

Belarus: Reform Scenarios

Stefan Batory Foundation

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Introduction

The idea for the project entitled 'A European Choice for Belarus' under which the present publication was produced first emerged when it became clear that the economic liberalisation promised by Alyaksandr Lukashenka during his campaign for the Belarusian presidency in 2001 will not occur anytime soon. Although a certain stabilisation was observed in the Belarusian economy, a number of negative tendencies remained: increasing costs of living, pauperisation of large sections of the Belarusian society, snowballing debt of state-owned enterprises, etc. The authoritarian regime adopted a harder line in its policies, and public opinion polls were indicating that President Lukashenka's popularity is falling. These various factors have led us to once again take up the issue of reforms in Belarus.

Our project, launched in the summer of 2002, did not emerge from a vacuum, and its execution would not have been possible were it not for the independent think tanks operating in the country which put out a number of important works in the course of 2001 and 2002. In one of these, entitled 'Integration of Belarus and Russia. Analytical Articles' (Minsk, Encyclopedics Publishing House, 2002), the authors argue that the union between Belarus and Russia is little but an institutional fiction, with the perspective of eventual union between the two a mere illusion. Belarus – their reasoning continues – can by all means preserve her independence, but comprehensive reforms of the economy, political system, education, and of social policy will be called for.

In preparing 'A European Choice for Belarus. Scenarios for Reform', we were endeavouring:

- Firstly, to posit scenarios for changes by virtue of which Belarus will achieve compliance with the minimum requirements demanded by the European Union of candidate countries;
- Secondly, to once again draw attention to the pressing problems faced by the country;
- Thirdly, to provide new encouragement for discussion of democratic reforms;
- Fourthly, to demonstrate the existence of persons and entities in Belarusian society who regard their country as a bona fide member of the European polity.

We were also aiming to create a publication which will be useful to those with limited knowledge of Belarus and the processes currently underway in the country. Accordingly, this book will be published not only in Belarusian, but also in English and in Russian language versions.

The project has elicited a lively response among economists, political scientists, lawyers, sociologists, educators, and among persons whose work focuses on various aspects of social policy. In its initial stages, the project called for the adoption of a joint position as regards the general premises of the required reforms. Thus, during the first meeting of our participating experts (held in September 2002), we formulated a consensus as to the democratic reforms in Belarus which could serve as a point of departure for the project as well as agreeing a basic framework for the book, as subsequently reflected in the structure of its chapters. The contents assumed substance and detail in the course of consecutive meetings of smaller groups working on specific issues.

An important element of the entire project was comprised in the 'outside perspective'. The meetings involved specialists from Central Europe who not only enriched the discussion with insights about their respective countries, but also contributed their comments and critique of the ideas formulated by the Belarusian participants.

This publication has benefited from valuable contributions by:

- Reviewers: Ruta Vainiene (Lithuania), Elżbieta Królikowska (Poland), Józef Płoskonka (Poland), Vladislav Romanov (Ukraine);
 - Foreign experts: Galina Agapowa (Estonia), Dariusz Filar (Poland), Elka Georgieva-Nikolova (Bulgaria), Ihor Kolushko (Ukraine), Martin Valentovič (Slovakia), Tomasz Żukowski (Poland);
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Agnieszka Komorowska
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September 2003

1 The Political System Reform in Belarus: Projects and Ideas

by Andrei Lyakhovich

The need for strategies to develop the state system and the society at large may only arise provided there is consensus among the general public on basic political values, and that the political elite is well aware of national and state interests.

Belarus does not meet either condition. A latent civil war between opposing political forces prevents the country from overcoming institutional and functional crisis in the political system.

The country's ruling elite has not changed since the break-up of the Soviet Union, with functionaries of the Soviet times still at its core. As a result, the ruling elite have failed to adapt to changes following the demise of the Soviet Union. The Belarusian ruling elite's ideology is one of interim rulers who, rather than looking ahead, are concerned with present circumstances, and are interested in the politics of 'right here and right now' instead of the country's longer-term development. These features have affected both the political system's reform in Belarus and the discourse around it.

In the first few years of independence, i.e. since 1991, the Communist elite took a step back from discussing the country's prospects for political development. Democrats, who dominated the debate, insisted that Belarus has a future as a parliamentary republic, a widespread form of governance in Western countries. However, the *nomenklatura* managed to retain real powers and maneuver the discourse in such a way as to suit their interests. The Con-

stitution of Belarus, adopted on 15 March 1994, established the institution of presidency.

However it did not offer clear-cut mechanisms for concentrating power in the hands of the executive, the 1994 Constitution did not rule out such a possibility, either. Loopholes in constitutional provisions allowed President Alyaksandr Lukashenka and his entourage to set up a tight authoritarian system using i.a. the constitutional referendum in 1996.

The succession of the three models in Belarus during its independence, i.e. a parliamentary republic, the 1994 constitution and the 1996 constitution, determined the country's political thinking.

Those who want the country to embark on a democratic path consider the parliamentary republic to be an ideal pattern. As a means to transition towards the ideal model, they suggest a return to the 1994 Constitution, which was adopted when the government's legitimacy was still unquestioned.

Opponents of the authoritarian regime were preoccupied with restoring the 1994 constitutional order, and did not work on alternative proposals to reform the political system.

The authorities have not considered political reforms either, since they regard the system established by the 1996 Constitution as immune from any, even minor, changes. Amendments of the constitution's status proposed by members of the National Assembly, itself a puppet legislature, provoked a harsh response from Alyaksandr Lukashenka.

Some political reform ideas, rather than models or projects can be found in platforms of presidential candidates and political parties, and in papers developed by non-governmental think tanks. Notably, the platforms of presidential candidates and political parties were originally designed as declarations tailored to broad public appeal. They would be of little use for modeling Belarus' actual political future.

Election platforms of presidential candidates

The first presidential election was held in Belarus following adoption the 1994 Constitution; therefore in their platforms, the candidates viewed the political system as already established.

In his program called 'To Lead the People Away from the Abyss', Presidential candidate Alyaksandr Lukashenka stressed that the government should be directly involved in managing business operators by appointing their chief executive officers¹. Thereby, he declared that the State retain ownership of the enterprises. This, he purported, would be the key mechanism for consolidating the president's position as the head of State.

The platform of another candidate, Alyaksandr Dubko, entitled 'This Country Needs a Good Manager' lacks understanding of the need to separate the powers. Dubko expressed this even more explicitly than Lukashenka by claiming that 'order should be established in the country from the top downward; the country should have one ruler'².

Both candidates pledged to pursue policies based on the will of the people, thus asserting the president's right to act without any regard for legal or institutional limits.

Lukashenka's pledge to seek 'unification of the former USSR republics'³, and Dubko's determination 'not to respond to the Western bait'⁴ explicitly indicated that they saw Belarus as being outside Europe.

Democrats Stanislaw Shushkevich and Zyanon Paznyak called for privatization and market-oriented changes in their respective platforms entitled, 'Statehood, Democracy, Market: a Path to Prosperity', and 'Economic Program', in order to build the economic foundations for a democratic state. Both candidates pledged to do their best to prevent Belarus from turning into a Russian backwater and establish a Western-style democracy.

¹ *Сборник альтернативных программ развития Беларуси, под ред. В. Шлындикова, Минск, Бестпринт, 2001, р. 203.*

² *Ibid.*

³ *Ibid.*

⁴ *Ibid.*

In 1999, with the expiration of Lukashenka's term of office under the 1994 Constitution, Belarus' democratic forces held an alternative presidential election. The candidates, Paznyak and former Prime Minister Mikhail Chyhir, called for reinstating the 1994 Constitution.

Both candidates also proposed substantial changes to the political system once established by the organic statute of 1994. They suggested introducing a statute of mixed-member proportional voting system for parliamentary elections, with 50 percent of the seats awarded in single-member districts and 50 percent based on political party lists, or the proportional representation system. Chyhir suggested that the stipulated turnout threshold of 50 percent, which enabled Lukashenka to torpedo the formation of Parliament and local government councils, should be lowered to 25 percent.

Russia's role in the emergence of a severe authoritarian regime in Belarus prompted Paznyak to spelling out clear foreign policy priorities such as joining NATO and building close ties with the European Union. Paznyak said it was essential for national security.

The need for political reform became apparent during the 2001 presidential election. Opposition candidates Syamyon Domash and Uladzimer Hancharyk called for constitutional reform aimed to vest the Parliament with real powers, ensuring independence of courts and the media, giving more powers to central and local governments. Domash suggested introducing a mixed-member proportional voting system⁵.

Political party platforms

The first party document calling for political reform was the Belarusian Popular Front's 'Program for Perestroika "Revival"' dated 1989.

The program was based on the following political principles:

- Belarus must be a sovereign state and the nation has the right to self-determination;
- political pluralism;

⁵ Праграмны выступ кандыдата ў прэзідэнты С. Домаша, «Народная воля» 2001, 28 жніўня.

- the rule of law;
- development of direct forms of democracy;
- independent judiciary and trial by jury;
- freedom of expression, assembly and association, with non-governmental organizations registered pursuant to the notification principle.

The Belarusian Popular Front's 1993 platform further developed the principles of sovereignty and democracy. It suggested the mixed-member proportional voting system for the parliament (*Sojm*) with 80 members (50 percent) elected from political party lists. The party suggested that lawmakers should be barred from holding posts additional to their parliamentary duties.

The program said that strong parliamentary factions would guarantee the parliament's effective operation.

The party also cautioned that the introduction of presidency is fraught with the risk of dictatorship given strong positions of the former Communist *no-menklatura*.

At the same time, the program said that the presidency in Belarus was possible provided that effective checks and balances were in place. This implies parliament playing the key role in the political system and, along with the judiciary, counterbalance the executive. The program called for using the referendum which, at the time, was widely thought to be an effective mechanism of direct democracy. The program reaffirmed the BPF's adherence to the idea of independent judiciary and trial by jury. The document also called for reforming local government and the administrative-territorial system, stressing that changes should be in line with the European Charter on Local Government.

The multi-party system, separation of powers and independence of the media were regarded in the program as an integral part of democracy.

The BPF warned against and declared its opposition to the Russian electronic and print media dominating the market in Belarus, and noted that security of information was important for democracy and independence of Belarus.

The BPF's foreign policy priorities included cooperation with the 'Baltic-Black Sea Community' member states and countries in Central and Eastern Europe and withdrawal from the Commonwealth of Independent States.

On the heels of the Conservative Democratic forces came the Liberal Democrats with their 'Declaration of Program Goals and Principles' adopted by the United Democratic Party of Belarus (UDPB) in 1991. Like the BPF, the UDP called for building a state with effective rule of law, developing civil society institutions and establishing democracy based on the separation of powers and decentralization of government. The program did not offer any model for Belarus' future political system as it was adopted shortly before the 1994 Constitution.

The Conservatives and the Liberals differed in economic and national identity issues. The latter, apart from historic and cultural, had political roots: the UDPB did not regard Belarus' eastern neighbor as a threat to the country's sovereignty.

October 1995 saw Liberal Democratic forces rally round the United Civic Party (UCP). The UCP program did not differ much from that of UDPB, yet it highlighted the growing confrontation between the executive and the legislature. The document stressed that executive by-laws must not limit human rights or impose other unlawful restrictions. The program emphasized the need for establishing a professional parliament (that is, where lawmakers work on a full-time basis and have no right to hold additional posts), enhancing the role of the Constitutional Court in the system of checks and balances, and the need for democratizing local government. The UCP suggested selling the State stake in printing plants to the newspapers and fostering the development of independent media.

The Social-Democratic forces evolved slowly in the post-Communist society. It was only in 1996 that the Belarusian Social Democratic Party 'Narodnaya Hramada' (BSDP) adopted its platform. When set against programs of other democratic parties, their section on Belarus' political future offers little in the way of novelties.

The platform asserts that Belarus should be a parliamentary republic, with the government accountable to the legislature (Supreme Soviet). The lawmakers should be selected on the basis of a mixed-member proportional representation system.

As a rule, political parties do not debate political reform issues outside their platforms. The only exception is the program for a social and economic reform

put forward by the United Civic Party (UCP). However, it presents the political reform from the perspective of social and economic changes. The platform calls for establishing ‘an open political system that would encourage political competition’. The UCP sees the system as a parliamentary republic with parliament being the formative factor for the executive power.

Political reform concepts and programs developed by independent experts

Research on the issue conducted by Belarus’ non-governmental think tanks was either limited to specific aspects rather than looking at the political system’s big picture, or tended to be descriptive instead of being concerned with devising alternative models.

On March 18, 2000 experts of the Stratehiya think tank and those led by the former parliamentary speaker Myacheslaw Hryb communicated a national development strategy entitled ‘The Strategy for Belarus’. The experts, including foreign ones, noted that the document focused on economic reforms and lacked the political dimension. In particular, Piotr Kozarzewski of the Warsaw-based Center for Social and Economic Research (CASE) advised the authors to substantiate the need for transforming Belarus into a parliamentary republic and describe the role of the president, the parliament and the government.

Political system models as seen in 1994 and 1996 Constitutions

The organizational and functional weakness of the Belarusian opposition, and the geopolitical situation made it possible for the former Communist elite to maneuver the political system’s transformation in such a way as to stay in power.

Separation of powers was non-existent in the political system of the Belarusian Soviet Socialist Republic (BSSR). Article 6 of the 1978 BSSR Constitution provided that ‘The Communist Party of the Soviet Union shall be the guiding

and directional force of the Soviet society, the core of its political system, state and public organizations'⁶.

After the break-up of the Soviet Union, the government banned the Communist Party of the Soviet Union in Belarus and declared separation of powers. In fact, however, this was not the case. An extensive network of 'patron-client' rings led by former party bosses enabled Prime Minister Vyacheslaw Kebich and his entourage (former Communist party secretaries) to exercise control over the Supreme Soviet and the judiciary, which were only notionally independent of the executive.

Concentration of powers in the Council of Ministers throughout 1992 and 1993 set the stage for introducing the institution of presidency in Belarus. A draft Constitution aiming to serve the interests of Kebich and lobbied by Kebich-controlled parliamentary majority, was designed to give the *nomenklatura* powers and tools for influencing the legislature and judiciary.

The Constitution, adopted by the Supreme Soviet on March 15, 1994, declared separation of powers (Article 6), but did not provide sufficient safeguards for maintaining it.

In addition to purely legislative functions, it vested the Supreme Soviet with considerable powers to form other governmental agencies. Under Article 82 Part 7, the Supreme Soviet appointed judges to the Constitutional, Supreme and Supreme Commercial Courts, the Prosecutor General, the chair and board of the Audit Chamber, and National Bank governors. The Supreme Soviet was also empowered to form the central electoral commission, define domestic and foreign policy priorities (Article 83 Part 9), ratify and renounce international treaties (Article 83 Part 12).

The Constitution gave the Supreme Soviet considerable powers to control public finance. The parliament was designated to pass national budgets, budget performance reports, distribute taxes between central and local budgets (Article 83, Part 10), fix national taxes and duties, and control money supply.

⁶ Канстытуцыя (Асноўны Закон) Беларускай Савецкай Сацыялістычнай Рэспублікі, Менск, Палымя, 1978, р. 3.

The Constitution also empowered the Supreme Soviet to impeach the president. The legislature also had certain influence on the Cabinet.

Under Article 107, the Supreme Soviet approved the presidential appointment of prime minister, also deputy prime ministers, foreign, finance, defense and interior ministers, and the chair of the Committee for State Security (KGB).

The parliament had powers to hold any Cabinet member accountable. The Supreme Soviet could recommend dismissal of a Cabinet member for breach of the Constitution or laws.

Under the Constitution, the president was declared Head of State and of the executive (Article 95).

In its declaration of branches of power as being independent within their remit (Article 6), the Constitution was ineffective, however, as it enabled the president to upset the system of checks and balances without resorting to direct violations of the organic statute.

In post-Soviet Belarus, broad powers given to the legislature did not guarantee its full independence from the executive. Firstly, with the Communist party nomenklatura retaining its dominance, the majority voting system for the Supreme Soviet provided the ruling elite with a good opportunity to insert its candidates, while the democrats could only count on minor representation in the parliament. Secondly, the Constitution allowed lawmakers to perform their duties while holding management or civil service positions. Article 92 provided, 'A deputy of the Supreme Soviet should exercise their duties in the Supreme Soviet on the professional basis or, if they wish, without abandoning their entrepreneurial or civil service activity'⁷. The loophole offered the executive an opportunity to plant executive officials in the parliament.

The executive retained control over the majority of State-owned assets, thus having additional tools to influence the lawmakers, most of whom held senior management positions before being elected to the Supreme Soviet.

The Constitution provided that the government should guarantee a level playing field for all forms of ownership (Article 13). However, it did not compel

⁷ *Констытуцыя Рэспублікі Беларусь*, Менск, Беларусь, 1994.

the government to supporting the private sector. The concentration of power and property in the hands of the executive was a crucial factor in consolidating its political position and creating an environment for power to be concentrated in the hands of the head of state.

