audit, disbursement and reporting) by the donor funds. The assessment focuses on the last completed fiscal year (FY2011).

As noted in D-1, the Government of Belarus received no direct budget support in FY10-FY12. The Government implements World Bank projects exclusively through ring-fenced Project Implementation Units making no use of national procurement, accounting, audit, disbursement and reporting arrangements. Discussions with the MoE (also confirmed in consultations with other donors) suggest that usage of national systems by other donors is minimal or non-existent.

Score: D

PI	Dimension	Score 2010	Score 2013	Justification for 2013 score
D-3	Overall proportion of aid funds to central government that are managed through national procedures	Not used	D	Less than 50% of aid funds to central government are managed through national procedures.
<p>Comparability of scores and performance change: D-3 was not used in the previous PEFA assessment.</p> <p>Less than 50% of aid funds to central government are managed through national procedures.</p>				

4 Government Reform Process

4.1. Recent and ongoing reforms

Public financial management reforms over the past years took place in a particularly volatile macroeconomic environment. In the face of substantial fiscal pressures, fiscal management was dominated by short term consolidation needs. While the government succeeded in maintaining fiscal discipline, short term crisis management has to some extent crowded out more long term institutional reforms to strengthen the way the budget is managed.

While the Government has not adopted an overall PFM reform strategy, reforms were initiated across a range of individual reform areas. Most importantly, an organic budget law (the budget code) was enacted in 2009, stipulating the institutional and procedural framework for budget management. Building on the results of the PEFA 2009, the Government has also initiated a range of reforms in those areas where PEFA showed deficiencies. In 2010, the government introduced a formula-based inter-governmental transfer scheme, although the formula is complex and data intensive and has therefore not been applied in practice. In 2010, the government also introduced fiscal rules to constrain sub-national debt. Later in 2011 the Government initiated pilots to experiment with more flexible financing arrangements in the health and education sectors, but the draft regulations that are expected to be the basis for the implementation of these pilot projects are yet to be approved by the government. Following the provisions of the Budget code, the MOF has also started to prepare medium term fiscal plans in the context of the annual budget process, but these are not yet formally integrated into the budget documentation, largely because of concerns about the accuracy of medium-term forecasts in the very volatile macro environment due to the effects of the global financial crisis and domestic currency crisis.

In parallel, the Government has moved forward with tax policy reforms. Belarus adopted the Specific Part of the Tax Code in 2008, consolidating all tax legislation into single legislative act. Since then several tax reforms have not only lowered the overall tax burden, but also simplified the tax system. A flat personal income tax was introduced with a statutory rate of 12 percent. Seven taxes, including turnover taxes, local sales tax on goods and services, and the local development fee on net corporate profit, were abolished. The corporate income tax rate was reduced from 24 to 18 percent. Despite these reductions at above 40 percent of GDP, the tax burden remains high.

In parallel, Belarus also improved its tax administration to reduce the compliance burden for the private sector. E-filing of tax returns and electronic payment services were introduced in 2008. By 2011, the majority of companies in Belarus used electronic filing. The government also limited the number and frequency of tax inspections to enterprises, applying risk based audit selection methods. As a result, according to the Doing Business report, the time to comply with tax obligations was reduced by 649 hours between 2005 and 2013.

Overall, PFM reforms to date have focused on strengthening the legislative framework, but implementation has been slow. Notable progress has been made in strengthening the legislative framework with the adoption of the tax code and budget code. Since the initial enactment several amendments have further improved the framework. However, in important areas, such as medium term budgeting and intergovernmental fiscal relations, implementation of the new provisions has been lagging. Therefore the PEFA scores measuring performance in these areas do not yet show improvement compared to the 2009 scores.

4.2. Institutional factors supporting PFM reform planning and implementation.

Commitment to further advance public financial management reform is strong among the set of institutions involved in budgetary management. The five year economic and social development plan 2011-15 of the Government explicitly states the optimization of public expenditures with a focus on achieving results, raising efficiency of the use of state funds and improvement of public debt management through the development of the Public Debt Management Strategy as key policy objectives. However, highly centralized decision making and an uncertain authorizing environment may lead to delays and stall reform implementation, despite commitment at the technical level.

Annexes

Annex 1: PFM Performance Measurement Framework Indicators Summary

No.	Indicator	Score 2009	Score 2013	Justification for 2013 score	Comparability of scores and explanation of change since previous assessment
A. PFM OUT-TURNS: Credibility of the budget					
PI-1	Aggregate expenditure out-turn compared to original approved budget	C	C	Scoring Method M1. Aggregate expenditure out-turn exceeded the approved budget by more than 15% in one out of three years (1,9%, 31,2% and 12,6% in 2010, 2011 and 2012 respectively)	There is no change in performance.
PI-2	Composition of expenditure out-turn compared to original approved budget	A	B+	Scoring Method M1.	The scores are not comparable due to the changes in the PEFA methodology.
(i)	Variance in expenditure composition, excluding contingency items	-	B	Exceeded 10 % in one out of three years (13,1%, 6,7% and 4,5% in 2010, 2011 and 2012 respectively)	The Methodology applied in this assessment takes into account the revised PEFA methodology. The change in the performance rating from A (2009) to B+ (2013) is not caused by the change in methodology but the result of a higher degree of functional expenditure variance. The 2009 score remains A even if the revised methodology is applied to the data of 2005-2007 (the period covered in the 2009 assessment).
(ii)	The average amount of expenditure actually charged to the contingency vote	-	A	On average was less than 1 percent of the approved budget (1,6%, 0,5% and 0,9% in 2010, 2011 and 2012 respectively)	Dimension did not exist under the previous methodology. The 2009 score remains A even if the revised methodology is applied to the data of 2005-2007 (the period covered in the 2009 assessment).
PI-3	Aggregate revenue out-turn compared to original approved	A	B	Scoring Method M1. Between 94% and 112% of projected domestic revenue in two of	The scores are not comparable due to the changes in the PEFA methodology. The change in

No.	Indicator	Score 2009	Score 2013	Justification for 2013 score	Comparability of scores and explanation of change since previous assessment
	budget			the last three years (96,1%, 151,3% and 112,0% in 2010, 2011 and 2012 respectively)	the performance rating from A (2009) to B (2013) is caused by the revised methodology. If the same, revised methodology is applied consistently, the score indicates a performance improvement from C (2009) to (B) 2013
PI-4	Stock and monitoring of expenditure payment arrears	A	B+	Scoring Method M1.	
(i)	Stock of expenditure payment arrears and a recent change in the stock	A	A	Stock of arrears at the end of 2012 was well below 1% of budget expenditures (0,01% of republican budget expenditures)	There is no change in performance.
(ii)	Availability of data for monitoring the stock payment arrears	A	B	The Treasury system provides a comprehensive record of all payment orders, including the date of registration, which is reported on a quarterly basis by budget institutions, and which Belarus defines as arrears. The date of registration is not the date of receipt of the invoice in the budget institution. While some payment records also include the "due date" this is not comprehensively recorded, and therefore a comprehensive list of the age of all arrears is not currently produced. Despite this, the strong culture of compliance and the specific legislative requirement under article 138 of the Budget Code (commitments beyond the budget are illegal) provides general assurance regarding the comprehensiveness of the reporting of arrears.	There has been no change in performance since 2009, but 2009 assessment emphasized the low existing stock of arrears rather than whether the processes in place to correctly monitor the stock of arrears were comprehensive
B.	KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency				
PI-5	Classification of the budget	A	A	Scoring Method M1. The 2012 budget formulation and execution is based on administrative, programme, functional and economic classifications consistent with GFS/COFOG standards.	There is no change in performance.

No.	Indicator	Score 2009	Score 2013	Justification for 2013 score	Comparability of scores and explanation of change since previous assessment
				Classifications are consistent (allow mapping) with GFS/CoFoG standards.	
PI-6	Comprehensiveness of information included in budget documentation	A	A	Scoring Method M1. The budget includes 8 of the 9 required elements for proper disclosure of fiscal information for effective legislative review.	There is no change in performance.
PI-7	Extent of unreported government operations	C+	D+	Scoring Method M1.	
(i)	Level of unreported extra-budgetary expenditure	C	D	The quantifiable level of extra budgetary activity exceeds 10% in 2012.	There is no change in performance. Slippage in the score is due to additional information available on quasifiscal activity in 2012.
(ii)	Income/expenditure information on donor-funded projects	A	A	The total value of donor funding is less than 1%.	There is no change in performance.
PI-8	Transparency of inter-governmental fiscal relations	B	B	Scoring Method M2.	
(i)	Transparency and objectivity in the horizontal allocation among SN government	D	D↑	Transfers are based on incremental adjustments of actual pre-transfer revenues and expenditures of the previous year. Transfers appear reasonably transparent but are not yet based on a rules based system.	There is no change in performance. The introduction of the Budget Code and the piloting of a rules based formulae justify an upward arrow for this sub-indicator.
(ii)	Timeliness of reliable information to SN government on their allocations	A	A	Lower tier territorial governments are provided with reliable information on the resources available for the forthcoming budget year in a timely fashion before they start their detailed budget preparation.	There is no change in performance.
(iii)	Extent of consolidation of fiscal data for government according to sectoral categories	A	A	Complete budget execution data, broken down by function, economic and administrative classifications, covering both local and central government budgets, is collected and reported quarterly.	There is no change in performance.

No.	Indicator	Score 2009	Score 2013	Justification for 2013 score	Comparability of scores and explanation of change since previous assessment
PI-9	Oversight of aggregate fiscal risk from other public sector entities.	A	C+	Scoring Method M1.	
(i)	Extent of central government monitoring of AGAs/PEs	A	C	Medium and large PEs report quarterly to BELSTAT and also to their sector ministries. Annually BELSTAT prepares a consolidated report on PEs which includes key performance indicators of fiscal risk. Not all PEs are subject to an annual external audit process. The consolidated report on PEs prepared by BELSTAT does not include all fiscal risks associated with PEs.	There is no change in performance. The additional detailed information provided regarding external audit of PEs and the oversight of aggregate fiscal risk justified the downgrading from the score allocated in 2009.
(ii)	Extent of central government monitoring of SN governments' fiscal position	A	A	Subnational governments execute their budgets through the treasury system, ensuring the availability of fiscal data for on-going monitoring. Debt and guarantee stock levels are limited to 80% of own source revenues (net of subventions) and in year debt services costs must not exceed 15% of those revenues. Quarterly reporting occurs to the MoF by the local Executive Committee of each government through their Finance Departments.	There is no change in performance.
PI-10	Public access to key fiscal information	C	B	Scoring Method M1. 3 out of 6 listed types of information are disclosed	Improvement in the 2013 score is due to improved performance - introduction of a legal requirement to publish contract award information increased the number of types of information disclosed from 2 (in 2009) to 3.
C.	BUDGET CYCLE				
C(i)	Policy-Based Budgeting				
PI-11	Orderliness and participation in the annual budget process	B	C	Scoring Method M2.	
(i)	Existence of and adherence to a fixed budget calendar	B	D	The Budget Code stipulates a basic budget calendar, but key dates, including issuance of the budget circular and submission of budget requests by MDAs, are not specified. While MDAs	Score is downgraded to C (2013) from B (2009) because of worse performance. This reflects the short time period formally given to MDAs to

No.	Indicator	Score 2009	Score 2013	Justification for 2013 score	Comparability of scores and explanation of change since previous assessment
				participate throughout the budget preparation process, the formal time given to them to prepare detailed budget requests have in practice been very limited.	prepare their detailed budget requests during the budget years under examination. Reportedly, the budget preparation process during all three years was adversely affected by macroeconomic uncertainty, which may account for the deterioration in the orderliness of the budget process.
(ii)	Guidance on the Preparation of budget submissions.	C	C	The budget circular established budget ceilings for MDAs, but these are not approved by the Council of Ministers and therefore subject to revisions.	There is no change in performance.
(iii)	Timely budget approval by the legislature	A	A	Parliament approves the budget before the start of the new fiscal year	There is no change in performance.
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	D+	D	Scoring Method M2.	
(i)	Multi-year fiscal forecast and functional allocations	C	C	Medium term fiscal forecasts are prepared, but forward estimates are not linked to the annual budget allocations	There is no change in performance.
(ii)	Scope and frequency of debt sustainability analysis	D	C	While no formal debt sustainability analysis is undertaken by the MOF, the debt department prepares debt portfolio risk and cost analysis as well as utilizes projections of external public debt sustainability analysis, however this analysis is limited to 2 out-years and excludes domestic debt	Score upgrade reflects improved performance, the Public Debt Department is undertaking assessment of external debt sustainability and solvency
(iii)	Existence of costed sector strategies	C	D	Line ministries prepare sector strategies in the context of the development planning process. While these strategies identify and cost priority investments, the medium term, recurrent cost implications associated with these investments are not captured	There is no change in performance. Dimension is downgraded from C (2009) to D (2013) reflecting the limited costing of sector strategies. According to the PEFA field guide the minimum criteria for costing requires that medium term costs, included in the strategies are broken down by year.