An important mechanism for strengthening political positions of the president was his personnel policy. Article 100 Part 11 allowed the president to appoint a wide range of government officials and managers to key positions in government and the state-controlled sector of the economy. In a post-Soviet society, in circumstances where not only the greater part of the electorate, but also political and economic elites advocated political ideas of the leader, personal loyalty to the head of state proved essential for pursuing a political career.

The Constitution preserved the Soviet-era administrative division of the country into regions (*oblast*), districts (*rayon*), cities (*horoda*) and other entities (Article 9). It stipulated that citizens should exercise local governance through local soviets, executive and administrative authorities (Article 117). Article 119 provided as follows: ‘Local soviets, within their powers, address local issues with regard to national interests, the interests of the local population, and follow decisions of superior governmental agencies’⁸.

The clause actually codified the existence of ‘the executive power’ before the adoption of respective laws. Lukashenka only needed to qualify ‘executive power’ with ‘presidential’. The power has de facto been run by Lukashenka ever since he came to power.

The Constitution authorized the president to appoint judges, with the exception of those elected by the Supreme Soviet (Article 100 Part 10). The provision enabled the Belarusian ruler to resort to prosecuting his opponents under the penal code.

The Constitution banned censorship and the government’s monopolization of the media (Article 33). However, sufficient guarantees were not provided for the freedom of expression because the country’s major printing plant, Belaruzki Dom Druku, remained under State control. The Constitution did not specify

⁸ Ibid.

the ownership or status of state-owned television and radio stations run by the Belarusian State Television and Radio Company.

The executive still has an opportunity to dominate the information space by resorting to legal proceedings and tax raids to oppress private media, or by denying them a license.

The Constitution stipulated that referenda may be conducted to make decisions on most pressing issues (Article 73). In fact, the head of state could use his executive division to obtain the desired result at a referendum. The executive, in turn, used the soviets to control and brainwash the electorate in the provinces. Near-total control of the media enabled the executive to manipulate public opinion. The ability to predetermine referendum results allowed the president and his entourage to dictate domestic and foreign policy priorities without any regard for the opinion of the Supreme Soviet. Moreover, referendum results could be used as a powerful tool to subjugate the parliament.

The above-said weaknesses of the constitutional checks and balances system enabled Lukashenka to expand his influence in the first year of presidency.

By November 1996, Lukashenka tightened his grip on power and no longer needed to conceal the strings he pulled to control the Supreme Soviet and boost his political clout. Yet, he needed to legalize his informal influence in order to deprive the democrats of the ability to appeal to the Constitutional Court against the Head of State breaching the Constitution.

At the referendum on November 24, 1996, 70.5 percent of the total turnout said 'yes' to Lukashenka's constitutional amendments that expanded his powers.

The president was empowered to call a referendum (Article 84, Part 1). Article 85 empowered the president to rule by decrees 'in instances provided for by the Constitution'⁹. However, the Constitution does not clearly say in what instances the president may resort to decrees.

The Constitution marked a sweeping victory for Lukashenka's team and their efforts to build an effective 'executive division'. Under Article 119, 'heads of local executive and administrative bodies should be appointed and dismissed by

⁹ Ibid.

the President of the Republic of Belarus or by his/her order, and their appointment should be subject to approval by local councils of deputies'¹⁰.

Constitutional provisions concerning the legislature's role in the political system enhanced presidential powers at the expense of the legislature.

The parliament, now called the National Assembly, consists of two chambers – the House of Representatives (lower) and the Council of the Republic (upper). The powers of the lower chamber are limited to lawmaking. The only exception is that it has the right to endorse the president's choice of prime minister (Article 97, Part 2).

Article 92, which bars members of the lower house from holding governmental, managerial or other posts in addition to their parliamentary duties, does little to elevate the status of the House of Representatives. In fact, the Constitution placed the House of Representatives under total control of the upper chamber, the Council of the Republic.

The Council of the Republic is the house of territorial representation. The six regional and Minsk city soviets each appoint 8 members to the upper chamber, with eight members appointed by the president (Article 91). Thus, the Council of the Republic consists of officials directly or indirectly appointed by the head of state.

Article 98, Part 1 provides that the Council of the Republic should 'approve or reject draft laws adopted by the House of Representatives with regard to amendments and addenda to the Constitution; and provide interpretation of the Constitution and other draft laws'¹¹. The clause suggests that the formally elected lower house of the Parliament is not an independent legislative body.

Under Article 98, Part 2, the Council of the Republic confirms the presidential appointment to chair of the Constitutional Court, chair and judges of the Supreme Court, chair and judges of the Supreme Commercial Court, chair of the central electoral commission, the prosecutor general, chair and governors of the National Bank.

¹⁰ Ibid.

¹¹ Ibid.

The Council of the Republic appoints six judges to the Constitutional Court (Article 98, Part 3), and six members of the central electoral commission (Article 98, Part 4). The other six Constitutional Court judges and commissioners are appointed by the president (Article 84, Parts 4 and 10).

Considering that the Council of the Republic is formed by presidential appointees, it is easy to gauge the Belarusian leader's real powers by changing the chamber's name to 'president'. Under such circumstances, the Constitution-stipulated impeachment requirements are extremely difficult to meet.

The 1996 Constitution codified the political system whereby the executive, legislature and judiciary are concentrated in the hands of the president.

Efforts to model a democratic political system for Belarus were largely limited to the political system set out in the 1994 Constitution. However, this model is not optimal. A flawed system of checks and balances, as provided for by the 1994 Constitution, enabled Lukashenka's success in establishing a tight authoritarian regime.

This project is the first attempt undertaken by NGO representatives to create a sound political model that would allow a Belarus guided by the principles of sovereignty and democracy to make steady progress in the context of European integration.

The Political System in Belarus: a Diagnosis

The nature of authoritarian regime in Belarus

by Viktor Charnau

In any analysis of political regimes (including authoritarian ones, which include present-day Belarus), an essential criterion is one of the nature of authority, i.e. whether it seeks to preserve status quo or change the society. This criterion allows for identifying the following types of authoritarianism: conservative, reactionary and liberal. Another key criterion for classifying political regimes is that of the holder of power. With this criterion in mind, authoritarian regimes may be classified as personalist dictatorships and oligarchies.

Based on this approach, the current political system in Belarus may be defined as a reactionary, Soviet-conservative personalist dictatorship with strong totalitarian tendencies.

In most post-Soviet countries that embarked on the path of reform, new social relations triggered off rejection of the new realities. The political and ideological incarnation of this trend is a leftist, Soviet-style conservatism of varying degree depending on circumstances: from quite moderate to very aggressive and reactionary. Not only has this Soviet-conservative trend become reactionary in Belarus; it has dominated politics and become the government's ideology of choice.

The regime's militant Soviet conservatism is its inherent political and ideological feature. Other than merely longing for old-style Soviet mentality and former lifestyle, it seeks to prevent global democratization from reaching Belarus at all cost, and restore and modify key elements of the Soviet order such as a strong, vertically integrated executive branch of power, the *subbotniks*¹² and propaganda briefings.

The regime has the following long-term strategic goals that predetermine its behavior:

- consolidate powers of Alyaksandr Lukashenka and prolong his rule for as long as possible;
- restore, modify and preserve key aspects of the former Soviet order;
- expand internally to control parts of the civic society still independent of the regime;
- expand externally towards 'brotherly Russia' with its rich natural resources and the prospect (still unrealistic) of taking the Moscow throne.

The Constitution adopted in 1996 as a result of a coup allowed Lukashenka to:

- a) legalize the dictatorship which, de facto in place at the time, sought in particular to make provisions for the operation of Oprichnina-type¹³ supra-governmental institutions such as the Presidential Administration and the Presidential Property Management Department.
- b) Strengthen institutional centralization and consolidate personal power, enhance dictatorship in the form of personal dominance (concentration of all branches of power in the president's hands.)

The president is the main source of power capable of making final political decisions on all issues of social significance. The relative weight of all other officials in State hierarchy depends directly on their loyalty, access and proximity to the president and support on his part.

¹² From *subbota* (Rus.) = Saturday (ed.). The first communist subbotnik, or a day of voluntary free unpaid labor, was held on April 12, 1919, by railwaymen of the Sortirovochnaya marshalling yards of the Moscow-Kazan Railway. *Subbotniks* were soon being held at many other enterprises in various cities and became a tradition in the Soviet Union (transl.).

¹³ A military and administrative elite under Tsar Ivan the Terrible.

The president and his 'vertically integrated' executive division are the only full-fledged institution of government. Powers are not separated vertically or horizontally. The country lacks a developed parliament. The judiciary is hinged on the executive entirely and local forms of self-governance have been eliminated. Directly or indirectly, the president appoints all heads of regional, district and city executive boards.

Despite the semblance of democracy and affirmed political pluralism, in practical terms the regime imposes legal restrictions on and wipes out any possibility of holding fair and competitive elections that could spawn a change of government. Political parties have been ousted from the political system and play a dysfunctional role. Those that exert some form of influence on specific policies are not visible to the public eye and contribute to corruption.

Therefore, the personalist authoritarian regime has minimized the number of players with real institutional ability to make state decisions or affect regime's policies.

Government structure

To understand the behavior of the government, it is necessary to be able to recognize its structure and functions. Any description of a state usually begins with the definition of the constitutional form of governance.

The form of governance consists in the arrangement of top-level governmental agencies, and relationship vis-à-vis each other and the people. The form of governance is the embodiment of a regime. The legitimacy and efficiency of governmental institutions and stability of the political regime largely depend on the form of government.

In Belarus, the presidency based on direct presidential elections replaced the quasi-parliamentary republic in 1994. On the surface, it represented almost a classic model of presidential constitutional democracy. Still, it enabled the establishment and legalization of personalist dictatorship.

Dictatorship is institutionally incarnated by the super-presidential form of governance established in result of the 1996 coup.

The super-presidential republic is noted for extreme concentration of power in the hands of the president. Other than just being the head of state, he/she also has the right to rule by decree, dissolve the parliament, dismiss the cabinet, appoint and dismiss judges and heads of local authorities.

The 1996 Constitution conferred unlimited and inviolable powers to the president on the one hand, while on the other it gave the authorities the appearance of constitutionality and conformity with European standards. The Constitution declared the president the head of state, guarantor of the Constitution, human rights and freedoms. It vested the president with powers to arbitrate and mediate among various top-level governmental institutions. Statutorily, the president is not the head of the executive power exercised by the government with the prime minister at its head. The government is accountable to the president and the parliament. The president may dissolve the government; the Parliament may take a vote of non-confidence in the government; and the president may dissolve the Parliament.

The system appears to be one of a standard presidential parliamentary republic which, despite all its weak points, is a relatively democratic form of governance. However, in-depth analysis of real powers of various branches shows that this is an authoritarian, super-presidential government system. The affirmed principle of separation of powers has been transformed into an absurd and awkward system of interactions between the authorities under total control of the president.

The president

The president of Belarus plays a special role in the system of governance. It takes more than one article in the Constitution to specify the president's virtually unlimited powers.

However formally not heading the executive (the constitution does not even refer to such a notion), the head of state has real powers of the prime minister.

The president has the right to appoint and dismiss the prime minister subject to parliamentary approval, and other cabinet members, chair cabinet me-

etings and define the structure of the government. The prime minister has no say on cabinet formation or changes in its composition.

The president may issue directives and orders binding for the entire country, and override any governmental decision. Such influence of the president on the executive is characteristic of presidential and super-presidential systems of governance.

In addition to directives and orders, the president may issue law-decrees. If a presidential decree or edict conflicts with a law, the presidential act takes precedence, except for cases where the law empowers the president to issue the decree or edict in question. The president's legislative function is yet again indicative of the super-presidential form of governance.

The president also holds undisputed control of the National Assembly, Belarus' parliament. He directly appoints eight of the 64 members in the Council of the Republic, the upper chamber. Presidents in some parliamentary democracies also have this right, however more symbolic. Besides, the president indirectly appoints other members of the Council of the Republic nominated at joint meetings of the regional and Minsk city soviets and executive committees under the watchful eye of the presidential administration.

Apart from the right of veto, the constitution provides the president with extensive powers to dissolve the parliament. The president may dissolve the National Assembly (1) if it adopts a vote of non-confidence in the government, (2) rejects twice the president's nominee for the post of prime minister (3), repeatedly votes down the government's program of actions (4), 'in the event of repeated or flagrant violations of the Constitution by the parliament', which is absurd from the legal point of view.

A cumbersome impeachment procedure makes it almost impossible to oust the president before the end of term.

The concentration of functions of the head of government and broad powers to dissolve the parliament are indicative of a dangerous shift in the balance of power toward the president, a characteristic of the super-presidential form of governance.

The president in Belarus has unlimited powers to form other State institutions. He/she appoints and dismisses six out of 12 Constitutional Court judges, all judges in common courts of law, six out of 12 members of the central electoral commission, the chair of the State Audit Chamber and heads of local executive and administrative authorities.

Constitutional Court judges are appointed for 11 years, while other officials, including judges, are appointed for unlimited term and may be dismissed by the president at any time. Another symptom of there being a super-presidential republic is that a single person makes appointments to key positions in the judiciary.

Some top-level nominations – the chair of the Constitutional Court, chair and deputy chairs at the Supreme Court, Supreme Commercial Court, chair of the central electoral commission, prosecutor general, chair and governors of the National Bank – need to be endorsed by the Council of the Republic. Surprising as it may seem, however, the president does not need the Council of the Republic's approval to dismiss these officials.

Moreover, under the constitution, the president may dismiss the few senior public officers nominated by the Council of the Republic: six Constitutional Court judges and six members of the central electoral commission. He merely needs to 'notify' dismissal to the Council of the Republic.

The 1996 Constitution legalized the personnel management practices employed by Lukashenka in 1995 and 1996, particularly the dismissal by decree of the chair of the central electoral commission, appointed by the Supreme Soviet and due to be dismissed by the Supreme Soviet only under the 1994 Constitution.

The presidential power rests on the so-called 'president's vertically integrated regional, district, city and town executive committees' headed by Lukashenka-appointed officials.

The Presidential Administration tops the presidential 'vertically integrated' structure. It has very much in common with the former Central Committee of the Communist Party. In the hierarchy of power, the administration is second to the president. It has more powers than the Council of Ministers and the National Assembly. An analysis of the organizational structure of the Presidential

Administration and of the way in which decrees, edicts and directives are enacted, proved that administration officials may impact these processes much more than the government or the parliament.

However, the Administration's functions and powers are not specified by the constitution. Hence, it is a semi-legal authority, 'a state within a state', accountable to the president alone.

Parliament

The National Assembly is the supreme representative and legislative body in Belarus. It consists of two chambers, the 110-seat House of Representatives elected by secret ballot on the basis of universal, free, equal and direct suffrage, and the 64-seat Council of the Republic, referred to as the chamber of territorial representation. Eight members of the Council of the Republic are appointed by the president of the Republic, while the remaining members, eight from each region and from the city of Minsk, are elected to a four-year term by secret ballot on the basis of equal and indirect suffrage at meetings of the 'basic-level' local soviets (elected councils) in the area. As a rule, nominees to the Council of the Republic are candidates pre-approved by the president.

The Belarusian Constitution delegates the legislative power to the National Assembly, yet the Assembly's role is not decisive in the general legislative process. The drafting of bills, including those governing Belarus' domestic and foreign policies, is not included as main functions of the legislature. The House of Representatives is tasked with considering, rather than drafting bills, which may then be passed or rejected by the Council of the Republic. A bill becomes law once it passes both chambers and is signed by the president.

Under the Constitution, a bill rejected by the Council of the Republic may still pass the legislature if the House of Representatives manages to override the upper chamber's veto with a two-thirds majority of members voting to pass the bill again. However, the bill is subsequently referred to the president who may exercise his right of suspensive veto. In the case of a veto, the legislature may override the veto with two-thirds of each chamber voting to pass the bill again.

Thus, in the course of lawmaking, a bill may be subject to three suspensive vetoes: at the Council of the Republic, from the president and the Council of the Republic again. This points to the main function of the 'semi-appointed' upper chamber, whose very existence makes no sense in a small unitarian state. In the event the House of Representatives escapes presidential control, the Council of the Republic would be an efficient barrier for bills and resolutions adopted by the House of Representatives if they run counter to the president's interests.

A serious restriction on the House of Representatives' right to initiate legislation is provided by Article 99 of the Constitution, which stipulates that bills which may entail lower government revenue or increased spending may be tabled for consideration by the House of Representatives only with consent of the president or the cabinet on the president's request. However, implementation of almost every piece of legislation causes some changes in public spending. Therefore, consistent application of this article of the Constitution would deprive the parliament of the right to initiate laws altogether.

The lawmaking function of the House of Representatives is restricted not only by the Constitution, but also by current unconstitutional legislative practice. In 1997, by way of his presidential edict, Alyaksandr Lukashenka established a so-called National Bill-Drafting Center reporting to the president of the republic. All institutions with a right to initiate laws must refer bills to the Center, rather than directly to the parliament. Even this mechanism alone contradicts the Constitution, which says that each bill must first be considered by the House of Representatives and then by the Council of the Republic.

In some cases, the Center has the right to reject sponsors' requests to draft the bill, in particular if the draft law is deemed to contravene the president's stance or 'impedes the drafting of bills ordered by the President of the Republic or President's Administration'.

Thus, the National Assembly is in fact prevented from initiating bills. The president and his administration can block any legislation before it proposed for the House of Representatives' regular agenda. Each year, Lukashenka issues edicts to adopt a bill-drafting plan and the House of Representatives considers only the bills listed therein.

Under the Constitution, the House of Representatives does not have sufficient powers to influence formation of the Cabinet and other governmental agencies. The House is formally involved in four appointment-related procedures:

1. It deliberates on consent to appointing of a new prime minister. However, if the lower chamber has twice refused to give its assent, this may entail its dissolution. The president does not need the House's consent to dismiss the prime minister.
2. The House of Representatives considers accepting the president's resignation. Since the resignation issue can be initiated by the president only, this function of the lower chamber is of a purely technical nature.
3. The House can initiate the impeachment procedure by accusing the president of high treason or other severe crimes. In this case, the lower chamber decides that investigation of the charges should be conducted. Yet, the investigation itself is to be organized by the Council of the Republic whose members are directly or indirectly appointed by the president. The National Assembly may dismiss the president with a two-third majority in each chamber voting in favor of passing the decision. The entire impeachment procedure should take no more than one month following the date of filing the accusation. If the legislature fails to decide on the president's dismissal, the accusation dies.
4. The House also can take a vote of confidence or no-confidence vis-à-vis the Cabinet, but in the latter case the president may arbitrarily choose between dismissal of the Cabinet and dissolution of the House. A vote of no-confidence vis-à-vis the Cabinet may be initiated by at least one-third of all members of the House of Representatives compared with one-fourth of the MPs in Moldova, one-fifth in Estonia, and one-tenth of members of the lower chamber in Poland and France.

Unlike the House of Representatives, formally the Council of the Republic has greater powers of appointment. It deliberates about consenting to presidential appointees to a rather broad spectrum of government positions; it elects six members of the Constitutional Court, six members of the Central Electoral Commission for Elections and National Referenda. However, the Constitution does

not offer the upper chamber the opportunity to influence the president's decision to dismiss them.

In addition, the upper chamber actually has to consider presidential appointments ex-post, rather than ex-ante. Therefore, the president de facto asks the Council of the Republic merely to acknowledge an accomplished fact. Since the upper chamber was established in 1996, it has never rejected president's appointments, even in justified instances.

Neither parliamentary chamber has supervisory functions. They have no agencies to monitor compliance with laws and resolutions. The Supreme Soviet (the National Assembly's predecessor) elected an Auditing Commission accountable to it. The present State Control Committee reports directly to the president.

Thus, in its current form, the Belarusian legislature is severely restricted in its lawmaking functions, does not influence formation of the Cabinet and other governmental agencies, and has no supervisory functions. This confines any legal possibility for a new political course to be initiated and adopted through the National Assembly virtually to nil. The Constitution currently in force requires that the Assembly be a piece of window-dressing that readily approves the president's decisions.

Prime Minister and Cabinet

The executive branch is represented by the Council of Ministers of the Republic of Belarus which is supposed to put laws to work and is said to be the central body of state governance.

The Belarusian Cabinet officially consists of 38 members: the prime minister, four deputy prime ministers and 33 ministers and heads of other central government agencies. If we take into account the nine State committees reporting to the Council of Ministers, the Cabinet expands to 47 people. This is twice or thrice the number of cabinet members in many other countries. For instance, there are 12 cabinet members in Latvia, 14 in the United States, 17 in Lithuania, 20 in Germany, 21 in Poland and 24 in Russia. Extreme centralization of govern-

ment is the main reason for having such cumbersome administrative machinery which, in its turn, leads to inefficient in governance.

The Cabinet is headed by the prime minister, appointed by the president for an indefinite term by consent of the House of Representatives. The prime minister's relative strength is usually revealed by the degree to which he/she can influence appointment of other Cabinet members. In Belarus, cabinet formation is the sole prerogative of the president. He appoints ministers and other Cabinet members at his own discretion and may dismiss them when he considers it necessary. The prime minister, of course, may propose certain appointments to the president, but the final decision rests with the Head of State. The candidate's loyalty to the president is much more important than his/her competence, skills or experience.

The prime minister's key functions in parliamentary systems of governance include determining the government's political course together with the parliament. Still, in Belarus the president, rather than the prime minister and the National Assembly, sets the guidelines for the country's domestic and foreign policies. The prime minister's function is to use it as a basis for devising the Cabinet's action plan and take measures to implement it.

Since the president of Belarus is the definitive political leader of central government, the premier has the status of administrator. His main mission is to ensure ongoing management of the Cabinet's activities. The prime minister is personally accountable to the president for this job.

The prime minister's absolute dependence on the president determines the status of the Council of Ministers. Rather than political, it is a technical administrative body with functions limited to executing and handling president's decisions. Moreover, direct interference by the President and his Administration in Cabinet's functions is common practice.

Meanwhile, the existence of prime minister's position and the Cabinet's notional accountability to the National Assembly leaves the president, i.e. the actual head of the cabinet, untouchable. Thus, all key government decisions are made by the president, but responsibility for their implementation lies with the

prime minister and other Cabinet members. As a result, the country suffers from an inefficient and irresponsible social and economic policy.

This situation may change dramatically only if the cabinet were to be formed by a democratically elected legislature and were politically accountable to it.

The return of Belarus to the democratic path of development entails dismantling the present system of supra-government and establishing a constitutional form of government based on the rule of parliament and separation of powers.

Local Government

By Pyotra Natchyk

The local government system in Belarus is provided for by the Constitution and acts of Parliament which define the structure and powers of local government agencies, and edicts and directives of the Council of Ministers¹⁴ which regulate the activity of local executive authorities and thus influence the implementation of decisions made by bodies of elected representatives.

At the structural level, officially speaking, the country has a system of local government and local government agencies. Article 117 of the Constitution specifies local government bodies such as local soviets or councils, executive and administrative agencies and territorial public agencies reporting to local government. Article 1 of the law 'On Local Government' defines local executive authorities as local government bodies accountable to central government and forming a single system. In fact, local government is structured according to the acts of Parliament, not the Constitution¹⁵.

Belarus' administrative-cum-territorial division is conducive to effective control of the society from the top down. Belarus is divided into rather large admi-

¹⁴ Указ прэзыдэнта Рэспублікі Беларусь «Аб структуру і ліку работнікаў выканаўчай камітэтаў і мясцовых адміністрацый раёнаў у гарадах» ад 7 снежня 2001 г. № 723. Палажэньне Рады Міністраў «Аб старшыні абласнога, менскага гарадзкога выканаўчага камітэту», зацверджана ўказам прэзыдэнта ад 20 лістапада 1995 г. № 476.

¹⁵ Закон О местном управлении и самоуправлении в Республике Беларусь, Национальный реестр правовых актов Республики Беларусь, 2000 г., № 8, 2/137.

nistrative units with borders determined not so much by territorial concerns as by the location of industrial and agricultural establishments. People living in administrative areas where rural, district and regional soviets are elected, are not so much united by local interests, as by their employment in industrial and agricultural enterprises.

Belarus has six regions (Minsk also has the status of region) and 121 districts and three territorial levels of local soviets and executive committees corresponding to the country's administrative-territorial division:

1. the fundamental level includes urban, town and city soviets (accountable to district authorities);
2. the basic level includes city soviets accountable to regional authorities and district soviets;
3. the regional level includes regional soviets. The Minsk City Soviet has both basic- and regional-level functions.

Legislation does not provide for an intermediate local government and government authorities. Soviets at all levels are local governments with roughly the same powers and functions.

In cities under the authority of regional governments, local governments are the nearest to local communities. There are no representative authorities in city districts, which have local administrations functioning within the executive system. Heads of local administrations are appointed and dismissed by the president, and deputy heads by the chair of the city executive committee. City soviets adopt budgets and budget performance reports of their respective local administrations.

Local soviets are elected for four years and decide on their make-up independently. The law asserts the right of local soviets within their remit to administer local matters in line with the national interests and those of local communities, and requires that they follow decisions of higher-level governmental agencies.

There is no clear-cut division between responsibilities of local soviets at various levels. Their responsibilities largely overlap (e.g. in adopting local programs), and the law allows higher level soviets to supervise those below them.

Therefore, soviets in smaller administrative units follow decisions of higher level soviets rather than make decisions of their own.

A higher level soviet has powers to override decisions taken by a lower level soviet which it deems to be illegal. The president has the right to suspend decisions of local soviets of all levels and ask higher level soviets to overrule them. The Council of the Republic may strike down decisions of all soviets.

The functions of the soviet's executive bodies were initially performed by the executive committees.

The local government reform of 1994 and 1995 made the executive committees accountable to central government for matters resting within its remit, and to local soviets for matters within their jurisdiction. Also, they are directly accountable to the president. The president appoints chairs of regional executive committees, who in turn appoint chairs of their respective executive committees reporting to them. Local soviets merely endorse these appointments. The president or the chair of a superior executive committee may make appointments without consulting local soviets if the latter reject their nominees twice.

Therefore, local soviets are not in a position to influence the procedure of appointing executive officials. In addition, the soviets have no powers to hold executive officials accountable as this is a presidential prerogative.

Higher level executive committees adopt local soviets' staffing plans pursuant to a presidential edict that fixes an approximate number and structure of soviets.

The lack of instruments to influence the executive committees renders the limited powers vested in soviets practically ineffective. Local soviet functions boil down merely to adopting and monitoring general programs for the provision of some public services. Other public services within the remit of executive committees such as healthcare, education, social security etc. are regulated by general laws and policy issues there are mapped out by central government.

Municipal property management and the operation of enterprises, organizations and establishments are the only two matters on which executive committees report to soviets. However, executive committees still have a big say

in these matters as they are responsible for establishing and restructuring enterprises.

The soviets have some powers in managing finance and property. They have budgets fixed within constraints set by superior governmental agencies. Thus, Belarus actually has two local systems: a three-tier local government system, and local governance/administrative system of executive committees which are part of the executive. The executive committees have real direct government powers and are beyond soviets' control.

In the event of dispute within either system, a higher-level authority within it has the final say (an executive authority representative of a larger administrative-territorial unit may overrule decisions of respective authorities in smaller units). There are no mechanisms for settling disputes between local administrative and local government agencies. The Prosecutor General's Office and the State Control Committee supervise the soviets, executive committees and local administrations in cities.

The system falls short of the requirements posed by the European Charter of Local Government. Local government authorities have no real opportunity to manage a major part of local affairs if acting within the limits of law.

The executive committees, formally designed to carry out decisions of local soviets, are not accountable to them. Lack of distinction between functions of local soviets at various levels prevents them from acting independently.

Local soviet decisions on all matters may be overruled by higher level authorities of elected representatives, blocked by executive authorities or suspended by the president. As a rule, higher level soviets have more powers than those reporting to them; consequently, powers of the latter are not exclusive. Dependence from higher level representative authorities does not allow local soviets for administering local affairs effectively.

The functional weakness in the local government system and local government centralization are the main reasons behind the weakness of the local political elite.

Soviets do not operate as agencies that tackle issues of importance to local residents; instead, they are a springboard for local bureaucrats seeking careers

in central government. The inferior status of deputies compromises the whole idea of local government. People distance themselves from local politics and leave it to the central government to tackle local problems.

The local executive elite cannot perform its functions effectively. The appointment and dismissal of executive committee heads and administrative officers is largely determined by political considerations. This exposes the administrative apparatus, which should guarantee efficient management and reduce the risk of tailor-made political decisions, to the power of central government and increases government centralization.

Electoral system

by Mikhas Pliska

The fundamental peculiarities of Belarus' electoral regulations currently in force are a function both of the mentality of the ruling *nomenklatura*, who have failed to transcend the limitations of Soviet, majority-based election rules, and of the time in which new laws were enacted to govern elections to the Supreme Soviet and local soviets. These laws were enacted in November 1994, i.e. after Alyaksandr Lukashenka was elected president. He made considerable efforts to prevent the use of a mixed system combining majority-based and proportional elements in parliamentary elections, as the Supreme Soviet was originally inclined to pass a law whereby 25 percent of the deputies would be elected on the basis of proportional representation.

The flaw in electoral regulations came to light especially after the political system's change in November 1996, when an authoritarian regime was put in place.

The Electoral Code, enacted in February 2000 on the initiative of President Lukashenka, differs from preceding laws in form rather than content. The 110 members of the House of Representatives, the lower parliamentary chamber, and members of local soviets (councils) are elected the majority basis, where a candidate needs to gain at least 50 percent plus one vote to win in the first round, and a relative majority of votes in the second, runoff round. To be elected president, a candidate needs to win 50 percent plus one vote in the first round or in the second round.

The OSCE Office for Democratic Institutions and Human Rights and the Venice Commission of the Council of Europe have found that Belarus' Electoral Code does not ensure free and democratic elections in the country and does not meet minimal international standards. Similar conclusions were drawn by the OSCE special international observation missions that monitored the preparation and conduct of elections for the House of Representatives in October 2000 and presidential elections in September 2001.

The main failing of the Electoral Code is that it does not restrict the government's arbitrariness in forming electoral commissions at all levels. Practice in this respect shows that the commissions do not represent a wide range of political forces, as there are no legal obstacles for local authorities in denying membership to representatives of the opposition. This allows the executive branch to hold absolute sway of the electoral commissions' activities and the entire election process alike, from registration of candidates to counting the votes.

To exert pressure on voters and rig ballots, electoral authorities make frequent use of the early voting procedure held for five days seven hours a day, as well as voting from home. In the 2000 parliamentary elections, in two electoral districts those who, according to official statistics, exercised their right of early voting totaled more than 50 percent of all eligible voters. The average number of those voting before the polling day accounted for 20 to 30 percent of all voters in the past elections.

Regulations currently in force do not allow candidates to effectively use judicial proceedings if they contest voting results or electoral commissions' decisions to remove them from the run-up.

Candidates are banned from setting up their own election funds and using donations from private persons and organizations for campaign purposes. Public funds provided by the government for candidates are far from being sufficient to conduct an efficient campaign.

Independent observers cannot monitor ballot counting, as they are denied the opportunity to see the contents of ballot boxes and can be evicted from the polling station by order of the local commission's chairperson. In addition, lo-

cal polling commissions are not required to give observers certified copies of official ballot counting reports.

Elections held in Belarus are reminiscent of Soviet-era elections aimed at creating a veneer of legitimacy for the Communist Party's rule. Despite formal rivalry among candidates, only candidates previously approved by the executive authorities can actually be elected. Therefore, to ensure free and fair elections, it is necessary to press not only for changing electoral regulations and procedures but also for democratizing the country's political regime.

Judiciary

by Mikhail Pastukhou

The judicial system inherited from the USSR is still being used in Belarus. The new version of the Belarussian Constitution contains a newly amended procedure for appointing judges. Under the 1994 Constitution, the election of judges was the parliament's exclusive prerogative, whereas under the amended Constitution, the president of the republic has the right to appoint the chair and five judges of the Constitutional Court, the chair and judges of the Supreme Court and Supreme Commercial Court, and judges of other courts. The president is also entitled to dismiss the chairs and judges of the highest courts on grounds stipulated by the law, with notice to the Council of the Republic, the upper chamber of the National Assembly.

The system of general jurisdiction courts consists of the Supreme Court of the Republic, regional courts, the Minsk City Court, district and city courts, Belarussian Military Court, and inter-garrison military courts.

The district and city courts, the judicial system's primary level, employ in excess of 800 judges. The regional courts and the Minsk City Court employ 159 judges. The staff of the Supreme Soviet includes 54 judges. The staff of district and city courts comprises 185 judges who try cases under the administrative law.

The system of commercial courts consists of the Supreme Commercial Court, regional commercial courts and the commercial court of the city of Minsk

equal in status to the regional courts. Their function is to settle disputes between undertakings and individuals arising from conducting regular business, and disputes and claims to overrule decisions of governmental agencies related to business interests of undertakings.

The staff of judges in commercial courts is not large. The commercial courts in regions and Minsk have 8 to 14 judges, and the staff of the Supreme Commercial Court includes a total of 18 judges.

The Constitutional Court of the Republic of Belarus was established in late April 1994. After the November 1996 national referendum, which resulted in adopting an amended Constitution, the first Constitutional Court was in fact dissolved. In January 1997, by his edict, President Alyaksandr Lukashenka appointed six judges, including the Court's chair. Another six judges were elected by the upper chamber of the National Assembly, which itself was hand-picked by Lukashenka.