No.	Indicator	Score 2009	Score 2013	Justification for 2013 score	Comparability of scores and explanation of change since previous assessment
(iv)	Linkages between investment budgets	C	D	Belarus has a strong prioritization process for the investment budget. However, this process –while synchronized- is separate from the budget process and recurrent cost implications of investments are not systematically linked to medium term forward expenditure estimates	program, and main economic category (including recurrent costs) together with main parameters and assumptions underlying the cost estimates.. There is no change in performance. Dimension score is downgraded from C (2009) to D (2013), reflecting the dual budget process with separate processes for recurrent and capital budgeting.
C(ii) Predictability and Control in Budget Execution					
PI-13	Transparency of taxpayer obligations and liabilities	C+	B+	Scoring Method M2.	
(i)	Clarity and comprehensiveness of tax liabilities	D	B	The legislation is clear and comprehensive. Some limited discretionary power exists regarding the law.	Improved performance, specific action to improve the overall taxation system has occurred since 2009.
(ii)	Taxpayer access to information on tax liabilities and administrative procedures	B	A	Taxpayers have easy access to comprehensive and user-friendly information regarding their liabilities and obligations via a variety of means	Improved performance, specific action to improve access to information and administrative processes has occurred since 2009.
(iii)	Existence and functioning of a tax appeals mechanism	B	B	Administrative appeals are open to all taxpayers, however, a transparent and independent tax appeal mechanism is only available to legal persons. Physical persons only have recourse through the normal civil court system, which is not regarded as an appropriate tax complaint mechanism.	There is no change in performance.
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	A	A	Scoring Method M2.	
(i)	Controls in taxpayer registration system	A	A	A comprehensive registration system exists for all businesses and individual entrepreneurs. Payee identification numbers are used for individual taxpayers that are not business entities.	There is no change in performance.

No.	Indicator	Score 2009	Score 2013	Justification for 2013 score	Comparability of scores and explanation of change since previous assessment
(ii)	Effectiveness of penalties for non-compliance with registration and declaration obligations	A	A	The fines levied, along with the general focus on rule of law in society assures strong compliance with registration and tax declarations.	There is no change in performance.
(iii)	Planning and monitoring of tax audit and fraud investigation programs	A	A	Audits and investigations are conducted based on a comprehensive six month plan which is supplemented by very specific risk criteria for various taxpayers.	There is no change in performance.
PI-15	Effectiveness in collection of tax payments	A	A	Scoring Method M1.	
(i)	Collection ratio for gross tax arrears, being percentage of tax arrears at the beginning of a fiscal year, which was collected during that fiscal year	A	A	Total Tax and Customs arrears were less than 2% in each of the last two years of the assessment	There is no change in performance.
(ii)	Effectiveness of transfer of tax collections to the Treasury by the revenue administration	A	A	All tax and customs revenue is either paid directly into the TSA at the NBRB or swept to this account from zero balance collection accounts the same day.	There is no change in performance.
(iii)	Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury	A	A	Reconciliation between tax, customs and the treasury ledger takes place within three days of the end of each month.	There is no change in performance.
PI-16	Predictability in the availability of funds for commitment of expenditures	B	B	Scoring Method M1.	
(i)	Extent to which cash flows are forecast and monitored	B	B	The cash flow forecast is updated formally each quarter, although informal monitoring occurs more frequently in the Treasury.	There is no change in performance.
(ii)	Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment.	B	B	The ROSPICE provides certainty over funding for the quarter in advance.	There is no change in performance.

No.	Indicator	Score 2009	Score 2013	Justification for 2013 score	Comparability of scores and explanation of change since previous assessment
(iii)	Frequency and transparency of adjustment to budget allocations, which are decided above the management of Line Ministries	B	B	In 2012 the MoF took action to sequester funds just once. This occurred in the 4th quarter.	There is no change in performance.
PI-17	Recording and management of cash balances, debt and guarantees	C+	B+	Scoring Method M2.	
(i)	Quality of debt data recording and reporting	A	A	Debt recording and reporting for central government is very well developed. Comprehensive reporting occurs monthly.	There is no change in performance.
(ii)	Extent of consolidation of the Government's cash balances	C	B	Cash balances are consolidated daily in the Treasury system, however, there are a number of extra budgetary funds that remain outside the TSA.	Performance improvement. Belarus has made improvements in relation to cash management by extending the coverage of the TSA.
(iii)	Systems for contracting loans and issuance of guarantees	D	B	The issuance of debt and guarantees for central government is clearly defined in the legislation, criteria exist for borrowing and issuing guarantees, and, a single entity, the Ministry of Finance, signs for debt and guarantees. Monetary ceilings rather than fiscal targets are issued in the annual budget law.	Performance improvement. Controls over loans and guarantees have improved since 2009.
PI-18	Effectiveness of payroll controls	A	B+	Scoring Method M1.	
(i)	Degree of integration and reconciliation between personnel records and payroll data	A	B	Personal records and the payroll are updated once a month prior to the payroll being issued.	No change in performance since 2009, however, based on the evidence available, the appropriate score for this dimension is B.
(ii)	Timeliness of changes to personnel records and the payroll	A	A	Payroll is updated each month reflecting all changes occurring during the preceding month	There is no change in performance.
(iii)	Internal controls of changes to personnel records and the payroll	A	A	An audit trail exists regarding all changes to personal records and the payroll	There is no change in performance.
(iv)	Existence of payroll audits to identify control weaknesses and /or ghost workers	A	B	Payroll audits occur for every budget institution at least every two years	No change in performance since 2009, however, based on the evidence available, the appropriate score for this dimension is B.

No.	Indicator	Score 2009	Score 2013	Justification for 2013 score	Comparability of scores and explanation of change since previous assessment
PI-19	Competition, value for money and controls in procurement	C	D	Scoring Method M2.	
(i)	Transparency, comprehensiveness and competition in the legal and regulatory framework	n/a	D	Prior to the 2012 Procurement Law the regulations were extremely fragmented. Regulations did define competitive bidding as the default procurement method however the regulations also provided for domestic preferences (for mineral fertilizers, medicines and medical equipment) and an exhaustive list of goods and services which are not subject to public procurement. Regulations provided for public access to government procurement plans, bidding opportunities and contract awards but not data on the resolution of procurement complaints. Prior to the enactment of the new Law there was no fully functioning complaints mechanism.	The scores are not comparable due to the changes in the PEFA methodology. The revised methodology (introduced in 2011) uses 4 dimensions instead of 3 and is more comprehensive. Enactment of the new procurement law justifies and upward arrow for this dimension.
(ii)	Use of competitive procurement methods	n/a	D	While the data provided on the Ministry of Trade website appears to be comprehensive the present procurement system lacks a comprehensive system to validate whether methods used by procuring agencies other than open competition are justified in accordance with legal requirements.	The scores are not comparable due to the changes in the PEFA methodology. The revised methodology (introduced in 2011) uses 4 dimensions instead of 3 and is more comprehensive.
(iii)	Public access to complete, reliable and timely procurement information	n/a	D	The Law requires government bidding opportunities and contract awards to be made available to the public through electronic means. There is no legal requirement for data on the resolution of procurement complaints to be published. The government lacks a reliable system to ensure that these requirements are complied with.	The scores are not comparable due to the changes in the PEFA methodology. The revised methodology (introduced in 2011) uses 4 dimensions instead of 3 and is more comprehensive.
(iv)	Existence of an independent administrative procurement complaints system	n/a	D	A procurement complaints system is in operation however a default score of D has been applied as the Complaints Commission does not have representation from the private sector or civil society.	The scores are not comparable due to the changes in the PEFA methodology. The revised methodology (introduced in 2011) uses 4 dimensions instead of 3 and is more

No.	Indicator	Score 2009	Score 2013	Justification for 2013 score	Comparability of scores and explanation of change since previous assessment
PI-20	Effectiveness of internal controls for non-salary expenditure	B+	C+	Scoring Method M1.	comprehensive.
(i)	Effectiveness of expenditure commitment controls	B	C	While a commitment control process exists, it is only mandatory for specific categories of expenditures.	There is no change in performance. However, based on the evidence available the appropriate score for this dimension is C, as Belarus does not systematically register contracts and create a commitment against the budget appropriations.
(ii)	Comprehensiveness, relevance and understanding of other internal control rules/procedures	B	B	The control framework is comprehensive and well understood. The advent of system based controls has not fully replaced manual paper based controls, leading to some duplication.	There is no change in performance.
(iii)	Degree of compliance with rules for processing and recording transactions	A	A	Compliance level with internal controls is very high.	There is no change in performance.
PI-21	Effectiveness of internal audit	D+	D	Scoring Method M1.	
(i)	Coverage and quality of the internal audit function	C	D	Internal audit - in the sense of an independent service without operational responsibility advising management on overcoming operational weaknesses - is not currently part of the Belarus system. However a financial control/inspection function is operational and coverage of budget organizations is high. Some systems work is carried out however there are no published professional standards for the conduct of inspection activities.	There is no significant change in performance. The 2013 score reflects improved availability of data for the current assessment.
(ii)	Frequency and distribution of reports	D	n/a	Not applicable - in the absence of comprehensive internal audit coverage precludes any systematic distribution of reports.	Not applicable - based on guidance in the Field Guide issued after the 2009 Assessment.
(iii)	Extent of management response to internal audit findings	D	n/a	Not applicable - a systems review has hitherto been only a by-product of inspection activity .	Not applicable - based on guidance in the Field Guide issued after the 2009 Assessment.

No.	Indicator	Score 2009	Score 2013	Justification for 2013 score	Comparability of scores and explanation of change since previous assessment
C(iii) Accounting, Recording and Reporting					
PI-22	Timeliness and regularity of accounts reconciliation	A	A	Scoring Method M2.	
(i)	Regularity of Bank reconciliations	A	A	Bank reconciliation for all treasury bank accounts takes place on a daily basis, own-revenue accounts are reconciled at least on a monthly basis.	There is no change in performance.
(ii)	Regularity of reconciliation and clearance of suspense accounts and advances	A	A	Unidentified payments are cleared at least monthly as part of end of month reporting procedures. Travel advances are accounted for within three days of completion of a trip. Procedures for construction advances are clear and monitored closely by the Treasury.	There is no change in performance.
PI-23	Availability of information on resources received by service delivery units	B	A	Scoring Method M1. Accounting systems provide reliable information on all types of resources received in cash and in kind by budgetary units - information is compiled into reports on a monthly, quarterly and annual basis.	There is no change in performance. However, based on the evidence available, the appropriate scoring of this indicator is A.
PI-24	Quality and timeliness of in-year budget reports	B+	C+	Scoring Method M1.	
(i)	Scope of reports in terms of coverage and compatibility with budget estimates	B	C	Comprehensive reports on the execution of the republican budget are prepared every month and progressively more detail is included in the quarterly and annual reports however there is no separate reporting of commitments.	Performance is consistent with 2009. Based on the evidence available, the appropriate score for this dimension is C as expenditure is only reported on a payment basis.
(ii)	Timeliness of the issue of reports	A	A	Accurate execution reports on TSA transactions are available shortly after the month end and reporting on own-source revenues and expenditures is done on a quarterly basis. Reports are formally distributed and published within a month of the month end.	There is no change in performance.