In June 1997, the Constitutional Court Law was radically amended resulting in a considerable change in the place and role of this instrument of governance.

At present, the courts have lost much of their reputation and credit with the people. A confidence poll showed that only 38 percent of the interviewed trusted the judiciary.

Staff fluctuation in courts is high. Out of the current number of general jurisdiction judges, more than half (54 percent) have served for less than five years and 15.8 percent for less than one year. Those in office for five to 10 years total a mere 25 percent, and judges with 10 to 20 years of service make up 15.3 percent.

Dependence of the judiciary on the executive manifests itself in many aspects of their mutual relations: in the procedure of appointing judges, their pay and promotion, nomination for higher category of service, procedure for awarding housing, and disciplinary sanctions.

An important lever against judges is the current procedure for awarding housing. A presidential decree in force since September 1997 provides for granting temporary apartments to judges and prosecutors in need of housing. In the event of his/her dismissal, the judge or prosecutor and all their co-residents sho-

uld be evicted. To be entitled to ownership of such dwellings, judges and prosecutors have to have served for no less than 20 years.

Despite their unlimited-term appointments, judges can be easily removed from position by a presidential edict. This is rather usual. Formal grounds for dismissal are recommended by a qualifying board of judges.

The performance of judges is under constant supervision of judicial agencies. These agencies determine financial and technical support for courts and their staff. They run judicial statistics, form an opinion on judges' fitness for the job, and nominate them to higher positions. The judicial agencies also supervise the courts' timeliness of adjudication. If necessary, they can initiate disciplinary proceedings against judges.

Thus, in current circumstances, Belarus' courts have lost the qualities of judicial bodies such as independence, impartiality and fairness. As a result, they have ceased to perform their main mission of warranting the protection of human rights and liberties.

The Urgency and Rationale of Reform

by Yuras Likhtarovich

Urgency

Few in Belarus would argue against the need for political reform. Despite the absence of any major decline in living standards lately, the number of people dissatisfied with the status quo has been on the rise. Alyaksandr Lukashenka's low rating in the last few years proves general disappointment with his government's policies.

At the Belarusian Intelligentsia Assembly, the Belarusian intelligentsia have also pointed to the need for changes in statements like 'where is the way out?'¹⁶, or 'the issue of changes in Belarus has turned into one of saving the nation'¹⁷.

In contrast to the economy, the political situation has suffered greater instabilities. Instead of evolving, the government system established under the 1994 Constitution saw the personification of power since 1995, resulting in effective legalization of Lukashenka's dictatorial regime¹⁸. Therefore, it is time to ask

¹⁶ The question was raised by Pyotar Krauchanka, Belarus' former ambassador to Japan, on his return to Belarus. Cited by Halina Abakunchyk, in 'Participants of the Belarusian Intelligentsia Assembly Come Out for Unity and Vigorous Activity', Radio Liberty, www.svaboda.org.

¹⁷ Statement by Valer Kalinouski at the Belarusian Intelligentsia Assembly, cited by Radio Liberty on 17.03.2003, www.svaboda.org.

¹⁸ The conclusion was made by political analyst Viktor Charnau, 'Form of Governance in Post-Communist Belarus and the Problem of Choice of the Optimal Constitutional Model', Open Society, Information Bulletin № 3, 2000.

what lies ahead if the political system remains unreformed and developments proceed as chartered by the current government.

The gravest consequences would be the collapse and takeover of State institutions by the Lukashenka clique, inefficient governance and slower development of the civic society.

In the short term, the country may be taken hostage by those who are now struggling for power and maintain the system they have created. The society may find itself no longer in a position to influence the developments and control the clique.

Opposition politicians and independent experts speak volumes about the danger of the regime that is being built in Belarus¹⁹, yet the future may be even worse. A post-Communist hybrid may emerge on the ruins of the Soviet *nomenklatura* (mainly former secret agents, partly former ideology officers and *apparatchiks*) combined with members of the new elite, or clans coming from the same province. Thus, the cast of players interested in keeping Lukashenka in power is taking shape and gaining strength within the government. Belarus will soon cease to exist as a state with a president, government and parliament, and will turn into a country ruled by Lukashenka's clique acting beyond the political system.

In this system, governmental agencies would whittle down to performing seminal functions: keep the society under control (by harassing dissidents and enlisting new people to keep the society under control), gather information and report on public views and attitudes, tackle day-to-day problems and be the lightning arrester for public discontent²⁰. State apparatus would function less and less effectively as officials will not be interested in conducting reforms. People now have limited access to administrative services because of red tape, and this would not change for the better. The quality of public service would remain inferior. Inefficient administration and political system and the lack of institu-

¹⁹ See chapter on weaknesses of the current political system.

²⁰ For the sake of comparison, let us recall the basic principle of democratic governance. A government based on democratic principles has two major complementing functions: to exercise strong and fair rule with due regard for public interests and respect personal freedoms in the context of common interests.

tionalized and transparent decision-making procedures breed corruption. Corruption would thrive also because of inefficient service of governmental agencies vis-à-vis the population. Corruption would slow down the development of a market-oriented reform infrastructure, and have adverse effects on education standards. High education standards are needed to reduce the cost of the economy's integration with international markets. The cost of running such a system would be incommensurate with its efficiency. With the Soviet-era public debt still unsettled, the public debt of the Lukashenka regime continues to accrue due to delays in reforming the pension, healthcare and education systems and underdeveloped technical infrastructure. All this is a burden to the population that would also have to be borne by future generations.

The authoritarian government continues to hamper the establishment of a civic society. It should be noted that a civic society cannot develop if people have no opportunity to articulate their interests freely, and come together in carrying out civic projects or joint initiatives. In Belarus, political parties were the prime instrument for articulating public interests. Political parties mushroomed until mid-1990s, and were consistently forming a solid core of the political scene²¹; yet, the constitutional amendments adopted at the 1996 referendum and the authorities' effort to discredit and harass political parties weakened their ability to represent public interests. Civic initiatives, otherwise known as the third sector, started quite late, and consolidated by resisting the authoritarian neo-Soviet regime²².

²¹ Before Alyaksandr Lukashenka came to power, the nucleus was formed by several parties – BNF, ADPB and HP (AHP since 1995), BSDH, PNZ, KPB, and AP, which worked closely and often formed political alliances. The country's democratic development would ensure stable operation of the Parliament and government founded on a parliamentary majority (coalition of several close parties). With the exception of the latter two, the programs of most parties include proposals for further democratization of the political system and a market-oriented reform. After 1996, the parties focused on resisting dictatorship and forsook differences in their programs. However, forces opposing Lukashenka failed to focus on the goal of ousting the dictator. Probably, they would rally around the idea of European integration.

²² Before 1994 the third sector concentrated on efforts to win official recognition. It was only on 4th October 1994 that the parliament passed a final draft of the law on non-governmental organizations. In the first few years of Belarus' independence, most NGOs sprang up on the ruins of Komsomol (the Leninist Young Communist League), or other Soviet-type organizations such as the Association of War and Labor Veterans. Some of them managed to become independent of the government and grow

However, many NGOs remain purely notional, while the NGOs' caste-like behavior and occasional financial scandals in the third sector have drawn increased criticism from skeptics. In addition, the sweeping slogans²³ widely used by the NGOs are not taken seriously by most people.

In the unreformed economy, most people are employed by the State sector. The threat of unemployment makes them dependent on the employer, i.e. on government, which seeks to tighten control by building a doctrine-based network covering all state-run enterprises.

In a totalitarian state, only the ruling elite are allowed to enjoy a high standard of living, while continuous pressure on managers of undertakings is aimed at preventing a sudden and sharp decline in living standards. In such a situation, the public is increasingly accustomed to passivity, apathy and fear of authority. Thus, the country is losing opportunities for easier (i.e. embraced by the people) and more successful democratization.

Rationale

The European Union represents a model that would allow Belarus to avoid that prospect. Critics of the EU used to assert that political, economic and social globalization processes taking place within the EU might lead to the extinction of peoples and cultures in Europe. However, the political and economic union contributed to the prosperity of its members and enriched their culture owing to more transparent and direct trade and cultural exchanges. For instance, Ireland was one of the poorest nations in Europe before joining the EU; now, it is among the most prosperous ones. Belarusians should not mistrust and isolate themselves from Europe.

into truly non-governmental organizations. First NGOs specialized in aid for Chernobyl-stricken areas and population, such as the Foundation 'For the Children of Chernobyl' (1989), or youth issues, such as the Confederation of Youth Associations (1989). The opening of the Soros Foundation office in Belarus boosted the development of various NGOs. But, as Lukashenka tightened his grip on power, the authorities attempted to control the third sector by establishing state-supported quangos (the Belarusian Patriotic Youth Union), and imposing restrictions and stifling NGOs. Many NGO activists filtered into politics by joining anti-dictatorship and pro-democracy forces.

²³ 'human rights', 'freedom of speech and expression', 'democratization of central and local authorities', etc.

The pro-European choice would not lead the nation to extinction, a destination to which the country is led by self-isolation, as it slows the development and makes the nation less competitive in external relations. When unreformed, the country may spawn a system more akin to that of Third World countries. EU membership means high living standards, prosperity, quality products, the rule of law, security and protection. EU membership may be the only chance to warrant personal inviolability and social security if Belarus' legal system adopts the *acquis communautaire*.

Moreover, in practice the idea of a 'European Belarus' is more appealing than the slogans of democracy, human rights, freedom of expression, the meaning of which is often incomprehensible to common people.

This is not to say that it is impossible to implant democratic values in Belarus. Efforts to import and copy the Western model of state and society have failed so far. It appears that it is much better to promote democratic values through a variety of micro-programs that would help the idea of 'Europe' take root in Belarus and fill the Belarusian form with European substance. The urgency of reform will increase as social and economic conditions deteriorate.

What are the possible benefits of reforms for the people that would approximate the country to the European Union?

The propaganda machinery claims that main achievements of Lukashenka's rule are that: 'above all, we are not involved in internal or external armed conflicts... We have no enemies and make no territorial claims. We have no religious or ethnic enmity'²⁴.

Indeed, Belarus is not at war or in external conflict. But, in today's world security is not only guaranteed by a strong army; rather, it results from having a strong economy and effective social security. Belarus lacks all these elements.

Opponents of democratic reform in Belarus maintain that changes would be difficult to carry out because of there being insufficient investments and Europe's indifference to Belarus. However, the main obstacle to reform is in the

²⁴ А. Лукашенко, *Мы создали страну – будем создавать граждан! Новогоднее поздравление Президента белорусскому народу, «Советская Белоруссия», 3 студзеня 2003.*

reluctance of the clique that seized power to make changes as they represent a threat to the authoritarian system of governance.

Part of the political elite who wish to see a prosperous and civilized Belarus should be interested in a pro-European choice. In current government, officials and members of the puppet legislature are not politicians per se as they merely obey orders of the president, himself the key political figure. Reforms geared to normalize the political system, i.e. balance the branches of power and institutionalize political competition, would enable those sidelined and in opposition to 'the chief politician' to resurface in politics.

The pro-European choice is also in the interests of most civil servants. The reform offers civil servants more benefits than disadvantages. They will see their status elevated, be protected against undue conduct of their superiors, and perform as indicated by their terms of reference. Civil service gains prestige if well paid and offering new career and professional opportunities. Civil servants would become more independent, network with their opposite numbers across Europe and have international career opportunities open.

Taking into account differences within the political elite, a compromise proposal could be one of a pro-European choice and reforms designed at Belarus joining the European Union. This is a constructive line that offers a clear alternative to the Lukashenka model.

The pro-European choice is likely to win majority support because, in geographical terms, Belarus is in Europe and has much in common with the continent in terms of history and culture.

However, the political elite should be aware that much time and effort would be required to join the European Union. In 1993, at the Copenhagen European Council, EU Member States agreed on three EU membership criteria:

- political: stability of institutions which warrant democracy, rule of law, respect for and protection of human rights and minorities;
- economic: a functioning market economy and the capacity to cope with competitive pressures and market forces within the Union;
- ability to take on the obligations resulting from membership, including adherence to the aims of political, economic and monetary union.

Thus, a discussion on joining the European Union will be centered on these three criteria. State institutions play a key role in this process as they would have to align the country's legislation with European standards. This would be impossible without drastic political and economic reforms.

1

Ideal Political System Model for Belarus

by Viktor Charnau

The new model for Belarus' political system should be based on generally acknowledged principles of the European law such as de-concentration and decentralization of power, parliamentarism, separation of powers, a system of checks and balances, independence of the judiciary, rule of law and respect for human rights and freedoms.

The supreme government institutions

The bad experience of presidential governance in Belarus has helped consolidate positions of politicians and scientists advocating a West European parliamentary system. A parliamentary system seems attractive for many among Belarus' 'counter-elite' since it appears to be effective in preventing one individual from usurping all powers in the country. Supporters of the parliamentary system refer to constitutional monarchy traditions of the Grand Duchy of Lithuania, and point to a more democratic nature of government and flexibility of the executive.

However, the ideas of 'pure' parliamentary government in Belarus stem from abstract democratic aspirations rather than real conditions that are necessary for a smooth operation of a parliamentary system. And, this is impossible without:

- economic and social stability;
- public consensus on fundamental values;

- well-established party system;
- electoral system limiting the number of acting political parties;
- democratic political culture of the ruling elite and counter-elite;
- deep-rooted democratic traditions;

Belarus does not offer a ready-made environment for a parliamentary system to exist. Quite on the contrary, the country experiences:

- permanent social and economic instability;
- deep division in society over fundamental values and a big divergence in political views that hampers finding a common ground;
- a fragmented political party system with all the characteristics of 'extreme plurality';
- an inadequate electoral system, which may contribute to party system fragmentation at the early stage of political reform;
- autocratic traditions;
- lack of experience in democratic governance.

Divided and fragmented as it is, Belarus would be especially vulnerable to the shortcomings of a parliamentary system. Major problems are likely to follow the adoption of the proportional representation or mixed-member proportional voting system. After a parliamentary election, the parliament is unlikely to have a one-party majority; a coalition majority is a more viable option. Coalitions are unlikely to be consolidated and will break up over conflicts among parliamentary factions. Party leaders' inability to use consensus techniques increases the threat of major parliamentary and government crises. Plagued by internal parliamentary conflicts, the government would be unable to conduct radical and coherent reforms.

Another serious drawback of parliamentary systems is their lack of formal institutional limitations on powers of the parliamentary majority. A referendum is the only possible way for modifying the parliamentary majority's mistaken policies before the end of term. However, referenda are an easy way to manipulate opinion of an incompetent general public.

Some advocates of a parliamentary system in Belarus suggest that the Constitutional Court should counterbalance the parliament blocking laws that are

unconstitutional and breach international treaties²⁵. The measure may not be effective, as legislation that turns government policies in a wrong direction may still be in line with the constitution and international commitments. The Constitutional Court is in no position to assess whether a piece of legislation represents a right or wrong political measure.

Lack of effective control over the parliament is fraught with despotic abuse of authority by a parliamentary majority, especially in transition societies. In that case, power of a parliamentary majority usually concentrates in the office of prime minister, who manipulates the compliant majority. An authoritarian prime minister may cause to subjugate the parliament to him/herself. Belarus was heading for such a premier-led republic in 1993 and 1994.

In certain circumstances, a parliamentary system is more conducive to sustainable democracy than other types of governance. There were just 43 established democracies in the world between 1979 and 1989, including 33 parliamentary systems, five parliamentary-presidential systems and five presidential systems of governance.

Nonetheless, in a divided society the parliamentary system often produces unexpected results. Belarusian political analyst Valery Karbalevich had a reason to say that 'political will is necessary to pursue reforms. It is easier to concentrate political will in one hand or in a group of people rather than have a Parliament consisting of dozens of lawmakers with various political views'²⁶. This is a strong argument in support of restoring the presidential system in Belarus or moving towards a mixed system of government. Experience suggests that it is better to give much power to a limited group or even a sole executive, yet place him/her under effective parliamentary oversight.

Those who call for reanimating the 1994-type presidential system argue that it fits better in the traditions and mentality of the Belarusians. They argue that only a stable executive, relatively independent of power struggles within the

²⁵ Гл., напрыклад, матэрыялы круглага стала палітолягаў-юрыстаў *Какой быть Беларуси: президентской или парламентской?*, «Адкрытае грамадства» 2000, № 1, р. 15–16, 17, 18.

²⁶ Гл. матэрыялы круглага стала палітолягаў-юрыстаў *Какой быть Беларуси: президентской или парламентской?*, «Адкрытае грамадства» 2000, № 1, р. 15–16.

parliament, may bridge rifts in the society fueled by deteriorating living standards and economic crises, pursue the necessary reforms and take the country on a path of socioeconomic growth.

However, in countries with deep-rooted authoritarian traditions such as Belarus, a presidential system always risks transforming itself into a super-presidential government. Not by coincidence, many former Soviet republics mutated in super-presidential states with various degrees of personalization of power. Belarus is not an exception.

New 'democratic' leaders advocating a presidential system are driven by their autocratic habits inherited from past totalitarian regimes. The concentration of power in the president's hands, his/her relative independence of the parliament, and the fact that he/she always represents a voting majority makes it easier for him/her to suppress opposition and establish personalist dictatorship. On the one hand, a presidential republic, where the president and the parliament are elected in separate direct suffrage, requires experience in balancing the interests of the legislature and the government. But on the other, countries that lack such experience chose a presidential system more often²⁷.

The president acting as head of state should be above party- and other relatively minor political interests so as to be able to impersonate stability of the State. Yet, in a presidential republic, the president acts not merely in official representative capacity; he also acts as chief executive and leader of a certain political group.

Belarus' presidential system has shown that one of the dangerous consequences of combining ceremonial and executive ('effective') governance is that the head of state takes his supporters to represent the entire nation. He begins to view his policy as one of putting 'the people's will' to effect, and the policy of his opponents as anti-popular efforts aimed at advancing their narrow personal interests. Consequently, the president has refused to recognize restrictions on his mandate and has become extremely hostile toward the opposition. Thus, Be-

²⁷ Many former British colonies (Kenya, Tanzania, Pakistan) attempted to copy the British parliamentary system, but later opted for a presidential government that better suited their authoritarian traditions.

larus' presidential system of government has proved deficient not only in terms of flexibility but also in any of restricting presidential powers.

In addition, it should be noted that in a divided society it is very difficult for the president to ensure a stable majority in parliament. Moreover, a split in the coalition that rallies around the winning candidate is inevitable: if the cabinet is subordinate to the president, rather than the parliament, the most efficient method for ensuring political gains in next elections is to confront the presidential branch, which is responsible for everything. The president, in his turn, cannot but demand more and more powers, which exacerbates the crisis in his relations with the parliament and political parties.

In effect, presidential democracy engenders a strong conflict between the president and the opposition in the parliament, especially in times of serious social and economic crisis. The only way out of the conflict is a coup which, as a rule, is initiated by the executive power.

There are three major preconditions necessary for at least partial neutralization of the negative consequences of presidentialism in a fragmented society.

Firstly, it is necessary to establish a presidential electoral system capable of ensuring broad support for the elected president. This could be done by preference voting, where people decide which candidate they like best, which candidate ranks as second best etc. In this case, candidates can build their majority around the second and third most important choices of voters who cast their first vote for another candidate. Also, the dual condition principle could be applied which means that, to be elected, a presidential candidate needs to gain a majority of votes not only in total numbers, but also in a stated number of the country's constituencies/territorial units.

Secondly, it is necessary to establish a parliamentary electoral system that would help reduce the number of 'active' political parties to three or four. This could be a relative majority system which would spawn a two-party system, or a two-round majority system which would then breed two stable party coalitions in the legislature. The more parties represented in the parliament, the fewer chances there are of pro-presidential party coalition surviving. Also, this increases a possibility of the president ruling the country with a stable minori-

ty of his supporters in Parliament, with all the ensuing consequences e.g. preventing fast-track radical reforms, and inevitable conflicts and the use of force. Therefore, there are no more than 2 to 6 political parties in all lasting democratic systems of the presidential type.

Thirdly, the political elite should be able and ready to cooperate and compromise which, however, is unrealistic in a divided society.

Other factors to lessen the danger of a strong presidency include (fourthly) establishing an electoral college, and (fifthly) simplification of what is usually an excessively complicated impeachment procedure, provided there is sufficient evidence to prove the malfeasance charges brought against the head of state.

However, all the above-mentioned preconditions are necessary but not sufficient for presidential democracy to operate normally in a split society. The presidential system gets rid of most of its flaws only when factors of a consolidated democratic regime are at play, such as:

- durable consensus in the society regarding democratic procedures and institutions as the most efficient method of governance.
- A two-party system, in which the parties are not ideologized and do not represent opposing political forces of a split society, but rather reflect the greater part of the political spectrum. However, it should be noted that the two-party system is rare on a global scale and may not be established artificially.
- decentralization of government (federalism or developed local government), which implies that real politics is also conducted in regions and local communities. The most important decision-making areas are controlled by local entities. Central government does not bear responsibility for 'everything', and this lessens the threat of pressures on it.
- generally recognized role of the Constitutional Court as the arbitrator in disputes between the legislature and the executive, between central government and local authorities.

Since these conditions do not exist in a transitional society, the danger of presidentialism is very high. This is seen both in Latin American countries and the modern history of CIS countries, including Belarus. In a crisis situation and

with a polarized society, a 'pure' presidential regime with its subordinate 'vertically integrated' system becomes increasingly counterproductive. It contributes to a split in the society instead of leading the nation to concord, and therefore cannot guarantee stability.

Experience from other countries suggests that pure forms of governance have shortcomings revealed especially in societies in transition. A parliamentary republic is often hit by crises of the government and internal government changes. A presidential republic always risks turning into a dictatorial state.

Discussion of an optimal system for Belarus among politicians, political analysts and lawyers has been occasionally more animated, yet misguided in terms of methodology. A choice of the constitutional government system has boiled down to the simple dilemma of a parliamentary vs. presidential republic.

However, the number of purely presidential and parliamentary republics has been declining lately. The last decade has seen various systems mix, interweave and interact thus producing hybrid, semi-presidential and semi-parliamentary governments. The hybrids represent an attempt to combine advantages of the parliamentary and presidential systems and rid the system of shortcomings.

There are two types of mixed government. In a presidential-parliamentary republic, the government is accountable to the president and the parliament, the president appoints and dismisses the prime minister and other cabinet members, while the parliament can vote to dismiss the cabinet (Egypt, Peru, Russia, Turkey, and Ukraine). However, this type of government is rather questionable, as it implies a degree of uncertainty in the work of the cabinet having to serve two masters. Moreover, there is historical evidence that presidential-parliamentary republics can transform into a super-presidential system under certain circumstances (e.g. the Weimar Republic of Germany, the Fifth French Republic under de Gaulle, modern Russia and partly Ukraine).

The second type is a parliamentary-presidential republic where the prime minister and the cabinet are accountable to the parliament only (Austria, Finland, France, Iceland, Lithuania, Poland and Portugal). In a parliamentary-presidential republic, the president's choice of prime minister, as a rule, needs approval by the parliamentary majority. In other words, the legislature has the

prerogative to appoint the prime minister and key ministers. At the same time, unlike in a parliamentary republic, the president has certain rights that ensure the balance of powers and democratic stability (e.g. the right to dissolve the parliament or veto bills).

The parliament's right to remove the prime minister and change the cabinet's composition guarantees flexibility of the government's political course and reduces the risk of conflict between the executive and the legislature. The presidential right to dissolve the parliament and call new elections is a guarantee against recurrent government and parliamentary crises, and adds to the government's stability.

Such a system can be devoid of shortcomings of parliamentary and presidential republics.

In our opinion, a parliamentary-presidential republic would be the optimal choice for Belarus. It would imply giving some presidential prerogatives to the parliament and the government, restoring traditional functions of the parliament and greater independence of the government. Therefore, given the European experience and historical traditions of the Belarusian people, a parliamentary presidential republic may be regarded as an ideal model for Belarus.

One should bear in mind that transition societies usually lack sustainable democratic traditions present in developed democracies. For instance, the French constitution does not formally require that the president should appoint the leader of an election-winning political alliance as prime minister. Still, the French president would not even consider choosing someone else. The winning coalition should naturally form the cabinet. Belarus, Russia, Ukraine and some other CIS countries also have a constitutional provision whereby the president appoints the prime minister. However, in practice, its political interpretation may be quite different. For instance, in Russia the opposition's victory in parliamentary elections would have no impact whatsoever on the government and would not result in a change of prime minister. Moreover, the Russian president may dismiss the prime minister regardless of parliamentary support.

Thus, what is unwritten constitution in established democracies should be written down in the constitution of Belarus.

Above all, the new democratic constitution should specify the procedure of forming (changing) the cabinet and dissolving the parliament. The constitution should include a clear provision requiring the president to appoint the leader of a party (coalition) nominated as prime minister by a parliamentary majority. The president appoints other members of the cabinet nominated by the prime minister. At the same time, the parliament may vote to dismiss the cabinet on certain conditions (on the condition that the motion is put to vote along with a new candidate for the prime minister) followed by resignation of the cabinet. The constitution should clearly stipulate grounds for dissolving the parliament.

However, no matter how well-considered and perfect the wording, it cannot be a panacea against violations of democratic principles. Political elite's willingness to compromise and cooperate is essential for normal functioning of any democratic government, including a parliamentary presidential one.

Role of the President

Transition to a parliamentary-presidential republic should limit the president's powers so as to ensure dominance of the parliament in the system of governance, and raise the role of the government as an independent political body.

The president is the head of state in this system. He has the following functions:

- ceremonial leadership;
- mediation to ensure balance and stability of power;
- protection of the constitutional system.

In parliamentary governments, the head of state, who functions in ceremonial/representative capacity, and the chief executive are two separate offices. The executive power is exercised by the cabinet accountable to the parliament, while the president acts as the head of state. Unlike parliamentary systems, a parliamentary-presidential system expands powers of the president. Not only is the head of state the symbol of national unity, but also a mediator in settling conflicts among the branches of power and parliamentary gro-

ups; for instance, the president plays a role in selecting a candidate for prime minister, safeguards stability of the executive and prevents abuse of power by the parliament.

In a parliamentary-presidential system, the president has powers to:

- nominate a prime minister;
- make a formal appointment of prime minister after his/her nominee is endorsed by the parliament;
- appoint and dismisses other cabinet members nominated by the prime minister;
- accept resignation of the cabinet when a new cabinet takes office;
- approve nominations for judges with the exception of those appointed by the parliament and the justice minister;
- represent the country in relations with other countries and international organizations;
- negotiate and sign international treaties;
- accept credentials of foreign ambassadors and instruments for recalling foreign diplomats;
- take over command of the armed forces upon imposition of the martial law;
- dissolve the parliament and call early elections if:
 - a) the government loses a no-confidence vote;
 - b) the parliament cannot form the cabinet;

The president may dissolve the parliament or accept resignation of the cabinet if the parliament rejects the cabinet's program twice within a stated limited period.

If forming a cabinet with a parliamentary majority proves impossible, the president appoints the head of a minority cabinet or dissolves the parliament.

The president should have the right to issue decrees within the limits of his/her powers. The decrees have no force of laws and should be endorsed by the prime minister, with the exception of some Constitution-stipulated cases.

The president should be elected in direct suffrage for a four-year term. Presidency should be limited to two terms.

Those eligible to run for president should be citizens of the Republic of Belarus aged 45 and over who have lived permanently in the country for 10 years prior to the election. Candidates should have no criminal record and be fit for civil service.

The president should not run any agency, except for the Presidential Office. The president may not be a member of parliament, or a political party or other political organization, or hold other posts or jobs in addition to the presidency or have any other income, with the exception of fees paid for creative activity.

Application of the model to the executive

Within the parliamentary-presidential system, the government should be the central political body accountable to the parliament. The executive should have the following functions:

- define state policy priorities;
- implement these policies;
- mobilize the society and the ruling elite in support of its policies;

To perform these functions, the government must:

- develop and pursue domestic and foreign policies;
- enforce laws and carry out decisions of the parliament and directives of the president;
- coordinate work of ministries and other governmental agencies;
- draft budgets and monitor their implementation and be accountable to parliament for budget performance;
- prepare and propose bills to the parliament;
- ensure security, law and order.

The government, or the Cabinet of Ministers, consists of the prime minister and ministers. The cabinet's program, structure and expenditure to maintain government apparatus are subject to parliamentary approval and are included as a separate budget spending item. To perform its functions, the cabinet should be modestly staffed, relatively inexpensive and politically independent.

The president's choice of prime minister needs parliamentary majority approval. The president selects a prime minister in consultation with leaders of parliamentary factions. Once the candidate receives parliamentary approval, the president formally appoints him/her as prime minister. On appointment, the head of government nominates members to his/her cabinet, presents the cabinet's program and asks the Sojm to approve the head of government by a vote of confidence.

If the prime minister loses the vote, or fails to form the cabinet, or if his/her program does not receive majority support in the parliament, the Sojm nominates a new prime minister and members of the cabinet who need support of an absolute majority in the parliament. Subsequently, the president formally appoints a new prime minister and cabinet members. If the newly elected cabinet fails to obtain an absolute majority, the president, following consultation with parliamentary factions, appoints a minority cabinet or dissolves the parliament.

The president appoints and dismisses cabinet ministers nominated by the prime minister. A motion of no confidence may be brought against the cabinet and cabinet members no earlier than 12 months after its formation on the condition that it is supported by at least 20 percent of MPs. The Sojm may vote to remove the prime minister only if it proposes a successor. Following a vote on no-confidence, the Sojm asks the president to dismiss the prime minister. The president must dismiss the prime minister and formally appoint his or her successor. A new no-confidence motion may be initiated no earlier than 12 months after the consideration of the previous one.

The prime minister may ask the parliament to take a vote of confidence on the head of government. If the Sojm rejects the prime minister's motion of confidence, the president may dissolve the parliament at prime minister's request. However, the president should not have the right to dissolve the parliament once the latter nominates a successor by a majority vote.

The prime minister's term of office terminates on the opening of the first session of a newly elected Sojm.

The cabinet must resign if its program has been rejected twice by the Sojm or if the latter votes to remove the prime minister and selects his or her successor.

Local government

by Andrei Zavadski and Miraslau Kobasa

The system of self-governance in Belarus should take into account the national historic experience of our people and meet the criteria of the European Charter of Local Government.

The model suggests the division of public power into State authorities that include the parliament, president, government (cabinet), courts and their structural and functional divisions, and local government authorities, independent of central or State authorities. A clear division must be drawn between the powers and functions of the central and local governments.

The model suggests two levels of local government with prescribed functions and powers.

The model suggests that the central government set up local branches with responsibilities that do not duplicate, undermine or limit powers of self-governance at the local level.

Territorial structure of local self-governance

The basic level of local self-governance²⁸ is an authority representing a community living in one or several villages, or a small town or a city borough.

This local-level authority should be called *pavet*. Belarus should have between 220 and 250 locality-specific bodies of self-governance.

Local governments should be formed according to the following principles. Central towns or villages should have just one local government authority to handle affairs of the central town or village and the area within their jurisdiction.

In cities of over 100,000, local councils or people may use a referendum to form additional local government agencies called *hramada* in certain boroughs. *Hramadas* should have the same powers and responsibilities as *pavets*.

²⁸ Hereinafter referred to as 'local government' for the sake of simplicity (ed.).

The second, regional level authority should regulate and manage public affairs of an area comprising several *pavets*, and in the capital city of Minsk. Minsk should have both regional and local level authorities.

A regional authority should be called *zyamlya*. Belarus should have 8 or 9 such regional authorities.

However the geographic areas of local and regional authorities may overlap, they should be independent in exercising their powers.

Boundaries of local authorities' jurisdiction should not be changed without prior consultation of the local communities concerned, by referendum.

Rules and ways of exercising local government

Citizens should exercise their right to local government through referenda, assemblies and other forms of direct participation in public affairs, such as public authorities of local government (councils and committees of *mikrorayons*, borough, house, street, block, village and other authorities, including those represented by one person) and elected councils. Council members should be freely elected in secret ballot on the basis of direct, equal and universal suffrage. Belarus should use a mixed voting system in local elections. Local councils should be elected for a four-year term. After local government reform, the first two types of councils should be elected for a two-year term each.

Scope of local government

Local authorities of all levels should have representative and administrative bodies of the same structure and with same functions. The competence of local authorities should depend on the level of local government.

The principle of subsidiarity should govern vesting local authorities with powers and functions, which implies that local-level authorities will exercise more powers as close to the people as possible.

Powers given to local authorities should normally be full and exclusive. They may not be undermined or limited by another authority, central or regional, except as provided for by the law.

The scope of local authorities may include prescribed powers, powers accepted voluntarily and those delegated by another authority.

Local authority leadership

The head of a local authority should act as the head of both local representative and executive authorities. The head of a local authority and its members should be elected in secret ballot on the basis of direct, equal, universal suffrage.

Any functions and activities deemed incompatible with the exercise of a local elective office, or conditions for early replacement or reelection of the head should be set out by the law.

The term of office of the head of a local authority should be limited to 4 years. Since the beginning of local government reform, heads of the first two types of councils should be elected for two years.

The head of a *pavet*, a local level authority, should be called *burmistr*. The head of a *zyamlya*, a regional level authority, should be called *zemski halava*. The head of a *hramada*, an additional type of authority, should be called *starasta*.

Funding local authorities

In line with the principle of subsidiarity, priority should be given to the local level authorities. Local authorities' financial resources should be commensurate with their responsibilities.