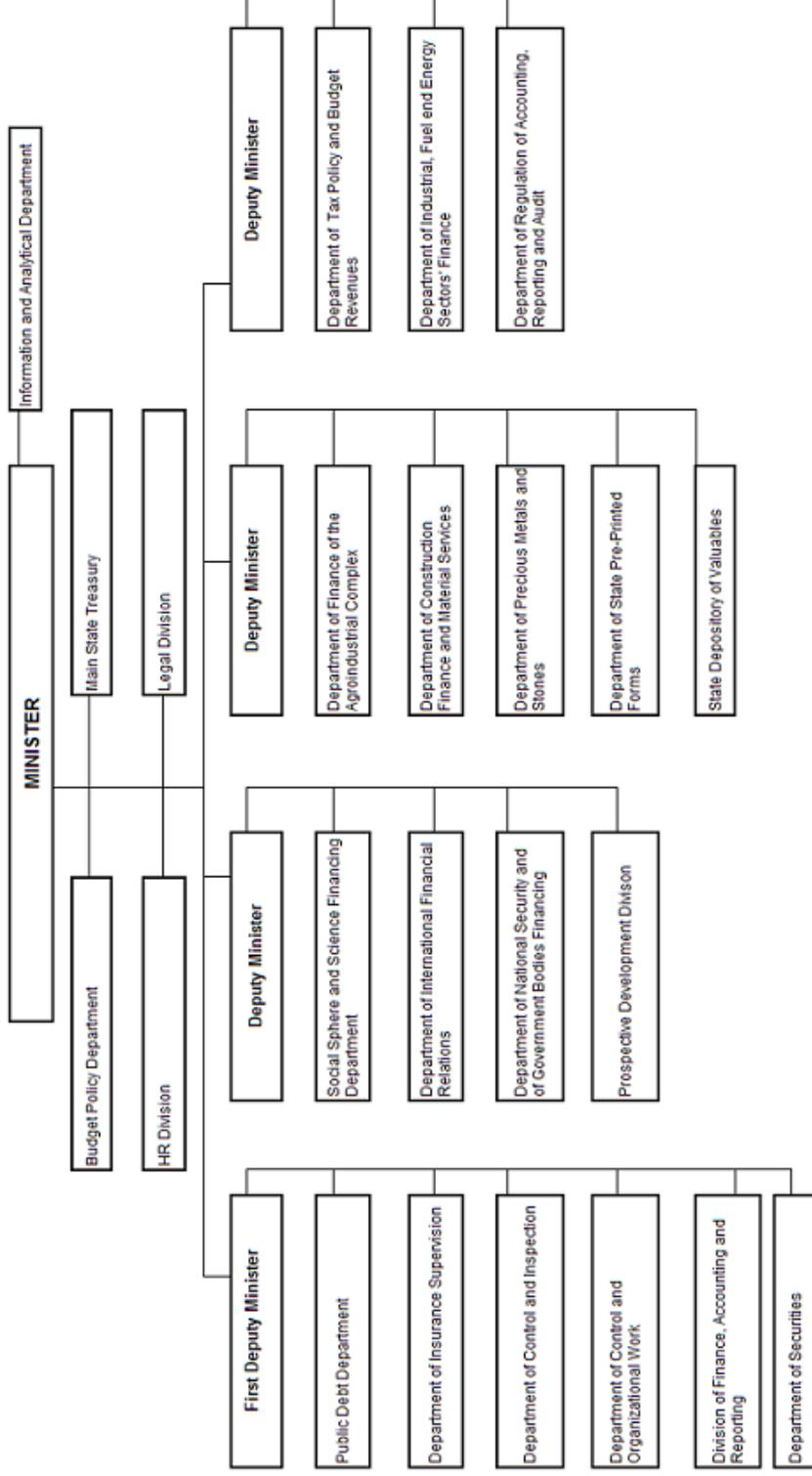
No.	Indicator	Score 2009	Score 2013	Justification for 2013 score	Comparability of scores and explanation of change since previous assessment
(iii)	Quality of information	A	A	There are no material concerns regarding data accuracy.	There is no change in performance.
PI-25	Quality and timeliness of annual financial statements	C+	D+	Scoring Method M1.	
(i)	Completeness of the financial statements	C	C	A consolidated government statement is prepared annually. Information on revenue, expenditures and financial liabilities is disclosed in full however information on financial assets is incomplete.	There is no change in performance.
(ii)	Timeliness of submission of the financial statements	A	A	The consolidated government statement is submitted for inspection within five months of the year end.	There is no change in performance.
(iii)	Accounting standards used	C	D	Annual budget execution reports are prepared in accordance with national standards which are not in accordance with international standards. Statements are prepared on a consistent basis, however, the standards are not disclosed in the report.	There is no change in performance. However, based on the evidence available, the appropriate score for this dimension is D. Default score for non-disclosure of accounting standards should have been a D in 2009.
C(iv)	External Scrutiny and Audit				
PI-26	Scope, nature and follow-up of external audit	D+	C+	Scoring Method M1.	
(i)	Scope/nature of audit performed (incl. adherence to auditing standards)	C	C	Audit coverage is comprehensive but the scope of work is limited. There is no disclosure SCC's audit procedures other than the Performance Audit guidelines which have been developed according to INTOSAI, EUROSAL and ASOSAI standards.	There is no change in performance other than the publication of performance audit guidelines.
(ii)	Timeliness of submission of audit reports to the legislature	A	A	The SCC annual report on the execution of the budget is presented to the National Assembly within three months of the receipt of the execution report from the Government.	There is no change in performance.
(iii)	Evidence of follow-up on audit recommendations	D	A	There is a good follow up to SCC recommendations which are accepted and implemented by the Government; however the recommendations (and their discharge) are not published.	There is no change in performance. However, based on the evidence available, the appropriate score for this dimension is A.
PI-27	Legislative scrutiny of the annual	B+	D+	Scoring Method M1.	

No.	Indicator	Score 2009	Score 2013	Justification for 2013 score	Comparability of scores and explanation of change since previous assessment
	budget law				
(i)	Scope of the legislature's scrutiny	B	B	The legislature's review covers fiscal policies for the forthcoming budget year as well as detailed estimates of expenditure and revenue. But a firm medium-term framework incorporating the government's expenditure priorities and specific policy objectives has not yet been established.	There is no change in performance.
(ii)	Extent to which the legislature's procedures are well-established and respected	A	B	Simple procedures exist for the legislature's budget review and they are respected. While the period of formal hearings is short, parliamentarians were keen to emphasize the importance of informal budget consultations throughout the year between individual members of the Parliament (particularly committee chairmen) and key officials in the MoF, MoE, and other ministries.	There is no change in performance.
(iii)	Adequacy of time for the legislature to provide a response to budget proposals (time allowed in practice for all stages combined)	A	D	While informal procedures exist to review the budget the official time allowed for the formal review is clearly insufficient for a meaningful debate (significantly less than a month).	Reduction in score from an A to a D reflects worse performance. The time allowed for legislative scrutiny for the approval of the FY12 and FY13 budgets was insufficient for meaningful debate. The informal procedures described in the narrative are not scored in assessing this sub-indicator.
(iv)	Rules for in-year amendments to the budget without ex-ante approval by the legislature	A	C	There are clear rules limiting in-year amendments to the budget without prior legislature approval. These rules allow for extensive reallocation and expansion of total expenditure without legislative consent.	There is no change in performance. However, based on the evidence available, the appropriate score for this dimension is C.
PI-28	Legislative scrutiny of external audit reports	B+	D+	Scoring Method M1.	
(i)	Timeliness of examination of audit reports by legislature (for reports received within the last three years)	A	A	The National Assembly considers the SCC report on the execution of the republican budget in a timely manner, in the context of the approval of the annual law approving the execution	There is no change in performance.

No.	Indicator	Score 2009	Score 2013	Justification for 2013 score	Comparability of scores and explanation of change since previous assessment
(ii)	Extent of hearings on key findings undertaken by legislature	B	D	of the previous year's budget. The only formal hearing of the National Assembly to discuss the SCC's findings is in respect of their report on the Annual Budget Execution Report. This is conducted as a joint session of the Economic/Finance Committees of the Council of Representatives and House of Representatives. Other than that the assessment team were informed that the SCC and National Assembly cooperate on an ad-hoc and informal basis - there is no other Constitutional or legislative relationship between the SCC and National Assembly.	There is no change in performance. However, based on the evidence available, the appropriate score for this dimension is D.
(iii)	Issuance of recommended actions by the legislature and implementation by the executive	B	D	The SCC speaks at the hearings of the National Assembly on the Annual Budget Execution Report however they do not submit their report in writing. The assessment team were informed that members of Parliament make some recommendations based on this hearing however these do not relate to specific recommendations of the SCC. No communications between the National Assembly and the Government are published.	There is no change in performance. However, based on the evidence available, the appropriate score for this dimension is D.
D. DONOR PRACTICES					
D-1	Predictability of Direct Budget Support	Not used	n/a	Scoring Method M1.	D-1 was not used in the last PEFA assessment.
(i)	Annual deviation of actual BS from the forecasts provided by the donor agencies at least 6 weeks prior to the government submitting its budget proposals to the legislature	Not used	n/a	The Government of Belarus received no direct budget support in FY10-FY12	
(ii)	In-year timeliness of donor disbursements (compliance with aggregate quarterly estimates)	Not used	n/a	The Government of Belarus received no direct budget support in FY10-FY12	

No.	Indicator	Score 2009	Score 2013	Justification for 2013 score	Comparability of scores and explanation of change since previous assessment
D-2	Financial information provided by donors for budgeting and reporting on project and program aid	Not used	n/a	Scoring Method M1.	D-2 was not used in the previous PEFA assessment.
(i)	Completeness and timeliness of budget estimates by donors for project support	Not used	n/a	No budget estimates or execution data is set out in the approved budget document or supporting documents.	
(ii)	Frequency and coverage of reporting by donors on actual donor flows for project support	Not used	n/a	No budget estimates or execution data is set out in the approved budget document or supporting documents.	
D-3	Overall proportion of aid funds to central government that are managed through national procedures	Not used	D	Less than 50% of aid funds to central government are managed through national procedures.	D-3 was not used in the previous PEFA assessment

Annex 2: Organizational Structure of the Ministry of Finance



Source: Ministry of Finance

Annex 3: Variance in Expenditure Composition of General Government Budget

(in bn BYR)

Data for year =	2010					
Functional head	Budget	Actual	Adjusted budget	Deviation	Absolute Deviation	Percent
	[1]	[2]	[3]*	[4]=[2]-[3]	[5]=abs([4])	[6]=[5]/[3]
General public services	6,682.6	9,382.7	6,806.4	2,576.3	2,576.3	37.9%
Defense	1,473.3	1,538.8	1,500.6	38.2	38.2	2.5%
Public order and safety	2,623.6	2,920.2	2,672.2	248.0	248.0	9.3%
Economic affairs	16,196.4	12,010.5	16,496.5	-4,486.0	4,486.0	27.2%
Environmental protection	521.6	494.1	531.3	-37.2	37.2	7.0%
Housing and community	3,456.0	3,790.0	3,520.0	270.0	270.0	7.7%
Health	5,681.2	6,173.4	5,786.5	386.9	386.9	6.7%
Physical culture, sports, culture, media	1,432.6	1,640.7	1,459.1	181.6	181.6	12.4%
Education	7,468.4	8,066.0	7,606.8	459.2	459.2	6.0%
Social protection	22,377.0	23,154.5	22,791.6	362.9	362.9	1.6%
allocated expenditure	67,912.7	69,170.9	69,170.9	0.0	9,046.3	
Contingency	3,708.6	1,056.9				
total expenditure	71,621.3	70,227.8				
overall (PI-1) variance						1.9%
composition (PI-2) variance						13.1%
contingency share of budget						1.5%

* = [1]*(aggregate actual expenditure divided by aggregate budget).

Source: Ministry of Finance.

(in bn BYR)

Data for year =	2011					
Functional head	Budget	Actual	Adjusted budget	Deviation	Absolute Deviation	Percent
	[1]	[2]	[3]*	[4]=[2]-[3]	[5]=abs([4])	[6]=[5]/[3]
General public services	7,683.2	12,557.4	10,106.8	2,450.6	2,450.6	24.2%
Defense	2,105.8	2,718.6	2,770.1	-51.5	51.5	1.9%
Public order and safety	4,011.9	4,262.3	5,277.4	-1,015.1	1,015.1	19.2%
Economic affairs	12,255.2	15,452.4	16,121.1	-668.7	668.7	4.1%
Environmental protection	562.7	557.2	740.2	-183.0	183.0	24.7%
Housing and community	3,956.9	6,189.1	5,205.1	984.0	984.0	18.9%
Health	7,926.2	10,376.2	10,426.5	-50.3	50.3	0.5%
Physical culture, sports, culture, media	2,099.0	2,520.7	2,761.1	-240.4	240.4	8.7%
Education	11,046.9	13,696.7	14,531.6	-834.9	834.9	5.7%
Social protection	26,853.0	34,933.1	35,323.7	-390.6	390.6	1.1%
allocated expenditure	78,500.8	103,263.7	103,263.7	0.0	6,869.1	
Contingency	462.2	360.6				
total expenditure	78,963.0	103,624.3				
overall (PI-1) variance						31.2%
composition (PI-2) variance						6.7%
contingency share of budget						0.5%

* = [1]*(aggregate actual expenditure divided by aggregate budget).

Source: Ministry of Finance.

(in bn BYR)

Data for year =	2012					
Functional head	Budget	Actual	Adjusted budget	Deviation	Absolute Deviation	Percent
	[1]	[2]	[3]*	[4]=[2]-[3]	[5]=abs([4])	[6]=[5]/[3]
General public services	21,615.4	27,113.7	24,690.1	2,423.6	2,423.6	9.8%
Defense	4,625.1	4,897.1	5,283.0	-385.9	385.9	7.3%
Public order and safety	7,766.2	8,124.6	8,870.9	-746.3	746.3	8.4%
Economic affairs	25,716.1	29,666.9	29,374.1	292.8	292.8	1.0%
Environmental protection	934.9	862.0	1,067.9	-205.9	205.9	19.3%
Housing and community	9,475.0	12,016.8	10,822.8	1,194.0	1,194.0	11.0%
Health	18,440.4	19,994.9	21,063.5	-1,068.6	1,068.6	5.1%
Physical culture, sports, culture, media	4,775.9	4,990.5	5,455.3	-464.8	464.8	8.5%
Education	23,894.6	25,619.7	27,293.5	-1,673.8	1,673.8	6.1%
Social protection	59,723.7	68,854.2	68,219.2	635.0	635.0	0.9%
allocated expenditure	176,967.3	202,140.4	202,140.4	0.0	9,090.6	
Contingency	4,049.2	1,649.6				
total expenditure	181,016.5	203,790.0				
overall (PI-1) variance						12.6%
composition (PI-2) variance						4.5%
contingency share of budget						0.9%

* = [1]*(aggregate actual expenditure divided by aggregate budget).

Source: Ministry of Finance.

Annex 4: Sources of Information and Evidence

Performance Indicators	Information sources	
	Institutions ⁶⁹	Documents, websites
PI-1	Ministry of Finance: BPD	<ul style="list-style-type: none"> - Calculation of the aggregate expenditure out-turn compared to original approved budget (2010-2012). - Supplementary materials to the draft laws on 2010-2012 republican budgets.
PI-2	Ministry of Finance: BPD	<ul style="list-style-type: none"> - Calculation of the composition of expenditure out-turn compared to the original approved budgets for 2010-2012. - Supplementary materials to the draft laws on 2010-2012 republican budgets.
PI-3	Ministry of Finance: BPD, DTPBR	<ul style="list-style-type: none"> - Calculation of the aggregate revenue out-turn compared to original approved budget (2010-2012). - Supplementary materials to the draft laws on 2010-2012 republican budgets.
PI-4	Ministry of Finance: Treasury, Treasury Department for the city of Minsk	<ul style="list-style-type: none"> - Structure of the republican and local budgets accounts payable broken down by the elements of economic classification of the expenditures as of beginning and end of 2012. - Structure of the republican and local budgets arrears broken down by the elements of economic classification of the expenditures as of beginning and end of 2012. - Dynamics of the consolidated, republican, and local budgets arrears in 2011-2012.
PI-5	Ministry of Finance: BPD; Ministry of Health	<ul style="list-style-type: none"> - Supplementary materials to the draft law on 2012 republican budget. - Draft budget of the Ministry of Health for 2012 - Law of the Republic of Belarus "On the republican budget for 2010" dated December 29, 2009 №73-3 - Law of the Republic of Belarus "On the republican budget for 2011" dated October 15, 2010 №176-3 - Law of the Republic of Belarus "On the republican budget for 2012" dated December 30, 2011 №331-3 - Example of the quarterly republican budget allocations (ROSPICE) for the Ministry of Health for 2012 - Reports on execution of the consolidated, republican, and local budgets: http://minfin.gov.by/budget_execution/analytical_information/ - Resolution of the Ministry of Finance "On approval of the Treasury Chart of accounts for bookkeeping of the budget execution" dated October 26, 2010 №123 - Chart of accounts for bookkeeping of the local budgets execution.

⁶⁹ BPD – Budget Policy Department; DTBR – Department of Tax Policy and Budget Revenues; Treasury – Main State Treasury; PDD – Public Debt Department; DMAF – Department of Macroeconomic Analysis and Forecasting; ID – Investments Department; KRU – Department of Control and Inspection; HRNA – House of representatives of the National Assembly; CRNA – Council of Republic of the National Assembly; DIRF – Department of International Financial Relations; DICFAC – Department of International Cooperation and Foreign Aid Coordination

Performance Indicators	Information sources	
	Institutions ⁶⁹	Documents, websites
		<ul style="list-style-type: none"> - Irina Dubinina. April 14, 2011. Report on the Multitopic Statistics Mission – Government Finance Statistics. International Monetary Fund
PI-6	Ministry of Finance: BPD	<ul style="list-style-type: none"> - Law of the Republic of Belarus “On the republican budget for 2010” dated December 29, 2009 №73-3 - Law of the Republic of Belarus “On the republican budget for 2011” dated October 15, 2010 №176-3 - Law of the Republic of Belarus “On the republican budget for 2012” dated December 30, 2011 №331-3 - Supplementary materials to the draft laws on 2010-2012 republican budgets.
PI-7	Ministry of Finance: Treasury, BPD; line ministries	<ul style="list-style-type: none"> - Execution of the state earmarked extrabudgetary funds (Civil Aviation Fund and Fund of Department of Corrections of the Ministry of Internal Affairs) in 2012 - TSA Balance Group 36 account analysis - Information on the size of cross-subsidies within Concern “Belenergo” due to containing low heating and electricity tariffs for households. - Information on the direct government lending under the state programs in 2011-2012. - Revenues and expenditures from the income-generating activities of the budget organizations of the consolidated budget (2012). - Income-generating activities of the Ministry of Labor and Social Protection organization in 2012. - Information on donor financed projects, including grants and loans, in 2010-2012.
PI-8	Ministry of Finance: BPD, Financial Department of the Minsk Oblast Executive Committee	<ul style="list-style-type: none"> - Law of the Republic of Belarus “On the republican budget for 2012” dated December 30, 2011 №331-3 - Supplementary materials to the draft law on 2012 republican budget. - Local budget revenue structure, 2010-2012. - Information on the volume of transfers received by the local budgets in 2010-2012. - Reports on the execution of the consolidated, republican, local budgets: http://minfin.gov.by/budget_execution/analytical_information/
PI-9	Ministry of Finance: BPD, Treasury, PDD; State Control Committee; Belstat; line ministries	<ul style="list-style-type: none"> - Registers of the public debt of the Republic of Belarus, 2010-2012. - List of the state statistical observations: http://belstat.gov.by/homep/ru/stainstrum/main_new.php - Statistical Digest: Key public enterprises performance indicators, January-June, 2013. - letter of the Ministry of Finance from April 24, 2013 № 02-2-2/261 on submission of the draft laws on the republican budget for 2014 and on introduction of amendments to selected codes of the Republic of Belarus related to taxation for consideration of the

Performance Indicators	Information sources	
	Institutions ⁶⁹	Documents, websites
		<p>Interdepartmental Commission on the Safety in the field of Economic Security</p> <ul style="list-style-type: none"> - minutes of the meeting of the Council of Ministers of the Republic from August 30, 2013 №4 on draft forecast of so socioeconomic development of the Republic of Belarus, budget and main directions of the monetary policy of the Republic of Belarus for 2014
PI-10	Ministry of Finance: BPD; Ministry of Trade	<ul style="list-style-type: none"> - National Legal Internet Portal of the Republic of Belarus: http://pravo.by/ - Website of the Ministry of Finance: http://minfin.gov.by/ - Indicators of the Special Data Dissemination Standard of the International Monetary Fund: http://minfin.gov.by/sdds/ - GFSM2001 government finance statistics indicators: http://minfin.gov.by/gfs/ - Reports on the execution of the consolidated, republican and local budgets: http://minfin.gov.by/budget_execution/analytical_information/ - Law of the Republic of Belarus "On the republican budget for 2012" dated December 30, 2011 №331-3 - Consolidated budget execution report, 2011. - Analytical reports on the state of the public finances: http://minfin.gov.by/budgetary_policy/analytical_reports/ - Official website on public procurement in the Republic of Belarus: http://www.icetrade.by/ - Information-analytical bulletin "Competitive bidding in Belarus and abroad": http://ncmps.by/informacionnyjj-bjulleten.html
PI-11	Ministry of Finance: BPD; line ministries	<ul style="list-style-type: none"> - Guidelines of the Ministry of Finance on the procedure and timeline of submitting draft budget proposals for the revenues and expenditures for 2010-2012. - Information on the submission and adoption by the Parliament of the draft laws on the republican budgets for 2011-2013.
PI-12	Ministry of Finance: BPD; Ministry of Economy: DMAI, ID; line ministries	<ul style="list-style-type: none"> - Supplementary materials to the draft laws on 2010-2012 republican budgets. - Edicts of the President of the Republic of Belarus on approval of the State Investment Programs for 2010-2012. - Main directions of the fiscal and financial policy of the Republic of Belarus for 2013 and the medium-term fiscal framework for 2013-2015. - List of the budget programs to be financed from republican budget in 2011.
PI-13	Ministry of Finance: DTPBR; Ministry of Taxes and Levies; State Customs Committee	<ul style="list-style-type: none"> - Information of the Ministry of Finance on the main changes of the tax policy compared to the previous PEFA assessment. - Information of the Ministry of Taxes and Levies dated September 19, 2013 №5-1-40/11497 - Information of the Ministry of Taxes and Levies dated October 18, 2013 №4-16/4964 - Website of the Ministry of Taxes and Levies:

Performance Indicators	Information sources	
	Institutions ⁶⁹	Documents, websites
		<p>http://www.nalog.gov.by/ru/</p> <ul style="list-style-type: none"> - Electronic Declaration Portal, Ministry of Taxes and Levies: http://portal.nalog.gov.by/ - Information on the tax hot line: http://www.nalog.gov.by/ru/contact-center/ - Website of the State Customs Committee: http://gtk.gov.by - National Automated Electronic Tax Declaration System http://gtk.gov.by/ru/eldeclaration_new - World Bank. Doing business 2013: Smarter regulations for Small and Medium-Size Enterprises. - World Bank. Doing business 2012: Doing business in a more transparent world.
PI-14	Ministry of Finance: DTPBR; Ministry of Taxes and Levies; State Customs Committee	<ul style="list-style-type: none"> - Information of the Ministry of Taxes and Levies dated September 19, 2013 №5-1-40/11497 - Information of the Ministry of Taxes and Levies dated October 18, 2013 №4-16/4964 - Coordination plans of controlling (supervisory) activities: http://www.kgk.gov.by/ru/coordination-control-deyatel/coordination-plans - Procedure for determining additional risk criteria used in the process of planning inspection activities
PI-15	Ministry of Finance: DTPBR; Ministry of Taxes and Levies; State Customs Committee	<ul style="list-style-type: none"> - Arrears on tax and customs revenues administered by the tax and customs authorities, 2011-2012. - Collections enforced by the Ministry of Taxes and Levies and the State Customs Committee in 2011-2012. - Information of the Ministry of Taxes and Levies dated September 19, 2013 №5-1-40/11497 - Information of the Ministry of Taxes and Levies dated October 18, 2013 №4-16/4964
PI-16	Ministry of Finance: Treasury, BPD, Treasury Department for the city of Minsk; line ministries	<ul style="list-style-type: none"> - Order of the Ministry of Finance "On approval of the quarterly allocations (ROSPICE) of the republican budget for 2012" dated January 17, 2012. - Information of the Ministry of Finance on republican budget adjustments in 2012. - Republican budget cash execution forecast templates for a month and a year. - Example of the republican budget cash execution forecast dated June 24, 2013.
PI-17	Ministry of Finance: Treasury, PDD, BPD	<ul style="list-style-type: none"> - Registers of the public debt of the Republic of Belarus, 2010-2012. - Debt liabilities of local government and self-government bodies of the oblast level, 2010-2012. - Republican budget cash execution forecast templates for a month and a year. - Example of the republican budget cash execution forecast dated June 24, 2013. - Law of the Republic of Belarus "On the republican budget for

Performance Indicators	Information sources	
	Institutions ⁶⁹	Documents, websites
		2012” dated December 30, 2011 №331-3
PI-18	Ministry of Finance: Treasury, Finance, Accounting and Reporting Division, Reporting and Audit; State Control Committee; line ministries	<ul style="list-style-type: none"> - Information on typical violations detected during inspections of financial and economic activities of the healthcare organizations carried out within the framework of departmental control of the Republic of Belarus - Information on inspections of budget organizations subordinated to the Ministry of Labor and Social Protection carried out within the framework of the departmental control during the period of July 2010 — May 2011 - Example of the Order of the Minister of Finance on approval of a staff list - Example of the Order of the Minister of Finance on appointment for a position - Extracts from the Regulation on material incentives, rehabilitation and relief allowances paid out to the employees of the Ministry of Finance.
PI-19	Ministry of Trade; National Statistics Committee; Ministry of Economy	<ul style="list-style-type: none"> - Statistical reports on public procurement of goods (works, services) conducted at the expense of the republican and local budgets, state earmarked budgetary funds, and state extrabudgetary and innovation funds, 2010-2012. - Examples of the minutes of the public procurement complaints commission meetings - Analysis of the centralized state statistical reports on public procurement of goods (works, services): http://www.mintorg.gov.by - Official website on public procurement in the Republic of Belarus: http://www.icetrade.by/ - Electronic Trading Platform of the National Center for Marketing and Price Study Republican Unitary Enterprise: http://www.goszakupki.by/ - Electronic Trading Platform of the Belarusian Universal Commodity Exchange OJSC: http://zakupki.butb.by
PI-20	Ministry of Finance: Treasury, KRU, Treasury Department for the city of Minsk; line ministries	<ul style="list-style-type: none"> - Reports on inspections №1-KER, 2010-2012. - Explanatory notes to the inspections reports of the Brest, Vitebsk and Gomel Oblast Ministry of Finance’s KRU Departments for the 1st half-year of 2013. - Examples (screenshots) from the operation of the software in the territorial Treasury Department - Order of the Ministry of Finance “On approval of the republican budget ROSPICE for 2012” dated January 17, 2012.
PI-21	Ministry of Finance: KRU; State Control Committee; line ministries	<ul style="list-style-type: none"> - Reports on inspection №1-KER, 2010-2012. - Information on typical violations detected during inspections of financial and economic activities of the healthcare organizations carried out within the framework of departmental control of the Republic of Belarus (Ministry of Health) - Information on inspections of budget organizations subordinated to the Ministry of Labor and Social Protection carried out within

Performance Indicators	Information sources	
	Institutions ⁶⁹	Documents, websites
		<p>the framework of the departmental control during the period of July 2010 — May 2011 (Ministry of Labor and Social Protection)</p> <ul style="list-style-type: none"> - Coordination plans of control (supervisory) activities: http://www.kgk.gov.by/ru/coordination-control-deyatel/coordination-plans
PI-22	Ministry of Finance: Treasury	<ul style="list-style-type: none"> - Resolution of the Ministry of Finance “On approval of the Instruction on organizing accounting at budget organizations and centralized accounting units servicing budget organizations” dated February 8, 2005 №15 - Resolution of the Ministry of Finance “On approval of the Instruction on organizing and executing expenditures of the republican budget, local budgets, budget of the state extrabudgetary Social Protection Fund of the Ministry of Labor and Social Protection of the Republic of Belarus <...>” dated July 27, 2011 №63 - Resolution of the Ministry of Finance of the Republic of Belarus, Board of the National Bank of the Republic of Belarus “On approval of the Instruction on revenue execution of the republican budget and the budget of the state extrabudgetary Social Protection Fund of the Republic of Belarus” dated December 8, 2005 №143/171
PI-23	Ministry of Finance: Treasury; line ministries	<ul style="list-style-type: none"> - Resolution of the Ministry of Finance “On approval of Instruction on organizing accounting at budget organizations and centralized accounting units servicing budget organizations” dated February 8, 2005 №15
PI-24	Ministry of Finance: Treasury, Department of Regulation of Accounting, Reporting and Audit	<ul style="list-style-type: none"> - Reports on execution of the consolidated, republican and local budgets: http://minfin.gov.by/budget_execution/analytical_information/ - Consolidated budget execution report, 2011. - Templates of the annexes to the republican budget execution reports for the previous fiscal year.
PI-25	Ministry of Finance: Treasury	<ul style="list-style-type: none"> - Law of the Republic of Belarus “On approving the report on execution of the republican budget for 2012” dated July 12, 2013 №41-3 - Templates of the annexes to the republican budget execution reports for the previous fiscal year.
PI-26	State Control Committee; Ministry of Finance: Treasury; line ministries	<ul style="list-style-type: none"> - Information of the State Control Committee on the scope of the audit performed in 2012 - Action plan to address deficiencies noted in the conclusion of the State Control Committee on execution of the republican budget in 2011 - Action plan to address the deficiencies noted in the conclusion of the State Control Committee on 2012 execution of the republican budget and the state extrabudgetary Social Protection Fund of the Republic of Belarus - Summary information on implementation of the State Control Committee’s recommendations mentioned in the their conclusion

Performance Indicators	Information sources	
	Institutions ⁶⁹	Documents, websites
		on the execution of the republican budget
PI-27	Standing Commission of the HRNA for Budget and Finance; Standing Commission of the CRNA for Economy, Budget and Finance; Ministry of Finance: BPD	<ul style="list-style-type: none"> - Information on the submission and adoption by the Parliament of the draft laws on the republican budgets for 2011-2013. - Request of Mr. A. I. Antonenko, deputy of the HRNA, dated July 5, 2011 r. № 09-49/95-D on financing of the Grodno Oblast Executive Committee municipal property maintenance addressed to the Minister of Finance - Order of the Council of Ministers of the Republic of Belarus dated October 25, 2011 № 09/133-36 on participation in the joint session of both chambers of Parliament scheduled for November 30, 2011 to provide answers of the Government of Republic of Belarus to the questions of the HRNA deputies and CRNA members - Vidimus from the minutes of the 3rd session of the HRNA of the 5th convocation dated December 16, 2013 №9 on the draft law of the Republic of Belarus on republican budget for 2014 - Minutes of the enlarged meeting of the Standing Commission on budget, finance and tax policy dated September 6, 2010 № 52 - Information of the Ministry of Finance dated November 22, 2013 r. on consideration of the comments provided by the deputies of the HRNA on August 30, 2013 on the draft law of the Republic of Belarus on the republican budget for 2014 - Minutes of the meeting of the Standing Commission on budget, finance and tax policy dated September 26, 2012 №104
PI-28	State Control Committee; Standing Commission of the HRNA for Budget and Finance; Standing Commission of the CRNA for Economy, Budget and Finance; Ministry of Finance: Treasury, BPD	<ul style="list-style-type: none"> - Article 200 of the Procedural Rules of the HRNA - Meeting of the Standing Commission of the HRNA on budget and finance on the draft law "On approval of the report on the execution of the republican budget in 2012": http://house.gov.by/index.php/7515,36401,1,,0,,0.html - Approval of the law "On approval of the report on the execution of the republican budget in 2012" on the 2nd session of the HRNA: http://house.gov.by/index.php/1,36446,1,,0,,0.html
D-1		-
D-2	Ministry of Economy: DICFAC; Ministry of Finance: DIFR; World Bank Country Office in the Republic of Belarus	<ul style="list-style-type: none"> - Information on projects financed by donors, including grants and loans, in 2010-2012.
D-3	Ministry of Economy: DICFAC; Ministry of Finance: DIFR; World Bank Country Office in the Republic of Belarus	<ul style="list-style-type: none"> - Information about the usage of the financial assistance funds, received in accordance with the procedures applicable in the country

Annex 5: List of Stakeholders Interviewed

Name	Position ⁷⁰
Ministry of Finance	
Mrs. Yelena Abakunchik	Head, Accounting and Budget Reporting Division, Treasury
Mrs. Tatyana Astreiko	Head, Local Budgets Division, BPD
Mrs. Valentina Borisova	Consultant, Consolidated Budget Division, BPD
Mrs. Tatyana Dekhterenok	Consultant, Division of Methodology of Budget Process, BPD
Mrs. Karolina Dyurova	Chief Economist, Department for Planning, Accounting and Payments, PDD
Mrs. Larisa Ermakova	Head, Financing, Accounting and Reporting Division
Mr. Alexander Gonchar	Head, Control and Revision Department
Mr. Dmitry Gritskevich	Chief Economist, Budget Execution Division, Treasury
Mrs. Tamara Gruzinskaya	Deputy Head, Main State Treasury
Mrs. Ludmila Guryanova	Deputy Head, Treasury,
Mrs. Yelena Kalachik	Deputy Head, Department for Regulation of Accounting, Reporting and Audit
Mrs. Tatyana Kander	Deputy Head, Department of Construction Finance and Capital Investments
Mrs. Lubov Kazmina	Head, Division for Financing Healthcare and Sports, Department for Financing of Social Sphere and Science
Mr. Igor Lankevich	Deputy Head, Control and Revision Department – Head, Division for Organization of Control Activities
Mrs. Yelena Lubinskaya	Consultant, Planning, Accounting and Payments Division, PDD
Mrs. Svetlana Napreyenko	Consultant, Accounting Methodology Division, Department for Regulation of Accounting, Reporting and Audit
Mr. Viktor Prikhodko	Deputy Head, Budget Revenues Division – Head, Unit for Planning of Budget Revenues, DTPBR
Mr. Mikhail Prokhorik	Deputy Head, Consolidated Budget Division, BPD
Mrs. Olga Ryasina	Consultant, Local Budgets Division, BPD
Mrs. Tatyana Rybak	Head, Department for Regulation of Accounting, Reporting and Audit
Mrs. Olga Savelyeva	Chief Economist, DIFR
Mr. Yury Seliverstov	Head, BPD
Mrs. Viktoria Shilovich	Head, Department of International Cooperation, DIFR
Mrs. Nadezhda Sudnik	Deputy Head, Tax Policy Division – Head, Unit for Taxation of Revenues, DTPBR
Mrs. Olga Tarasevich	Deputy Head, BPD – Head, Division of Methodology of Budget Process
Mrs. Marina Tikhonovich	Consultant, Division of Methodology of Budget Process, BPD
Mrs. Karolina Voitko	Deputy Head, PDD – Head, Planning, Accounting and Payments Division
Department of the Main State Treasury for the city of Minsk	
Mrs. Yelena Pesetskaya	Head
Financial Department of the Minsk Oblast Executive Committee	
Mrs. Tamara Kukhareva	Head, Department for Accounting and Financing
Mr. Nikolai Kukhovets	Deputy Head, Financial Department
Mrs. Anzhela Kuleshova	Deputy Head, Department for Accounting and Financing
Mrs. Natalya Pavluchenko	Head, Department for Financing of Non-Production Sector
Mr. Yury Shkiruts	Head