A designated portion of national and local taxes, charges and duties should be allocated to local authorities directly and may not be de-committed for the sake of other budgets. Local authorities' financial resources may not be de-committed by order of other local or central authorities.

Protection of financially weaker local authorities calls for putting financial balancing procedures or equivalent measures in place, designed to make up for the effects of unequal distribution of potential sources of finance and the financial burden they must support. Such procedures or measures should not diminish the discretion that local authorities may exercise within their own remit.

Local authorities should be entitled to State budget allocations and should have access to local and national capital markets.

Powers delegated to local authorities should be matched by funds allocated for exercising these powers.

Municipal services

Local government should be exercised by local elected representatives and recruited officers. The latter may not hold office in central government agencies.

The legal status of local elected representatives and officers should provide for free exercise of their functions. Their legal status should allow for appropriate financial compensation of expenses incurred in their exercise of the office in question as well as, where appropriate, compensation for loss of earnings or remuneration for the work done and corresponding social welfare protection.

The exercise of office by officers and local government authorities (both representative and administrative) should be open and transparent, as required by law. All documents passed by local authorities, if unprotected by confidentiality and privacy laws, should be subject to disclosure.

Local authorities' right to associate

In exercising their powers, local authorities should be entitled to cooperate and to form consortia with other local authorities within the legal framework available in order to carry out tasks of common interest. Under such conditions as may be provided for by the law, local authorities should be entitled to co-operate with their counterparts in other countries.

Local authorities at every level may associate. Associations may focus on local, economic, demographic, landscape and other factors. All associations should be affiliated with the Union of Associations of Local Authorities that should represent local authorities on the international scene, in particular in the Council of Europe's Congress of Local and Regional Authorities of Europe.

Central government agencies should not make decisions on matters concerning the activity, rights and powers of local authorities without prior consultation with the Union of Associations of Local Authorities.

State administration at local level

To exercise their powers at local and regional level, central executive authorities may set up local branches and supervise their activity. The activity of central government's local and regional branches should be financed by central government.

The central government may delegate functions of its local and regional branches to the local or regional level of government authorities. Central government may delegate all functions and powers to the local (base) level, while the regional level may be vested with all functions and powers except public safety and security, various inspection agencies and the right to represent central government.

Central government's local branches should not belong to the system of local governance and should not exercise responsibilities of local authorities. Employees of central government's local branches should have the status of state employees.

The exercise of office by officers and agencies representing central government should be open and transparent, as required by law. All documents passed by local authorities, if otherwise not subject to confidentiality or privacy laws, should be made public.

Administrative supervision of local authorities

Administrative supervision of the authorities should be exercised by local branches of central government. Administrative supervision may only be exercised according to designated procedures and in cases provided for by the constitution. Any administrative supervision of activities of local authorities should aim only at ensuring compliance with the law and constitutional principles. For the sake of expediency, however, it may be exercised by higher level authorities in tasks the execution of which is delegated to local authorities.

Should an activity of a local authority be deemed to breach the law, or in the event of dispute between the supervisory and supervised authority, the supervisory authority should appeal to courts to pass a ruling on the supervised local authority.

Administrative supervision of local authorities should be exercised in such a way as to ensure that the controlling authority's intervention is commensurate with the materiality of interests which it intended to protect.

Legal protection of local government

Pavets and *zemlyas* should have the right of recourse to a judicial remedy in order to secure free exercise of their powers and respect for such principles of local government as are enshrined in the Constitution or national legislation.

Administrative courts should be established to arbitrate disputes concerning the activity of local authorities and local representatives of central government. Administrative courts should arbitrate disputes between local authorities and the State, among local authorities, between local authorities and citizens, and between citizens and the State. The administrative court system should comprise the Supreme Administrative Court and four or five regional administrative courts.

Property claims involving a local authority and the State, or made between local authorities should be heard by commercial courts which should be arranged into a system similar to that of administrative courts.

Application of the ideal model to the legislative

by Viktor Charnau and Mikhail Pastukhou

A unicameral parliament (*Sojm*) would be the optimal legislature model for Belarus, a small country with a relatively homogenous population. The parliament should have 260 seats (as stipulated by the 1994 Constitution) taken in function

of the administrative division and the population of the country. The parliament should have the following functions within the system of governance:

- draft and pass laws;
- define foreign and domestic policy priorities;
- form the executive and oversee its activity;
- form the judiciary and safeguard its independence;
- call and supervise the conduct of elections and referenda.

To perform its functions the parliament should have powers to:

- pass and amend the Constitution;
- pass and enforce laws and resolutions;
- call presidential, parliamentary and local elections and referenda;
- nominate the prime minister;
- pass or reject a new government program;
- abolish or establish ministries on recommendation from the government;
- elect and dismiss the chair and members of the central electoral commission;
- elect and dismiss the chair and members of the Audit Chamber;
- elect the judges of the Constitutional Court, Supreme Court and Supreme Commercial Court, the prosecutor general and central bank governors;
- pass the national budget and hear the government's budget performance reports;
- ratify and denounce international treaties;
- sponsor and consider motions of no confidence vis-à-vis the government and elect a new prime minister if the former prime minister fails to pass the vote;
- sponsor and consider no confidence motions against members of the Cabinet;
- consider resignation of the president, impeach the president should he/she violate the Constitution and laws.

In the transition period, Belarus should adopt a mixed-member proportional voting system for parliamentary elections in the foreseeable future. Such

a system enables equal guarantees of national and local interests and representation of all major political parties and figures in parliament.

The parliament should be elected for five years, and its members should work on a full-time basis and be barred from holding government posts during their term.

The legislature should have sufficient financing, supplies and resources to perform its functions.

Election System

by Mikhas Pliska, Syarhei Alfer

The authorities' legitimacy is based on the will of people as expressed in free and democratic elections. Therefore, the electoral system and laws should guarantee the conduct of elections in line with the basic principles laid down in international legal acts. The principles include universal suffrage, equal, free, fair and open (transparent) election, and voting by secret ballot.

The recognition of elections by all opposing sides in the country and the international community is essential for the country's democratic development and for joining the Council of Europe and the European Union.

Below are proposals that may form the basis of Belarus' electoral legislation.

Voting System

To ensure that both national and regional interests are equally respected, and that political parties (alliances) and voters play key roles in an election process, and to give greater stability to political institutions in the country, Belarus should introduce a voting system based on mixed-member proportional representation in parliamentary elections. Half of the seats in a unicameral 260-member parliament are awarded along the lines of party lists, with the other half resulting from majority voting in single-member constituencies.

The single-member majority system is used for electing members of primary-level councils. And mixed proportional-majority system is used both for par-

liamentary and second level (other) elections when 50% are elected by party's lists and other 50% by majority in single-member constituencies.

The winning candidates for the parliament and local councils in single-member constituencies are effectively elected after a single round. The winning candidate is required to garner a majority of the vote.

Voters should be allowed to rank parliamentary or local candidates in order of their preference on a national party ballot (an open party ballot).

To prevent excessive fragmentation of the elected authorities, seats in the parliament and local soviets should be allocated only to parties that pass a 4-percent threshold. If party lists that pass the threshold gain less than 70 percent of the vote, the top performing lists out of those fetching less than 4 percent are added to the allocation of seats until the total vote reaches 70 percent. Seats are allocated to parties according to a quota and the 'largest remainder' formula²⁹.

Parliamentary and local elections in Belarus should be held every four years and may not coincide in time.

Presidential elections in Belarus should be held every five years using the absolute majority voting system and may not coincide in time.

No limits should be imposed on turnout in presidential, parliamentary and local elections.

Electoral rights

Eligible to voting in Belarus are all citizens aged 18 and over, with the exception of persons declared unfit by court decisions. People with a criminal record

²⁹ A variety of different formulas exist for accomplishing the actual allocation of seats to parties. One of the simplest is the 'largest remainder formula'. In this approach, the first step is to calculate a quota determined by taking the total number of valid votes in a district, and dividing this by the number of seats. For instance, 100,000 votes were cast and ten seats are to be filled. $100,000/10 = 10,000$ i.e. the quota. The quota is then divided into the vote that each party receives and the party wins one seat for each whole number produced. Hence, a party that received 38,000 votes, which is divided by 10,000 to produce three seats – with a remainder of 8,000. Once this first allocation of seats is complete, the remaining numbers for the parties are compared and the parties with the largest remainders are allocated the remaining seats (transl.).

may not be elected as deputies. Constituents, political parties and alliances may not recall their deputies. Those eligible for the post of president are citizens of the Republic of Belarus born in this country, aged 35 and over, who have the right to run for elections. A president may not be elected for more than two terms. Eligible to run for the parliament are citizens of the Republic of Belarus aged 21 and over. Eligible for sitting on local councils are citizens of the Republic of Belarus aged 18 and over. A member of parliament cannot hold a local council seat at the same time.

Formation of electoral commissions

Elections are conducted by central (*tsentralnaya*), regional (*terytaryalniya*), district (*akruhoviya*), and precinct (*uchastkoviya*) commissions. Procedures for forming electoral commissions must warrant the largest possible degree of independence from both elected and executive authorities, and prevent political parties and alliances from monopolizing commissions.

The parliament forms the central electoral commission on the party basis with representatives of political parties that are represented in the legislature. Also party non-affiliates may sit on the commission. The chair of the central electoral commission must hold a university degree in law. The chair and secretary of that commission work on a full-time basis. They should not necessarily represent the same party.

Regional (*terytaryalniya*), district (*akruhoviya*) and precinct (*uchastkoviya*) commissions are formed on the parity basis of representing political parties (or party non-affiliates) that are represented in the legislature. The composition of these commissions is subject to approval by the central electoral commission.

Nomination and registration of candidates

Eligible for registering candidates to parliamentary, presidential and local elections are political parties and registered voters. To register a presidential candidate, or a parliamentary candidate in a single-member constituency, vo-

ters must collect a stipulated number of signatures or pay election bail. Electoral commissions may verify signatures in support of a candidate only at a request from another candidate running for the presidency, the parliament or a local council.

At least 50,000 valid signatures must be presented to the central electoral commission to register a presidential candidate, with at least 5,000 signatures collected in every region and the City of Minsk. A presidential candidate may also be registered on payment of bail of 200 times the country's minimum salary.

To register a parliamentary or local candidate by collection of signatures, signatures of at least one percent of the Belarusian citizens living in a constituency must be presented to the district electoral commission. A parliamentary or local candidate may also be registered on payment of bail of 20 times the minimum salary.

A candidate who falls short of the required number of signatures after verification may pay specified bail in order to be registered.

To register lists of candidates with respective electoral commissions, parties must pay bail of 200 times the minimum salary for a parliamentary election, and 50 times the minimum salary for a local election.

If a presidential candidate, or a parliamentary candidate in a single-member constituency, or a party that put forward its list of candidates gains less than 3 percent of the vote, the bail should not be returned.

Political parties may form alliances for parliamentary and local elections and must register with respective electoral commissions accordingly.

Funding elections

Electoral commissions should be publicly funded, while central and local authorities should be responsible for logistical support.

Presidential candidates, parliamentary and local candidates in single-member constituencies and political parties and alliances that put forward party lists should set up funds to finance their campaigns. Candidates on a party list ballot may not set up campaign funds. The funds should accumulate contribu-

tions from candidates and parties, and donations from individuals and companies, with the exception of foreign entities.

The right to use money out of campaign funds should be given to the presidential, parliamentary or local candidates, political parties and alliances that established these funds. Presidential, parliamentary or local candidates, political parties and alliances should keep record of sources and application of funds and present financial reports to respective electoral commissions.

Campaigning

All candidates for the presidency, parliament or local councils should have equal rights. Candidates may not take advantage of their official position in order to be elected.

The law warrants equal rights to political parties in placing their advertisements in the media, and equal rights to presidential candidates and political parties that register their candidate lists during mandatory election debates.

During campaign, presidential, parliamentary and local candidates, parties and alliances have the right to hold campaign rallies and demonstrations, meet voters at home and in public spaces. Candidates are not required to notify authorities of their planned meetings with voters. Notification is required for rallies, demonstrations and other mass campaign events.

Campaigning (including for boycott of an election) is prohibited on Election Day. Publication of results of election-related opinion polls is prohibited within three days prior to the election.

Campaign ads, public speeches by candidates or their publications in the media may not call for war, incite racial, ethnic or religious hatred, or call for a forcible change of the constitutional system, or violation of territorial integrity of the Republic of Belarus.

Voting

Local government authorities should list eligible voters in each constituency and transfer these lists to respective commissions. The voting lists should be publicized 15 days prior to election.

All arrangements for printing, storage and transfer of ballot boxes should be open to the public. Ballots should be protected from counterfeiting.

Polling stations should be open for election from 8 a.m. to 8 p.m.

The law allows for voting by mail in addition to voting at polling stations. Eligible voters who cannot come to the polling station for health or other reasons may vote by post. To cast a ballot by post, voters need two special envelopes, a ballot and an identity certificate signed by another person. Voters put their ballots in one envelope and the identity document in the other.

Liability for breach of the electoral law

Persons who apply for registration as candidates for presidency, the parliament or local councils, as well as political parties and election-focused alliances taking part in elections have the right of judicial recourse against all decisions of electoral commissions, including those concerning election results.

The registration of a candidate for presidency, the parliament, local council or a party list may be judicially declared null and void at the request of a relevant electoral commission, other candidates for presidency, parliament or local council or by political parties and alliances that registered their lists of candidates.

Election fraud, ballot secrecy violations, or rigging vote count by electoral commission members of and other participants in the election process, as well as other breaches of the electoral law are punishable under the Administrative Offences Code and the Criminal Code.

Election transparency

Elections should be prepared and conducted openly. Governmental agencies, elected authorities and electoral commissions must publicize all decisions regarding preparation and conduct of elections in the media.

The pluralistic composition of electoral commissions and domestic observers should warrant an open election.

Observers from political parties and non-governmental organizations may a) attend meetings of local commissions without prior notice; b) observe the vote count at a distance enabling them to see the content of the ballot boxes; c) recount ballots, if necessary; d) ask commissions for certified copies of polling protocols.

On signing a protocol of voting results, local electoral commissions should post it in the voting room for public notice.

An ideal model for Belarus' judiciary and law enforcement agencies

by Mikhail Pastukhou

Like in other European countries, courts in Belarus should act as guarantors of human rights and freedoms. Independence of courts is an indispensable condition.

In this report, the judiciary is regarded as a system of state agencies empowered to settle legal disputes and administer punishment to people found guilty of crimes³⁰. The judiciary's role in a democratic state is to enforce the law, prevent any arbitrariness in society and defend people's rights and freedoms.

Belarus still has a centralized judicial system which bears on the country's administrative division and the executive power; it operates as a repressive mechanism rather than a tool for protecting against unlawful actions.

³⁰ И. И. Мартинович, М. И. Пастухов, *Судебно-правовая реформа в Республике Беларусь*, Мн.: Амаффея, 1995, p. 22.

A new model suggested below is based on international legal acts and the positive experience of the leading European countries. Belarus' new judicial system should comprise the Constitutional Court, general jurisdiction courts, commercial, administrative and other specialized courts.

Constitutional Court

The Constitutional Court, the top authority within the system of governance, has considerable influence on public authorities and plays a key role in the checks and balances system, and in guaranteeing people's rights and freedoms³¹.

Constitutional Court powers

It is necessary to expand powers of the Constitutional Court of the Republic of Belarus. It should have powers to:

- 1) interpret the constitution. Constitutional authorities in most European countries such as Bulgaria, the Czech Republic, Germany, Hungary, Poland, Russia, Slovakia and Slovenia have such a function;
- 2) examine international treaties, as yet ineffective, for compliance with Belarus' constitution. This function should help to prevent the country from assuming international commitments that contravene its constitution. Bulgaria, Germany, Hungary, Lithuania, Moldova, Poland, Slovakia and other countries have a constitutional provision on examining international treaties prior to adoption;
- 3) decide on the constitutionality of platforms and activities of political parties. This function would be an additional guarantee of legality in the operation of political parties. Constitutional authorities in Armenia, Germany, Poland, Portugal and Turkey have a similar function;

³¹ Н. В. Витрук, Конституционное правосудие. Судебное конституционное право и процесс. М., 1998; Конституционное правосудие в Республике Беларусь: пятилетний опыт, проблемы и перспективы. Мн., 1999; Конституции государств Европы. В 3 т. М., 2001; Правовое государство. Конституционный суд (Материалы международных семинаров). Мн., 2000.

- 4) assess the wording of questions subject to referenda for compliance with Belarus' constitution. Armenian, Georgian, Italian and Moldovan constitutional authorities have this function;
- 5) arbitrate disputes concerning powers of supreme governmental agencies (the Polish Constitutional Tribunal has this function);
- 6) examine individual complaints. This power is vested in constitutional authorities of most European countries such as Austria, Croatia, the Czech Republic, Germany, Hungary, Spain and Switzerland.
Constitutional complaints are an effective means of safeguarding constitutional rights and freedoms to individuals. However, to prevent backlog, it is necessary to impose certain conditions on accepting complaints from individuals, for instance, a) an individual must have used all other legal means of defense; b) the term for filing complaints should be limited (in Poland, complaints may be filed within two months after a court's final ruling on the case); c) complaints should be examined prior to Constitutional Court hearings to find out whether they are acceptable; d) it is also possible to introduce charges for unfounded appeals, like in Germany.
- 7) assess legal acts issued by central government for constitutionality.