⁷⁰ BPD – Budget Policy Department, DTPBR – Department of Tax Policy and Budget Revenues, Treasury – Main State Treasury, PDD – Public Debt Department, DIFR – Department of International Financial Relations, DICFAC – Division of International Cooperation and Foreign Aid Coordination

Name	Position ⁷⁰
Ministry of Taxes and Levies	
Mrs. Yelena Gruzd	Department for Accounting of Taxes and Departmental Control Deputy Head of Department of Accounting for Taxes and Departmental Control, Head of Division of Accounting for Taxes, Reporting, and Payment Enforcement
Mr. Nikolai Poteyev	Head, Department for Organization of Control Activities
Mr. Valery Rumyantsev	Deputy Head, Department for Analysis, Planning and Coordination of Control Activities
Mrs. Ella Selitskaya	Deputy Minister
Mrs. Diana Shket	Deputy Head, Department for Accounting of Taxes, Reporting and Collection of Payments
Mrs. Alla Sundukova	Head, Department for International Tax Cooperation
Mrs. Natalya Zvorono	Deputy Head, Legal Department
Ministry of Economy	
Mrs. Natalya Aleynikova	Deputy Head, Department for Forecasting and Analysis of Investment Activities
Mr. Ivan Belchik	Head, DICFAC
Mrs. Tatyana Dubovik	Deputy Head, Division of Forecasts and Programs, Department for Macroeconomic Analysis and Forecasting
Mrs. Olga Kniga	Deputy Head, DICFAC
Mr. Oleg Krymsky	Deputy Head, Department for Commodity Balance
Mr. Sergey Trofimovich	Head, Division for Forecasting and Analysis of Investment Activities, Department for Investments
Mrs. Olga Vikhotskaya	Deputy Head, Division for Fiscal and Tax Policy, Department for Financial, Credit, Fiscal and Foreign Exchange Policy
Ministry of Trade	
Mr. Pavel Zhukovsky	Head, Public Procurement Department
State Control Committee	
Mr. Viktor Burlo	Head, Department for Control of Social Sphere Sectors
Mr. Alexander Kurlypo	Head, Department for Control of Budget and Finance Sphere
Mrs. Svetlana Nesterenko	Deputy Head, Department for Control of Budget and Finance Sphere
Mrs. Svetlana Okolova	Deputy Head, Division for Control over Local Administration Bodies and Budget of the Department for Control of Budget and Finance Sphere
Mrs. Danuta Ryzhikova	Head, Department for Coordination of Control Activities
Mr. Dmitry Sanko	Head, Analytical Department
Mrs. Raisa Savritskaya	Deputy Chairperson
State Customs Committee	
Mrs. Ludmila Drozd	Head, Department for Methodology of Customs Charges Collection
Mrs. Tatyana Dubrovskaya	Deputy Head, Department for Tariff Regulation of Customs Charges
Mr. Igor Karelin	Deputy Head, Analytical Center for Monitoring and Forecasting
Mrs. Yelena Kolesnik	Deputy Head, Financial and Economic Department
Mr. Andrey Legky	Head, Division for Organization of Audits, Department for Post-Customs Control
Mr. Konstantin Ryzhkov	Deputy Head, Department for Post-Customs Control
Mr. Vadim Yakovlev	Deputy Head, Department for Tariff Regulation of Customs Charges
National Bank of the Republic of Belarus	
Mr. Boris Vlasenko	Deputy Head, Department for Banking Statistics
Mrs. Ludmila Redkina	Deputy Head, Department for Accounting of Bank Operations
National Statistics Committee	
Mrs. Irina Kangro	Deputy Chairperson

Name	Position ⁷⁰
Mrs. Svetlana Nichiporovich	Head, Department for Finance Statistics
Mrs. Alexandra Shevtsova	Head, Department of International Relations
Ministry of Industry	
Mrs. Irina Andreyeva	Consultant, Finance Department
Mrs. Inga Arsyutina	Chief Engineer, Department for Electrotechnical and Optical and Mechanical Industry and Instrument Making
Mrs. Natalya Kalinnikova	Deputy Head, Department for Accounting and Methodology, Labor and Social Policy
Mrs. Yevgeniya Konoshenko	Deputy Head, Department for International Economic Relations– Head of Division for Cooperation with Foreign States
Mrs. Zhanna Ksenzhih	Deputy Head, State Property Department
Mr. Oleg Lagunovich	Deputy Head of Department – Head of Labor and Social Policy Division
Mrs. Renata Marchuk	Deputy Head, Department for Legal and Staffing Provision - Head of Legal Division
Mrs. Edita Savchuk	Deputy Head, Finance Department
Mr. Denis Sobol	Deputy Head, Control and Revision Department - Head of Division for Complex Revisions and Reporting
Mrs. Tatyana Zayats	Head, Statistics Sector, Department for Analysis, Forecasting and Statistics
Ministry of Health	
Mrs. Yelena Bogdan	Head, Main Department for Organization of Medical Care
Mr. Anatoly Grushkovsky	Head, Division of Foreign Relations
Mrs. Anna Gusakova	Chief Legal Advisor, Legal Department
Mr. Dmitry Kalistratov	Head, Department for Entrepreneurship, Pricing and Management of State Property
Mr. Oleg Levshukov	Head, Department for Medical Equipment, Material and Technical Supplies and Construction
Mrs. Yelena Mokraya	Head, Department for Methodology, Organization of Accounting and Reporting
Mr. Dmitry Pinevich	First Deputy Minister
Mrs. Alla Samuseyeva	Head, Control and Revision Department
Mrs. Yelena Tkacheva	Head, Department for Economic Analysis and Development of Healthcare
Healthcare Committee of the Minsk City Executive Committee	
Mrs. Tatyana Belogorova	Deputy Head
Mrs. Natalya Predko	Head, Department for Medical and Preventive Help
Healthcare Institution «City Clinical Hospital №2»	
Mrs. Larisa Katilevskaya	Chief Accountant
Mr. Sergei Prusevich	Head Doctor
Mrs. Alla Yalovchik	Head, Economic and Planning Department
Ministry of Education	
Mrs. Irina Bebekh	Head, Department for Socioeconomic Development
Mrs. Svetlana Dormeshkina	Deputy Head, Department for Socioeconomic Development
Mr. Valery Gavrilov	Head, Department for Accounting and Control and Revision Activities
Mrs. Natalya Kravtsova	Chief Economist, Department for Socioeconomic Development
Mrs. Sergey Rudy	Deputy Minister
Administration of the Pervomaysky District, Minsk	
Mr. Gennady Merkul	Deputy Head, Division for Education, Sports and Tourism, Department for Financial and Economic Activity of the Pervomaysky District, Minsk
Gimnazium №11, Minsk	
Mrs. Olga Boyko	Director
Ministry of Labor and Social Protection	

Name	Position ⁷⁰
Mrs. Taisa Dovzhonok	Head, Department for Accounting and Reporting
Mrs. Svetlana Gurinovich	Deputy Head, Department for Planning and Financing
Mr. Valery Kovalkov	Deputy Minister
Mrs. Galina Kulakovskaya	Head, Division for Organization of Work of State Employment Agency, Department for Employment Policy
Mrs. Olga Likhtarovich	Head, Division of legal Issues Related to Social Protection, Legal Department
Mr. Nikolai OreI	Deputy Head, Department for Standing Social Services Institutions and Capital Construction
Mrs. Olga Ostrovskaya	Head, Department for International Cooperation and Social Partnership
Mrs. Yelena Podvigina	Head, Control and Revision Department
Mr. Valery Ryndin	Head, Department for Handling Complaints of Physical and Legal Persons and Internal Control
Mr. Viktor Sidorovich	Deputy Head, Department for Employment and Remuneration
Mr. Oleg Tokun	Head, Employment Policy Department
Standing Commission for Foreign Affairs of the House of Representatives of the National Assembly	
Mr. Adam Vashkov	Commission member
Standing Commission for Budget and Finance of the House of Representatives of the National Assembly	
Mrs. Tatyana Belskaya	Consultant Advisor, Department of Provision of Activity of the Standing Commission
Mr. Valery Borodenya	Commission member
Mrs. Natalya Davidovich	Chief Advisor, Department of Provision of Activity of the Standing Commission
Mrs. Ludmila Dobrynina	Chairperson of commission
Mrs. Valeriya Grakhovskaya	Head, Department of Provision of Activity of the Standing Commission
Mrs. Marina Kiseleva	Chief Specialist of Department
Mrs. Alexander Miakinnik	Deputy Chairperson of commission
Mr. Ilya Murashko	Commission member
Mr. Vladimir Shitko	Deputy Chairperson of commission
Standing Commission for Economy, Budget and Finance of the House of Representatives of the National Assembly	
Mrs. Olga Bekasova	Head, Department of Provision of Activity of the Standing Commission
Mr. Vladimir Pantyukhov	Chairperson of commission
Belarusian Chamber of Trade and Commerce	
Mr. Vyacheslav Reut	First Deputy Chairman
Public Association "Belarusian Union of Entrepreneurs"	
Mrs. Tamara Chekhovskaya	Director General
Belarus World Bank Country Office	
Mrs. Elena Klochan	Senior Country Program Officer
Delegation of the European Union in Belarus	
Mr. Alexey Vavohin	Projects Coordinator
United Nations Development Programme Office in Belarus	
Mrs. Julia Dzingailo	UNDP Programme Analyst

Annex 6: List of Documents Consulted

Laws:

- Administrative Offence Code of the Republic of Belarus dated April 21, 2003 №194-3
- Budget Code of the Republic of Belarus dated July 16, 2008 №412-3
- Constitution of the Republic of Belarus, 1994.
- Customs Code of the Republic of Belarus dated January 4, 2007 №204-3
- Draft law “On the state indicative planning of socioeconomic development of the Republic of Belarus”
- Labor Code of the Republic of Belarus dated July 26, 1999 №296-3
- Law of the Republic of Belarus “On accounting and reporting” dated July 12, 2013 №57-3
- Law of the Republic of Belarus “On accounting and reporting” dated October 18, 1994 №3321-XII
- Law of the Republic of Belarus “On approval of the report on execution of the republican budget for 2010” dated July 14, 2011 №294-3
- Law of the Republic of Belarus “On approval of the report on execution of the republican budget for 2011” dated July 11, 2012 №402-3
- Law of the Republic of Belarus “On approval of the report on execution of the republican budget for 2012” dated July 12, 2013 №41-3
- Law of the Republic of Belarus “On audit activities” dated July 12, 2013 №56-3
- Law of the Republic of Belarus “On audit activities” dated November 8, 1994 №3373-XII
- Law of the Republic of Belarus “On civil service in the Republic of Belarus” dated June 14, 2003 №204-3
- Law of the Republic of Belarus “On Enterprises” dated December 9, 1992 №2020-XII
- Law of the Republic of Belarus “On local government and self-government in the Republic of Belarus” dated January 4, 2010 №108-3
- Law of the Republic of Belarus “On Mass Media” dated July 17, 2008 №427-3
- Law of the Republic of Belarus “On public procurement of goods (works, services)” dated July 13, 2012 №419-3
- Law of the Republic of Belarus “On ratification of the Agreement on the Customs Code of the Customs Union” dated July 2, 2010 №158-3
- Law of the Republic of Belarus “On state forecasting and programs of socioeconomic development of the Republic of Belarus” dated May 5, 1998 №157-3
- Law of the Republic of Belarus “On the budget of the state extrabudgetary Social Protection Fund of the Ministry of Labor and Social Protection of the Republic of Belarus for 2010” dated December 29, 2009 №73-3
- Law of the Republic of Belarus “On the budget of the state extrabudgetary Social Protection Fund of the Ministry of Labor and Social Protection of the Republic of Belarus for 2011” dated October 15, 2010 №173-3
- Law of the Republic of Belarus “On the budget of the state extrabudgetary Social Protection Fund of the Ministry of Labor and Social Protection of the Republic of Belarus for 2012” dated December 30, 2011 №329-3
- Law of the Republic of Belarus “On the Council of Ministers of the Republic of Belarus” dated July 23, 2008 №424-3
- Law of the Republic of Belarus “On the electronic document and electronic digital signature” dated December 28, 2009 №113-3
- Law of the Republic of Belarus “On the republican budget for 2010” dated December 29, 2009 №73-3
- Law of the Republic of Belarus “On the republican budget for 2011” dated October 15, 2010 №176-3
- Law of the Republic of Belarus “On the republican budget for 2012 ” dated December 30, 2011 №331-3
- Law of the Republic of Belarus “On the State Control Committee and its territorial bodies” dated July 1, 2010 №142-3
- Tax Code of the Republic of Belarus (General part) dated December 19, 2002 №166-3
- Tax Code of the Republic of Belarus (Specific part) dated December 29, 2009 №71-3

Edicts of the President of the Republic of Belarus:

- “Issues of the Administration of the President of the Republic of Belarus” dated January 23, 1997 №97
- “On amendment of selected parameters of the republican budget for 2010” dated December 27, 2010 №679
- “On amendment of selected parameters of the republican budget for 2011 and <...>” dated November 14, 2011 №524
- “On amendment of selected parameters of the republican budget for 2012 and <...>” dated December 29, 2012 №577
- “On amendment of the limits of the domestic state debt and on increasing the statutory funds of selected organizations” dated December 29, 2011 №608
- “On approval of the Concept of State Safety of the Republic of Belarus” dated November 9, 2010 №575
- “On approval of the key parameters of socioeconomic development of the Republic of Belarus forecast for 2010” dated December 7, 2009 №595
- “On approval of the key parameters of socioeconomic development of the Republic of Belarus forecast for 2011” dated November 19, 2010 №596
- “On approval of the Regulation on external state loans and external loans attracted against the guarantees of the Government of the Republic of Belarus” dated April 18, 2006 №252
- “On approval of the Regulation on formation, approval of the State Investment Program, and on reporting on its implementation” dated May 5, 2006 №299
- “On approval of the Socioeconomic Development Program of the Republic of Belarus for 2011-2015” dated April 11, 2011 №136
- “On approval of the State Investment Program for 2010” dated December 17, 2009 №636
- “On approval of the State Investment Program for 2011” dated December 20, 2010 №660
- “On approval of the State Investment Program for 2012” dated February 17, 2012 №75
- “On contract bidding in construction <...>” dated February 7, 2005 №58
- “On customs duties” dated July 13, 2006 №443
- “On departmental control in the Republic of Belarus” dated June 22, 2010 №325
- “On electronic auctions” dated December 30, 2010 №708
- “On electronic auctions” dated February 27, 2012 №112
- “On establishing of the state extrabudgetary Civil Aviation Fund” dated October 23, 2003 №465
- “On financing the development of the public telecommunications services” dated February 20, 2007 №96
- “On granting and usage gratuitous (sponsor) aid” dated July 1, 2005 №300
- “On improvement of the control (supervision) in the Republic of Belarus” dated October 16, 2009 №510
- “On improving cooperation of public bodies and other public organizations with the mass media” dated February 6, 2009 №65
- “On Interdepartmental Commission on the Safety in the field of Economic Security under the Council of Safety of the Republic of Belarus” dated July 10, 2002 №371
- “On measures to improve remuneration of labor of budget financed organizations employees” dated December 28, 1999 №770
- “On measures to improve the usage of the national segment of the Internet” dated February 1, 2010 №60
- “On public procurement in the Republic of Belarus” dated November 17, 2008 №618
- “On selected issues of declaring the debt as a bad debt, and its writing off” dated June 13, 2008 №329
- “On selected issues of public procurement of goods (works, services)” dated December 29, 2012 №576
- “On selected issues of securities market regulation” dated April 28, 2006 №277
- “On selected issues of the guarantees of the Government of the Republic of Belarus for loans provided by banks of the Republic of Belarus” dated June 30, 2008 №359
- “On selected issues related to the functioning of the Executive Office of the President of the Republic of Belarus” dated November 13, 2001 №660
- “On selected issues related to the functioning of the State Control Committee of the Republic of Belarus” dated November 27, 2008 №647

- “On selected measures for optimizing the system of the public bodies and other public organizations, as well as the number of their employees” dated April 12, 2013 №168
- “On the key parameters of socioeconomic development of the Republic of Belarus forecast for 2012” dated December 23, 2011 №590
- “On the procedure of formation and usage of the innovation funds resources” dated August 7, 2012 №357
- “On the Social Protection Fund of the Ministry of Labor and Social Protection” dated January 16, 2009 №40
- “On the structure, functions and number of employees of the local executive and administrative bodies” dated October 23, 2006 №631
- “On wages of civil servants and military personnel” dated June 4, 2013 №254

Resolutions of the Council of Ministers of the Republic of Belarus:

- “Issues of the Ministry of Finance of the Republic of Belarus” dated October 31, 2001 №1585
- “On approval of the Guidelines on the procedure for formation of the contract pricing and transactions between the customer and the contractor when building and constructing sites, and on the procedure for organizing and holding the contractors bidding for building and constructing of the sites” dated March 3, 2005 №235
- “On approval of the procedure and conditions of calculating length of service of civil service” dated May 13, 1997 №471
- “On approval of the Program of actions of the Government of the Republic of Belarus for 2011-2015” dated February 18, 2011 №216
- “On approval of the program of improving general secondary education in the Republic of Belarus for 2007-2016” dated May 31, 2007 №725
- “On approval of the program of improving preschool education in the Republic of Belarus for 2009-2014” dated August 19, 2008 №1193
- “On approval of the Regulation on the procedure and purposes of the extrabudgetary centralized investment funds” dated January 5, 2013 №9
- “On approval of the Regulation on the procedure of formation, financing and monitoring execution of the national, regional, and sectoral programs <...>” dated March 31, 2009 №404
- “On conducting the republican volunteer Saturday work in 2013” dated April 9, 2013 №275
- “On defining solvency assessment criteria of business entities” dated December 12, 2011 №1672
- “On drafting the forecast of socioeconomic development of the Republic of Belarus for 2011” dated May 27, 2010 №802
- “On drafting the forecast of socioeconomic development of the Republic of Belarus for 2013, and of its key parameters for 2014-2015” dated April 5, 2012 №305
- “On establishment of interagency working group to prepare draft fiscal and financial policy guidelines for 2012 and the medium-term fiscal framework for 2012-2014, and to ensure their consistency with key parameters of socioeconomic development forecast and parameters of the key monetary indicators of the Republic of Belarus” dated March 7, 2011 №278
- “On establishment of interagency working group to prepare draft fiscal and financial policy guidelines for 2013, and the medium-term fiscal framework for 2013-2015, and to ensure their consistency with key parameters of the socioeconomic development forecast and monetary policy guidelines of the Republic of Belarus” dated March 13, 2012 №224
- “On establishment of the interagency working group to prepare draft fiscal and financial policy guidelines for 2013 and the medium-term fiscal framework for 2013-2015, and to ensure their consistency with key parameters of the socioeconomic development forecast and monetary policy guidelines of the Republic of Belarus” dated March 13, 2012 №224
- “On indicators of the socioeconomic development of the Republic of Belarus forecast for 2012” dated December 30, 2011 №1779
- “On measures to implement the Edict of the President of the Republic of Belarus dated February 27, 2012 №112” dated March 26, 2012 №261

- “On measures to implement the Edict of the President of the Republic of Belarus dated December 30, 2010 №708” dated December 31, 2010 №1923
- “On measures to implement the Edict of the President of the Republic of Belarus dated June 30, 2008 №359” dated October 6, 2008 №1458
- “On measures to implement the Law of the Republic of Belarus “On state forecasting and programs of socioeconomic development of the Republic of Belarus” dated August 20, 1998 №1321
- “On measures to improve remuneration of labor of budget financed organizations employees” dated December 31, 1999 №2070
- “On selected issues of maintenance and usage of a unified controlling (supervisory) agencies information database including the data on entities inspected and on their allocation to corresponding risk groups<...>” dated January 30, 2013 №74
- “On selected issues of public procurement” dated December 20, 2008 №1987
- “On selected issues of the Internet sites of the government agencies and organizations <...>” dated April 29, 2010 №645
- “On selected measures to implement the Law of the Republic of Belarus “On public procurement of goods (works, services)”” dated August 22, 2012 №778
- “On the correlation of classes of public servants and public positions in republican government bodies, local government and self-government bodies” dated June 29, 2013 №564
- “On the rules of procedure of the Council of Ministers of the Republic of Belarus” dated February 14, 2009 №193
- “Selected issues of the Ministry of Economy of the Republic of Belarus” dated July 29, 2006 №967

Resolutions of the Ministry of Finance of the Republic of Belarus:

- “On approval of the Instruction on organizing accounting at budget organizations and centralized accounting units servicing budget organizations” dated February 8, 2005 №15
- “On approval of the Instruction on organizing and executing expenditures of the republican budget, local budgets, budget of the state extrabudgetary Social Protection Fund of the Ministry of Labor and Social Protection of the Republic of Belarus <...>” dated July 27, 2011 №63
- “On approval of the Instruction on selected issues related to the issuance and registration of securities” dated December 11, 2009 №146
- “On approval of the Instruction on the procedure for keeping records of the debt of the local government and self-government bodies, debt guaranteed by the local executive and administrative bodies, and on local executive and administrative bodies reporting to the Ministry of Finance” dated August 9, 2013 №55
- “On approval of the Instruction on the procedure for preparing and submitting accounting reports on the budget funds and the funds from the income-generating activities of the budget organizations <...>” dated March 10, 2010 №22
- “On approval of the Instruction on the procedure of issuance, placement, circulation and redemption of selected types of state securities of the Republic of Belarus <...>” dated August 18, 2003 №118
- “On approval of the Instruction on the procedure of planning, accounting and usage of funds received by the organizations financed from the budget from the income-generating activities” dated November 12, 2002 №152
- “On approval of the Instruction on the procedure of recording international technical assistance funds by the public bodies” dated April 26, 2010 №51
- “On approval of the Instruction on the procedure of registration of external state loans and external loans contracted under the guarantees of the Government of the Republic of Belarus, and of keeping record of the external public debt and external debt guaranteed by the Republic of Belarus” dated November 21, 2006 №142
- “On approval of the Instruction on the procedure of settling bills for construction and repair works at the expense of the budget” dated December 17, 2001 №120

“On approval of the Instruction on the procedure of settling pecuniary liabilities of budget funds recipients” dated June 29, 2000 №66

“On approval of the republican budget ROSPICE for 2012” dated January 17, 2012

“On approval of the Treasury Chart of accounts for the bookkeeping of the budgets execution” dated October 26, 2010 №123

“On budget classification of the Republic of Belarus” dated December 31, 2008 №208

“On the procedure of transferring the funds earned during the republican volunteer Saturday work in 2013” dated April 12, 2013 №22

Orders of the Minister of Finance of the Republic of Belarus:

“On setting up the process for International Monetary Funds’s Special Data Dissemination Standard and Government Finance Statistics data compilation” dated September 11, 2013 № 311