The Constitutional Court's powers may be expanded by amending the current law 'On the Constitutional Court of the Republic of Belarus'.

Who can appeal to the Constitutional Court

The range of those allowed to file a complaint with the Constitutional Court should be expanded. It is necessary to confer this right to groups of parliamentary deputies (the threshold depending on the number of seats in Parliament), the human/civil rights ombudsperson, courts of all levels (in certain circumstances), and individuals (to exercising their right to appeal to the Constitutional Court).

The Constitutional Court should examine cases at plenary meetings and chamber meetings. All Constitutional Court judges take part in plenary meetings on key issues within the court's powers. Less important cases, primarily individual appeals, are examined at chamber meetings.

Courts of general jurisdiction

The system of courts of general jurisdiction should be built on the following principles: 1) ex-territoriality of the main components of the judiciary; 2) maximum proximity of courts to the population; 3) cases may be tried by a panel of judges or by a judge sitting alone; 4) citizens should participate in proceedings as jurors; 5) panels of judges should be formed to deal with specific cases; 6) a court of appeal should be established, with general courts retaining the appellate jurisdiction.

Belarus should have a three-tier system of general jurisdiction courts: the Supreme Court, regional (Minsk city) courts, and district courts.

Misdemeanor courts should be an independent element in the court system. They should hear relatively uncomplicated criminal and civil cases. Their rulings may be appealed against to the council of the justices of peace, the highest instance of the misdemeanor courts which should meet every month.

The establishment of such courts offers people better access to judicial defense and eases the caseload on district courts which try all cases within their jurisdiction except those under the jurisdiction of misdemeanor courts and the regional (plus Minsk city) courts.

In district courts, cases that entail a prison sentence of up to five years, or civil cases outside the jurisdiction of misdemeanor courts should be tried by a judge sitting alone. A panel of three professional judges should try cases that entail a punishment of five to ten years of imprisonment if the defendant does not demand a trial by jury, as well as complicated civil cases. A professional judge and a jury should hear cases that entail five to ten years of imprisonment if the defendant pleads not guilty and demands a jury trial.

The regional and Minsk city courts should have appellate jurisdiction over district courts. Hearings of defendant appeals should involve all participants in a district court session and result in a new ruling. When considering an appeal, a superior court rules on the basis of case-related evidence. Criminal cases that entail sentences of ten years-to-life imprisonment should be tried by regional (and Minsk city) courts acting as the courts of first instance.

The Supreme Court should have supervisory jurisdiction over all courts of general and appellate jurisdiction at the regional (and Minsk city) level.

The principle of specialization of judges should be widely applied in courts of general jurisdiction as increasing numbers of cases require expertise in specific legal areas.

Courts of general jurisdiction should administer justice in their respective jurisdictions which will not necessarily overlap with administrative districts. Each jurisdiction will cover an area of 350,000–400,000 population. The number of judges in a jurisdiction should depend on the caseload.

Jurisdictions should be divided into judicial precincts, each having a misdemeanor court. A jurisdiction should comprise five to seven precincts. Misdemeanor courts should have two to three judges depending on the caseload.

Public assessors (representatives of the public sitting to advise the judge), should be replaced with the jury, an instrument with a number of unquestionable advantages³².

Given financial constraints, scarcity of resources and difficulties in enlisting jurors, the jury should be composed of seven to nine jurors in district courts and of nine to 12 jurors in regional (and Minsk city) courts.

Commercial courts

The system of specialized commercial courts should remain unchanged. It is necessary to clarify the jurisdiction and practice of commercial courts. Regional and Minsk city commercial courts may set up panels to arbitrate tax, land, customs and bankruptcy cases. The same panels may be set up in the Supreme Commercial Court, which has the appellate jurisdiction.

³² И. Л. Петрухин, *Суд присяжных: проблемы и перспективы*, «Государство и право» 2001, № 3, стр. 15; И. И. Мартинович, *Введение суда присяжных в Республике Беларусь – требование времени*, «Российская юстиция» 2001, № 8, р. 54.

Administrative courts

Administrative courts should be established to deal with complaints by citizens, non-governmental organizations and companies against governmental agencies and officials. They should have jurisdiction over the following cases:

- appeals challenging legal acts of the president and the government if the plaintiff does not plead for these acts to be declared unconstitutional;
- appeals against decisions of the central and lower-level electoral commissions;
- appeals against decisions of other governmental agencies, or commission or omission on the part of officials that encroach on civic rights and, in cases stipulated by the law, rights of legal entities;
- cases aimed at suspending or closing a non-governmental organization or association in Belarus for breach of law;
- other public legal disputes resulting from legal and administrative relations.

Considering Belarus' current territorial and administrative structure, the administrative court system should consist of two elements: regional (and Minsk city) administrative courts and the Supreme Administrative Court. The structure of the new judiciary is illustrated below.

Formation of courts

The procedure for establishing courts should involve the legislature, the executive and the judiciary.

The parliament should elect the judges of the Constitutional, Supreme, Supreme Commercial and Supreme Administrative Courts. The president should appoint judges of general, commercial and administrative courts recommended, respectively, by the chairs of the Supreme, Supreme Commercial and Supreme Administrative Courts.

The chairs and deputy chairs of courts should be elected by judges in secret ballot for a four-year tenure. A judge may not serve more than two consecutive

tenures. The chairs of the supreme courts recommend nominees put forward by judicial self-governance bodies.

Justices of peace should be nominated by judicial self-governance bodies and appointed by the Ministry of Justice.

Guarantees of judicial independence

The new law should specifically emphasize guarantees of judicial independence, and do so via the following mechanisms:

- 1) procedure for appointing or electing judges;
- 2) ban on replacing judges;
- 3) procedure for dismissing or suspending judges;
- 4) procedure for bringing disciplinary action against judges;
- 5) high salaries;
- 6) ban on the transfer of judges without consent;
- 7) right to resignation;
- 8) immunity;
- 9) protection by judicial self-governance bodies.

Judicial self-governance

The role of judicial self-governance should increase in the new system. Judicial councils should address key issues of the judiciary, distribute funds, issue credentials, administer aptitude tests, make recommendations regarding appointment and dismissal of judges.

Prosecution

Radical changes need to be made in the way the work of prosecutors' offices is organized. Their main functions should be to institute and pursue criminal proceedings, substantiate charges in court, oversee investigations and enforce laws in detention centers, reformatory and penitentiary institutions.

Prosecutors should be deprived of the right to warrant arrest of suspects or investigative actions that infringe on individual privacy and property rights. Such warrants should be issued by investigative judges sitting in district courts.

In court proceedings, counsels for the prosecution should represent their office rather than the State. Counsels for the prosecution and defense should have equal rights.

The prosecutor general should be selected by the parliament from at least two candidates for five years.

Investigative agencies

The reform will substantially affect the police and other agencies involved in pre-trial investigation of offenses. The police should be responsible for maintaining law and order and for investigating most offenses.

The country should be divided into police districts (higher level) and precincts (lower level – transl.). Local government agencies should be empowered to form municipal police force.

Internal investigative units within departments (the Prosecutor General's Office, Ministry of Internal Affairs, Committee for State Security [KGB] and Financial Investigations Department) should be eradicated. An Investigative Committee should be established to replace these units and deal with most severe and complex crime cases, as ordered by the Prosecutor General's Office.

Secret services

The KGB should be renamed as the National Security Service (NSS). Its functions and powers should be clearly specified in the law and the agency should be accountable to the parliament.

Defense attorneys

The current ban on the practice of private lawyers should be lifted. Lawyers should be free to choose to join bar associations or set up private firms.

District courts should run an office offering legal services at modest fees and appoint public attorneys at the request of investigative agencies and courts.

Notaries

Belarus should do away with the current state system of notaries public and establish a Latin-type system where notaries are employed in the private sector, obliged to comply with effective laws and guided in their work by principles such as independence, impartiality, confidentiality of service-related information and full financial liability for results of their work.

The organization and practice of notaries should be governed by a dedicated piece of legislation³³.

Regional justice administration (*orhany yustytsyi*)

They should retain their administrative functions (office supplies to courts, assessing staffing needs, training judges, gathering statistics etc.) They should select justices of peace, organize court bailiff services, and run correctional and penitentiary institutions etc.

Reform mechanism

Belarus needs to adopt a detailed plan of reform of the judiciary. The plan was developed by independent lawyers and presented at a conference in November 2000³⁴. It calls for revising current legislation regarding the judiciary and law enforcement agencies.

³³ *Падрабязней пра рэформу натарыяту ў Рэспубліцы Беларусі* гл.: А. К. Турмович, Концепция нового закона о нотариате [в:] *Материалы международных семинаров «Нотариат. Уполномоченный по правам человека»*, Мн.: Трансформ, 2000, p. 35–40.

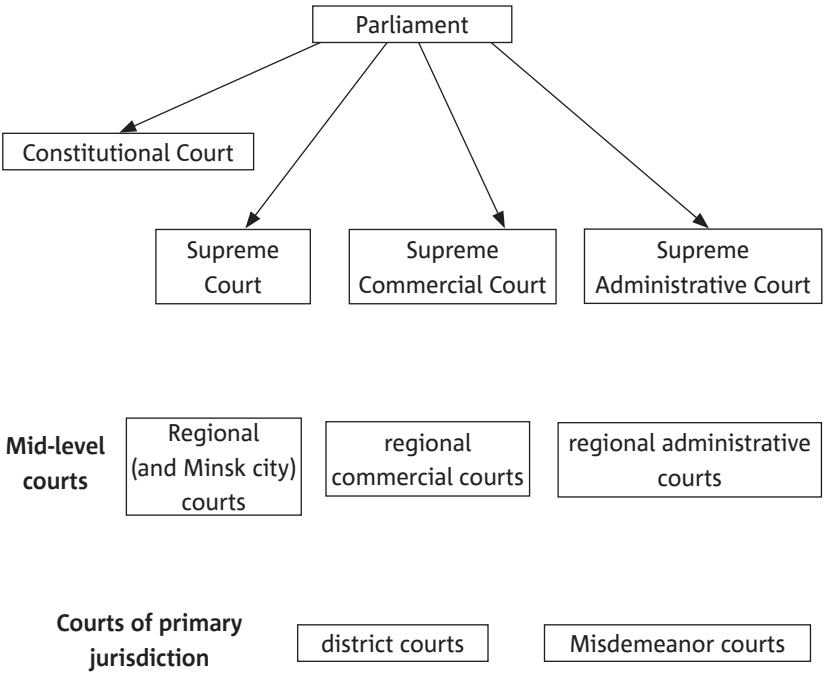
³⁴ М. И. Пастухов, *Каким быть новому суду в Беларуси. Обоснование новой редакции Концепции судебно-правовой реформы* [в:] *Материалы международных семинаров «Судебно-правовая реформа. Нотариат»*, Мн.: Трансформ, 2000, p. 5–11.

The ultimate goal of the reform is to create an environment for a powerful and independent judiciary, a key guarantor of the civil rights and freedoms, and an effective mechanism to safeguard principles of democratic rule of law.

The parliament should establish a Committee on Judicial and Legal Reform to oversee its progress and coordinate efforts of governmental agencies and non-governmental organizations to carry out the plan.

Appendix

Judiciary in Belarus after the reform



Notes:

1. Superior courts are formed by the parliament.
2. Judges are appointed to mid-level courts by the president from among candidates proposed by judicial self-governance bodies.
3. Justices of peace are appointed by the justice minister for three years from among candidates put forward by judicial self-governance bodies.

The Constitutional reform by Mikhail Pastukhou

The planned reform of the legislative, executive and judiciary should be codified in the constitution. The question is what version of the constitution should be used as the basis of reform – the one adopted on March 15, 1994, or the amendment enacted on November 26, 1996.

The new edition cannot be regarded legitimate as it was adopted with numerous violations of the law. It was enacted regardless of the Constitutional Court's ruling of November 4, 1996, that constitutional amendments subject to a referendum should not be binding.

The 1994 constitution is the only legitimate basis for a constitutional reform in Belarus. Restoration of that constitution will enable the rule of constitutional law in the country.

On the other hand, much time has elapsed since the 1994 constitution was replaced. Legislation has changed significantly, a new system of governmental agencies has been established and new legal relations have been formed. It is not advisable for laws to retroact. It would be better to use the 1994 constitution to prepare a Small Constitution for the transition period. The Small Constitution should outline principles of the constitutional and government system and map out prospects for drafting the constitution proper.

The preparatory stage of the constitutional reform would be spent drafting the Small Constitution for the transition period, with major political forces discussing its text.

Once the Small Constitution is drafted and finalized, key political forces should call on the public to convene a constitutional assembly with political parties and non-governmental organizations represented according to quotas. Members of the 12th and 13th Supreme Soviets could also be invited, provided that they recognize the 1994 constitution.

An organizing committee should be formed to comprise leaders of political parties and non-governmental organizations so as to prepare the constitutional assembly. The assembly could be held in Belarus or in a neighboring country, depending on the political situation. The following items are recommended for the assembly's agenda:

- 1) elect the chair and three deputy chairs of the assembly;
- 2) approve the structure and mode of setting up commissions of the assembly;
- 3) provisional rules of procedure of the assembly;
- 4) the small constitution of Belarus ;
- 5) provisional laws that would govern presidential, parliamentary and local elections, the central and local electoral commissions, cabinet formation, the judiciary, Constitutional Court, Parliamentary Audit Chamber, human rights ombudsman, Prosecutor General's Office etc.;
- 6) resolutions on new presidential, parliamentary and local elections.

The constitutional assembly would hold sessions until it addresses all items on the agenda. The constitutional assembly and people who organize its work would have no official powers.

After appointing the central electoral commission, the constitutional assembly would set the date (or dates) of elections.

Before legitimate authorities are formed, the existing governmental institutions and agencies, including the president, the Council of Ministers, ministries, departments, the Committee for State Security, the Prosecutor General's Office and courts, would retain their functions and powers.

With a two-third majority vote, the constitutional assembly may form a public commission to investigate abuse of power during Alyaksandr Lukashenka's rule, and set up a public tribunal made up of lawyers who have not compromi-

sed themselves by working for the regime. The constitutional assembly should prepare regulations regarding these agencies. Once a legitimate judiciary and law enforcement agencies are formed, the public tribunal transfers its case files to courts.

Presidential, parliamentary and local elections should be monitored by international and domestic observers to prevent fraud. Election results are made public and may be appealed against in court. The final results of the vote must be approved by the constitutional assembly.

With the president and members of parliament sworn into office, the mandate of the constitutional assembly is terminated.

Judges of the Constitutional Court, Supreme Court, the Supreme Commercial Court, and other courts (as the case may be) are elected by the parliament from among candidates put forward by judicial self-governance authorities, legal research and education establishments, national human rights organizations, parliamentary factions. All the candidates must meet the criteria for the post.

The human rights ombudsman is elected from among candidates nominated by human rights organizations.

It is necessary to restore the Audit Chamber in the parliament (which would have the status of a standing parliamentary committee). Apart from lawmakers, the Audit Chamber will have experts on staff.

The prosecutor general is elected from among lawyers nominated by parliamentary factions. The prosecutor general is accountable to the parliament and abides by the constitution and laws of the Republic of Belarus.

The next stage of the constitutional reform would consist in drafting an amended constitution on the basis of the Small Constitution. For this purpose, the parliament forms a constitutional commission of lawmakers, politicians, lawyers, economists etc. to draft a new constitution. Work on the constitution should be open to the public, and constitutional provisions should be discussed by parliamentary committees, the entire parliament and in the media.

The parliament votes on the new constitution by roll call. The draft needs a two-thirds support to pass in the parliament. Upon parliamentary approval,

the constitution is put to a referendum. The organic statute takes effect immediately upon receiving support of at least 50 percent of registered voters.

The new constitution takes effect on its approval by the people at a referendum. The referendum should be followed by presidential, parliamentary and local elections.

The constitutional reform may be considered complete after the formation of new representative authorities.

Overview and Assessment of Economic Reform Concepts and Programs in Belarus

by Alyaksandr Hatouski

2

Economic reform concepts and programs developed to date are different in structure and purposes. They can be divided into three major groups:

1. Program documents from major political parties and presidential candidates;
2. Concepts and programs designed by independent economic experts; and
3. State-sponsored programs of economic reform.