“On the methodology of calculation of grants, expenditure needs norms, , and adjustment factors for the expenditure needs norms” dated July 11, 2011 №163

Resolutions of the Ministry of Economy of the Republic of Belarus:

“On approval of the Instruction on the procedure of posting (publishing) information on public procurement” dated January 15, 2009 №8

“On approval of the Instruction on the procedure of processing public procurement complains by the Ministry of Economy of the Republic of Belarus” dated December 22, 2012 №116

“On approval of the Instruction on the procedure of the functioning of the information analytical system of monitoring of business planning and financial status of organizations, and on the content of the information necessary for the system functioning” dated August 13, 2007 №146

Others:

Decision of the Customs Union Commission “On the unified customs and tariff regulations of the Customs Union of the Republic of Belarus, Republic of Kazakhstan and the Russian Federation” dated November 27, 2009 №130

Decree of the President of the Republic of Belarus “On state registration and liquidation (closing down) of business entities” dated January 16, 2009 №1

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International Monetary Fund. 2013 Article IV Consultation and Fourth Post-Program Monitoring Discussions. Report №13/159, May 9, 2013

International Monetary Fund. Staff Report for the 2011 Article IV Consultation and Proposal for Post-Program Monitoring. Report №11/66, February 17, 2011

International Monetary Fund. Staff Report for the 2012 Article IV Consultation and Second Post-Program Monitoring Discussions. Report №12/113, April 18, 2012

Order of the Ministry of Labor and Social Protection of the Republic of Belarus “On application of the Unified Tariff Scale of workers of Belarus” dated January 21, 2000 № 21

Resolution of the Council of Ministers of the Republic of Belarus and National Bank of the Republic of Belarus “On approval of the concept of the gross external debt of the Republic of Belarus management, and the action plan for its implementation” dated May 6, 2011 №574/12

Resolution of the House of Representatives of the National Assembly of the Republic of Belarus “On the procedural rules of the House of Representatives of the National Assembly of the Republic of Belarus” dated October 9, 2008 №1033-PZ/IX

Resolution of the Ministry of Finance of the Republic of Belarus and the Ministry of Economy of the Republic of Belarus “On approval of the Instruction on calculation of the solvency ratios and financial status and solvency analysis of business entities” dated December 27, 2011 №140/206

Resolution of the Ministry of Finance of the Republic of Belarus, Board of the National Bank of the Republic of Belarus “On approval of the Instruction on executing local budgets in terms of their revenues” dated December 23, 2005 №159/176

Resolution of the Ministry of Finance of the Republic of Belarus, Board of the National Bank of the Republic of Belarus “On approval of the Instruction on revenue execution of the republican budget and the budget of the state extrabudgetary Social Protection Fund of the Republic of Belarus” dated December 8, 2005 №143/171

Resolution of the Ministry of Labor and Social Protection of the Republic of Belarus “On remuneration of the civil servants employed by the government agencies” dated June 17, 2013 №56

Resolution of the Ministry of Labor and Social Protection of the Republic of Belarus “On measures to improve remuneration of labor of the employees of the budget financed organizations and ones receiving state support” dated January 21, 2000 №6

Resolution of the Ministry of Trade of the Republic of Belarus “On approval of the Instruction on the procedure of processing public procurement complains by the Ministry of Trade of the Republic of Belarus” dated June 26, 2013 №12

Resolution of the National Statistical Committee of the Republic of Belarus “On approval of the state statistical report template 2-PROVERKA (Minfin) “Report on departmental control”, and the compilation instructions” dated December 29, 2010 №284

Resolution of the National Statistical Committee of the Republic of Belarus “On approval of the state statistical report template 2-PROVERKA (Minfin, “Report on departmental control”), and the compilation instructions” dated September 29, 2011 №269

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World Bank. Belarus — Report on the Observance of Standards and Codes: accounting and audit. Report №62545, November 2009.

World Bank. Belarus Public Expenditure Review: Enhancing public services in times of austerity. Volume 2. Report №74148-BY, February 21, 2013.

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World Bank. Budget System Reforms - Selected Issues in medium term budgeting and sectoral performance budgeting. June 22, 2012.

World Bank. Country Partnership Strategy for the Republic of Belarus for the period FY2014-FY2017. Report No. 77458-BY, June 2013.

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Annex 7: Disclosure of Quality Assurance Mechanism

The following quality assurance arrangements have been established in the planning and preparation of the PEFA assessment report for the Republic of Belarus, final report dated June 5th, 2014.

PEFA Assessment Management Organization

- **Government PEFA working group:**

- Mr. Maxim Ermolovich (Deputy Minister of Finance of the Republic of Belarus), Chair of the working group
- Mr. Yury Seliverstov (Head, BPD, MoF), Deputy Chair of the working group
- Mrs. Yelena Abakunchik (Head, Accounting and Budget Reporting Division, Treasury, MoF)
- Mrs. Natalya Aleynikova (Deputy Head, Department for Forecasting and Analysis of Investment Activities, MoE)
- Mrs. Tatyana Astreiko (Head, Local Budgets Division, BPD, MoF)
- Mrs. Valentina Borisova (Consultant, Consolidated Budget Division, BPD, MoF)
- Mr. Dmitry Gritskevich (Chief Economist, Budget Execution Division, Treasury, MoF)
- Mrs. Tamara Gruzinskaya (Deputy Head, Treasury, MoF)
- Mrs. Ludmila Guryanova (Deputy Head, Division for Methodology, Organization of Work and Departmental Control, KRU, MoF)
- Mrs. Yelena Lubinskaya (Consultant, Planning, Accounting and Payments Division, PDD, MoF)
- Mrs. Svetlana Napreyenko (Consultant, Accounting Methodology Division, Department for Regulation of Accounting, Reporting and Audit, MoF)
- Mr. Alexander Odinets (Consultant, State Procurement, Division, MoE)
- Mr. Valery Rumyantsev (Deputy Head, Department for Analysis, Planning and Coordination of Control Activities, MoTL)
- Mrs. Svetlana Okolova (Deputy Head, Division for Control over Local Administration Bodies and Budget of the Department for Control of Budget and Finance Sphere, SCC)
- Mrs. Viktoria Shilovich (Head, Division of International Cooperation, DIFR, MoF)
- Mrs. Diana Shket (Deputy Head, Department for Accounting of Taxes, Reporting and Collection of Payments, MoTL)
- Mrs. Nadezhda Sudnik (Deputy Head, Tax Policy Division – Head, Unit for Taxation of Revenues, DTPBR, MoF)
- Mrs. Olga Tarasevich (Deputy Head, BPD – Head, Division of Methodology of Budget Process, MoF)
- Mrs. Marina Tikhonovich (Consultant, Division of Methodology of Budget Process, BPD, MoF)
- Mrs. Olga Vikhotskaya (Deputy Head, Division for Fiscal and Tax Policy, Department for Financial, Credit, Fiscal and Foreign Exchange Policy, MoE)
- Mrs. Natalya Zvorono (Deputy Head, Legal Department, MoTL)

- **World Bank PEFA Assessment Team:**

- Mrs. Elena Nikulina (Team Leader, Senior Public Sector Specialist, ECSP4)
- Mr. Sebastian Eckardt (Co-leader, Senior Country Economist, ECSP3)
- Mr. Andrew Mackie (Senior Financial Management Specialist, ECSO3)
- Mr. Mark Silins (Consultant, ECSP4)
- Mrs. Yelena Slizhevskaya (Consultant, ECSP3)
- Mr. Kiryl Haiduk (Country Economist, ECSP3)
- Mrs. Maryna Sidarenka (Analyst, ECSP3)

Review of Concept Note

- Date of reviewed draft concept note: September 12, 2013
- Invited reviewers:
 - Mr. Maxim Ermolovich (Deputy Minister of Finance of the Republic of Belarus)
 - Mr. William Dorotinsky (PRMPS, World Bank)
 - Mr. Oleksii Balabushko (PEFA Secretariat)
 - IMF team for Belarus
 - World Bank team for Belarus
- Reviewers who provided comments:
 - Mr. Maxim Ermolovich (Deputy Minister of Finance of the Republic of Belarus) – September 21, 2013
 - Mr. William Dorotinsky (PRMPS, World Bank) – September 23, 2013
 - Mr. Oleksii Balabushko (PEFA Secretariat) – September 17, 2013
 - Mr. Julien Hartley (Fiscal Economist, IMF) – September 26, 2013
 - Mr. Marius Koen (Lead Financial Management Specialist, ECSO3, World Bank) – September 18, 2013
- Date of final concept note: October 5, 2013
 - Final concept note and matrix of team responses circulated to the peer reviewers – October 15, 2013
 - Final concept note shared with the Belarus MoF – October 28th, 2013

Review of the Assessment Report

- Dates of reviewed draft reports:
 - 1st draft – January 13, 2014
 - 2nd draft - April 21, 2014
- Invited reviewers:
 - Belarussian Authorities (Ministry of Finance, Ministry of Taxes and Levies, Ministry of Economy, State Control Committee, State Customs Committee, Parliament)
 - World Bank team for Belarus
 - Mr. Maxim Ermolovich (Deputy Minister of Finance of the Republic of Belarus)
 - Mr. William Dorotinsky (PRMPS, World Bank)
 - PEFA Secretariat
 - Mr. Julien Hartley (Fiscal Economist, IMF)
- Reviewers who provided comments:
 - Belarussian Authorities (Ministry of Finance, Ministry of Taxes and Levies, Ministry of Economy, State Control Committee, State Customs Committee, Parliament) – January 27 – February 11, 2014
 - Budget Policy Department of the Ministry of Finance – May 5, 2014
 - Mr. William Dorotinsky (PRMPS, World Bank) – May 5, 2014
 - Mr. Marius Koen (Lead Financial Management Specialist, ECSO3, World Bank) – May 5, 2014
 - Mrs. Barbara Ziolkowska (Procurement Specialist, ECSO2, World Bank) – May 6, 2014
 - Mr. Philip Sennett (Head, PEFA Secretariat) – May 3, 2014
 - Mr. Julien Hartley (Fiscal Economist, IMF) – May 6, 2014

- Date of the World Bank review meeting – May 6, 2014 (all written comments and matrix of team responses circulated prior to review meeting, May 5th)
- Date of final report – June 5, 2014
 - Final report shared with the Belarus MoF – June 11, 2014
 - Final report circulated to the peer reviewers – July 16, 2014



PEFA assessment report of Belarus, June 5, 2014

The quality assurance process followed in the production of this report satisfies all the requirements of the PEFA Secretariat and hence receives the '**PEFA CHECK**'.

PEFA Secretariat
July 29, 2014

Annex 8: Assessment Team Composition and Roles

Name	Title	Unit / Duty station	Role
Mrs. Elena Nikulina	Senior Public Sector Specialist	ECSP4 / HQ	TTL (coordination of the team work, compilation of the report, summary assessment, legal and institutional framework for PFM and government reform process)
Mr. Sebastian Eckardt	Senior Country Economist	ECSP3 / HQ	Co-TTL (country economic situation, budgetary outcomes, lead responsibility for assessment of PIs 1-3, 10-12)
Mr. Andrew Mackie	Senior Financial Management Specialist	ECSP3/ HQ	Technical expert on accounting, procurement and auditing (lead responsibility for assessment of PIs 19, 21-28, D1-3)
Mr. Mark Silins	Consultant	ECSP4/ HQ	Technical expert on revenue administration and budget execution (lead responsibility for assessment of PIs 4-9, 13-18, 20)
Mrs. Yelena Slizhevskaya	Consultant	ECSP3/ Minsk CO	Local PFM expert (communication with the counterparts, collection of the data sources and relevant documentation, compilation of the source data annex)
Mr. Kiryl Haiduk	Country Economist	ECSP3/ Minsk CO	Country economic situation, budgetary outcomes
Mrs. Maryna Sidarenka	Analyst	ECSP3/ Minsk CO	Country background information and quantitative data analysis