Program documents of political parties and presidential candidates

Key documents in this group include:

The Program of Reform by the Belarusian Popular Front – 1989¹. This is the first program of reforms for Belarus, designed by the Belarusian Popular Front even before the breakup of the Soviet Union. Here are some of the basic provisions of this platform:

- Economic independence of Belarus from the Soviet Union's state structures, including abandonment of the centralized system for supplying industrial output to USSR-held funds and Belarus claiming its own right to national resources;

¹ *Сборник альтернативных программ развития Беларуси*. Под ред. В. М. Шлындикова, Мн.: Бестпринт, 2001, p. 7–46.

- Equal co-existence of different types of ownership, including private ownership; the right of employees to choose the form of ownership for (state-owned) companies they work for;
- Independence of enterprises; relations between enterprises are based on the arm's length principle, and on self-financing;
- Introduction of a planned-regulated market mechanism where government bodies issue planning recommendations, design socioeconomic development programs, ensure that various market and business competitors come into play, take measures against monopolies, assist market stabilization, make efforts aimed at reducing prices and ensuring equal conditions for development in various regions, publish regular statistical reports on inflation, living standard changes, personal income in various social groups, foreign trade, etc. The government's main way of regulating the economy is through taxes, subsidies, public procurement and financial leverage.
- Free foreign exchange market;
- Land is to be owned by local councils which lease it to businesses. A single land tax is to be launched, and the tax rate would depend on land productivity.

The program's authors propose that its implementation will resolve main socioeconomic problems, such as housing, food production and manufacturing of consumer products, and eliminate market shortages.

Assessment: It was a rather radical platform for the period, since it suggested transforming the socialist planned economy along the market model. The program stipulated basic market economy principles, but failed to specify a sequence of reforms.

The document asserts the country's economic sovereignty and independence of business entities, which is a reflection of the situation prevalent in late 1980s. That was when movements emerged that advocated national independence and democratic changes in the republics of the Soviet Union.

Other important reform programs are The Program of the Belarusian Popular Front² and Declaration of Goals and Principles of the United Civic Party³. Both documents date back to 1993.

As stated, these documents' main goal is building a 'social market economy' in reaction to the country's general economic instability in 1993, as manifested in high inflation, decreasing production, growing shortages of consumer goods and declining living standards. However, the documents proposed different ways of reaching the same goal.

The Belarusian Popular Front's platform set out the principles of deregulated prices, supporting competition, private ownership of land and means of production, and abolition of public procurements for farms. Much attention was paid to ensuring social justice and protecting domestic producers by means of customs barriers. The program also called for fair and gradual privatization of enterprises, and active structural policy towards savings in energy and consumables in more environmentally friendly manufacturing industries. It suggested tough state regulation of the use and privatization of agricultural land.

Assessment: The document expresses support for the State's active role in the economy and a gradual, 'well-considered' and 'socially equitable' process of market transformations. The main drawback of this platform is to be found in the confusion of principles: some are market-oriented, while others envisage active State interventionism in the economy.

The document developed by the United Civic Party stipulates a speedy privatization, abolition of State regulation of prices, freedom of business and comprehensive State support for the growth of private business. The authors are of the opinion that economic growth and improving living standards of various segments in the society had to be the staple tenet for the social market economy. 'If the public pie grows, everyone's share in this pie grows with it'⁴ is the program's slogan.

² Ibid., p. 47–102.

³ Ibid., p. 103–112.

⁴ Ibid., p. 109.

In general, those two documents reflect the process of political parties establishing themselves on the country's political scene and, correspondingly, the polarization of public opinion on issues such as market transformations, pace of changes and the State's role in the economy.

Other documents in this repertoire are platforms of presidential candidates for 1994 elections: Alyaksandr Lukashenka, Vyachaslaw Kebich, Stanislaw Shushkevich, Zyanon Paznyak, Alyaksandr Dubko and Vasil Novikau.

Alyaksandr Lukashenka's program – called 'Taking The People Away From Disaster'⁵ – focuses on difficulties in the country's economic situation and develops the idea of the State's responsibility for resolving economic and societal problems. The program sets out the following measures:

- stabilize prices by establishing State control over price formation, combating unsubstantiated price hikes, enforce penal liability for violations of State price policy;
- strict oversight over the economy via direct control of state-owned enterprises;
- an investment policy based on gradual increase of long-term bank lending, setting interest rates in line with State priorities, designating economic sectors and investment projects for State support;
- consolidate State control over the foreign exchange market by closing all convertible currency outflows abroad, controls over convertible currency assets of Belarusian commercial banks abroad, institute penal and administrative punishment for illegal forex transactions and illegal convertible currency exports;
- prioritize agriculture in State investments by short- and long-term lending, preserve the system of collective (*kolhoz*) and State (*sovhoz*) farms;
- designate housing construction as a priority sector for financing, in close State focus;
- support honest entrepreneurs.

⁵ Тезисы программы кандидата в Президенты Республики Беларусь А. Лукашенко. Отвести народ от пропасти, «Народная газета», № 109 (874) 10 чэрвеня 1994 г.

The program of Alyksandr Lukashenka's main competitor Vyachaslaw Kebich – called 'People of Belarus Should Have a Decent Life, Without Fear of Future, Be Proud of Themselves and Their Motherland!'⁶ – points to the need for anti-inflation measures, stabilization of manufacturing output, privatization and retaining State control over key areas of the economy that impact the society, such as fuel and energy, finance, transport, communications, science, education, social welfare, environment and natural resources.

Kebich advocated keeping State control over prices of selected foodstuffs and services, and providing State support for agriculture, with collective and state-owned farms preserved. He proposed that the the president and government's role should be in managing state-owned enterprises, capex projects, subsidies, employment, etc.

In his platform entitled 'Statehood, Democracy and the Market – a Way Towards Prosperity'⁷, Stanislaw Shushkevich stresses that the country's economic crisis has been caused not by reforms, but by absence thereof, and proposes embarking on a firm path of reforms geared specifically to stabilize the Belarusian monetary system, towards a speedy privatization, removing obstacles to the freedom of business, alleviate the tax burden, carry out a structural reform in agriculture by giving farms a free hand in deciding on the form of ownership and type of business operation, stimulate foreign investments and provide targeted social support to the population.

Not unlike like Shushkevich's, the economic program of Zyanon Paznyak⁸ speaks in favor of market reforms. It provides a detailed description of the mechanism for introducing Belarus' sovereign currency. A chapter is dedicated to agricultural policy and land issues. The platform allows for undertakings to be free in choosing their type of business and form of ownership, and supports

⁶ Праграма Кебіча Вячаслава Францавіча, кандыдата ў Прэзідэнты Рэспублікі Беларусь. Народ Беларусі павінен жыць дастойна, без страху за будучыню, ганарыцца сабой і сваёй Радзімай!, «Народная газета», № 106 (871). 10 чэрвеня 1994 г.

⁷ Тэзісы перадвыбарнай праграмы Станіслава Шушкевіча, кандыдата ў Прэзідэнты Рэспублікі Беларусь. Дзяржаўнасць, дэмакратыя, рынак – шлях да дабрабыту, «Народная газета», № 106 (871) 10 чэрвеня 1994 г.

⁸ Эканамічная праграма кандыдата ў Прэзідэнты Зянона Пазьняка, «Народная газета», № 106 (871) 10 чэрвеня 1994 г.

private ownership of land, yet points out that ‘a well-considered and firm State policy founded on the precepts of science’⁹ has to be pursued in implementing land privatization.

Finally, the program of Alyaksandr Dubko – ‘The Country Needs a Good Stewart’¹⁰ – is even more radical than that of Alyaksandr Lukashenka in its anti-market course. Dubko is entirely against radical market reforms and entrepreneurship. He wishes to keep State ownership of land and speaks in favor of vesting the future president with absolute powers and responsibility.

Assessment: All the documents were prepared in times of a profound economic crisis in Belarus, with hyperinflation, decline in output (nearly halved), growing unemployment, deteriorating living standards, and lack of transparency in actions of government agencies in State property privatization. They present a wide range of views on economic reforms, from a radical market reform (Shushkevich) to extremely conservative policies (Dubko). The variety of economic programs put forth by presidential candidates mirrors the polarization of general public views on market transformations. The 1994 presidential election was won by Alyaksandr Lukashenka who, given the economic and political situation of 1994, offered a moderate course steering between radical market changes and a complete restoration of the planned economy.

Although Vyachaslaw Kebich, his main competitor, also had a centrist program, Alyaksandr Lukashenka was clearer in his presentation of propositions for economic development, and provided an illustrative description of specific tasks ahead.

Upon electing the first Belarusian president, the country faced a turning point. That was the beginning of a period of strengthening State control over the economy.

⁹ *Эканамічная праграма кандыдата ў Прэзідэнты Зянона Пазьняка*, «Народная газета», № 106 (871) 10 чэрвеня 1994 г.

¹⁰ А. Дубко, *Стране нужен Хозяин*, «Народная газета» № 104 (869) 8 чэрвеня 1994 г.

In December 1994, the United Civic Party at its constituent congress adopted The Platform of the United Civic Party¹¹. In response to increasingly stronger State regulation, the program called for ‘far-fetched market reforms in all areas’¹² including price deregulation, financial system stabilization, privatization and restructuring of enterprises, and privatization of land with sale to foreigners.

In October 1995, the United Civic Party passed another program¹³. Unlike its predecessor, the new program speaks merely in terms of ‘establishing an efficient and dynamic social market economy based on private ownership, which could ensure high living standards’¹⁴. It promotes the idea of low interest-bearing loans to finance housing construction and increasing budget allocations for social welfare out of out of property tax proceeds. According to the platform, such measures can ‘alleviate social tensions resulting from the enrichment of a group of people benefiting from inefficiencies in legislation’¹⁵. Other points of the new program are similar to those in the previous UCP document.

The Platform of the Belarusian Party of Labor – ‘Towards a Society of Democratic Socialism’ (March 1996)¹⁶ calls for ‘building in Belarus a society based on a multi-structural (i.e. with different forms of ownership) socially oriented market economy’¹⁷, as well as for ‘transferring the key means of production and land to people to be owned privately, thus ensuring participation of hired workforce in company profits across the nation’s economy’. The Belarusian Party of Labor stands up for ‘each person’s right to work, and strives to ensure full employment in the country’¹⁸. As the document puts it, the party would warrant the right to work and decent pay primarily by attracting investments into the economy, thereby creating more jobs. The Program also speaks in favor of coordinating activities of the business community, the State and trade unions in order to

¹¹ *Сборник альтернативных программ развития Беларуси*. Под ред. В. М. Шлындикова, Мн.: Бестпринт, 2001, p. 113–124.

¹² *Ibid.*, p. 117.

¹³ *Ibid.*, p. 125–143.

¹⁴ *Ibid.*, p. 129.

¹⁵ *Ibid.*, p. 136.

¹⁶ *Ibid.*, p. 171–191.

¹⁷ *Ibid.*, p. 181.

¹⁸ *Ibid.*, p. 184.

ensure a balanced development of economic sectors, aided by government investments. At the same time, the document points out that ‘the entrenchment of a new economic system would be a long process’¹⁹.

The Platform of the Belarusian Social Democratic Party (Narodnaya Hramada) adopted at the party’s constituent assembly in June 1996²⁰ is against ‘both total private ownership and total State ownership of the means of production’²¹. As its ideal, it suggests building a market economy with varied forms of ownership, with focus on social and environmental issues, in which ‘free enterprise is combined with a degree of State regulation of economic growth at a macro-economic level, as necessitated by the nation’s needs’²².

Assessment: Political parties do not differ in their vision of the economic reform.

The same trend may be observed in programs of candidates at the alternative presidential election in 1999 [which was held pursuant to the 1994 Constitution by those who did not recognize constitutional changes adopted by the controversial referendum of November 1996].

In particular, Mikhail Chyhir’s platform²³ speaks about the need for establishing an open, diverse, socially-oriented market economy. The document’s most important provisions point to stability of the sovereign currency, stability of prices, stopping unsecured lending (‘money printing’), ensuring that the public budget is reasonable, realistic and socially-oriented, preparing regulations to speed up privatization, and pursuing a policy that would combine firm protection of domestic producers with liberalization of domestic and foreign trade.

In fact, the program suggests mere cosmetic changes in the existing economic make-up.

¹⁹ Ibid., p. 183.

²⁰ Ibid., p. 144–170.

²¹ Ibid., p. 154.

²² Ibid., p. 154.

²³ Ibid., p. 235–240.

Likewise, the platform of Zyanon Paznyak of the Belarusian Popular Front, another presidential candidate, does not offer radical approaches to market economy²⁴.

In his program for the 2001 presidential election²⁵, Alyaksandr Lukashenka again confirms his adherence to previously chosen economic priorities, such as stimulating exports and housing construction, support to agriculture including State and collective farms, State regulation of prices, compulsory award of jobs to graduates of State educational facilities, etc. Yet, the program also includes one new point: liberalization of the economy and stimulation of business activity. In general, however, the document does not envisage any material reforms. It does not provide for any serious market reform, instead calling for a forward move as facilitated by 'the country's political and socio-economic stability'²⁶.

The platform of Uladzimer Hancharyk²⁷ calls for eliminating obstacles to business by introducing simple rules for registering new undertakings, safeguarding the banking system's independence, stop extending unsecured loans, reducing the costs and size of government bureaucracy, reducing taxes, simplifying customs procedures, improving foreign trade and allowing state-owned and collective farms to transform ownership. The program is in favor of economic liberalization; however, it does not specify which market transformations are to be put to work. In particular, there is no mention of privatization. Instead, it contains a chapter on technology upgrades in and restructuring of companies by means of domestic and foreign investments.

Similarly, the program of Syarhey Haidukevich does not offer anything novel in the way of economic ideas²⁸. It calls for a need to reform the fiscal system

²⁴ Ibid., p. 241–253.

²⁵ *Вместе за сильную и процветающую Беларусь! (Предвыборная программа Президента Республики Беларусь А. Г. Лукашенко)*, «Советская Белоруссия» №№ 237–238 (21234–21235) 21 августа 2001 г.

²⁶ Ibid.

²⁷ В. Гончарик, *Добро вашему дому! (Тезисы программы кандидата в Президенты Республики Беларусь)*, «Советская Белоруссия», № 250 (21247) 31 августа 2001 г.

²⁸ *Порядок в стране, достаток в доме. Кандидат в Президенты Республики Беларусь Гайдукевич Сергей Васильевич. Тезисы предвыборной программы*, «Советская Белоруссия», № 239 (21236) 22 августа 2001 г.

along the Russian model, points to the importance of a new investment policy (yet never specifying what this policy should be), and stresses that the country should benefit from its advantageous geopolitical situation. The only aspect that sets it apart from other candidates' platforms is the affirmed support for fostering ecotourism in Belarus.

As outlined above, the programs of different political forces have whittled down to few essential differences, if any.

Economic reform concepts and programs developed by independent expert teams

When set against political party concepts, independent groups of experts may be said to have come up with more professional proposals for a market-oriented transformation of the national economy.

Proposals for Economic Policy Formulation (Stabilization Phase) were adopted by the Economic Policy and Reform Committee of the 13th Supreme Soviet, following their preparation by a group of authors including U. M. Shlyndzikau, L. K. Zlotnikau and N. G. Babrytski in 1996²⁹.

The document pointed out that, at the time it was written, negative processes in the Belarusian economy were not stopped: living standards had been deteriorating along with the same trend in GDP formation, while the poor population had been kept on meager subsistence at the expense of using up and eventually wasting fixed assets. The document proposed several principles to underpin economic policies, including that of greater economic freedom, fostering entrepreneurship, protecting private property, private sector formation, supporting the growth of competition, State support for exports and domestic output with export-oriented outlooks, and social stability. The authors claim that the principles could actually be applied once as many as 98 macroeconomic measures are put in place. Along market measures such as price liberalization in the farming sector, reduction of import duties down to WTO standards, and establishing of

²⁹ *Сборник альтернативных программ развития Беларуси*. Под ред. В. М. Шлындикова, Мн.: Бестпринт, 2001, p. 254–265.

capital and stock markets, the authors also suggested ‘measures to regulate in inflow of foreign investments in banking and insurance in order to ensure the State’s economic security’, ‘regulation of fuel prices to keep them in line with price levels in the neighboring countries’, ‘limiting the incomes gap between the richest and the poorest to 10 percent during stabilization’³⁰.

However, the authors confine themselves merely to enumerating measures to be taken, and do not consider the opportunities, realities, mechanisms, etc. for their implementation. In many cases they stop at flagging up a measure, for example ‘ensuring convertibility of the Belarusian ruble at a fair level’³¹.

Assessment: The above document is more of a response to major problems of the Belarusian economy of that time. It lacks a systemic approach to the process of market reform, although such reform is affirmed as being pivotal to its economic policy.

Concept and Program of Economic Reform (by the National Executive Committee) – prepared by a group of authors including S. A. Bahdankevich, U. S. Basharymau, Ya. Ch. Ramanchuk and G. D. Karpenka in 1998³².

This document was a response of the National Executive Committee, the shadow cabinet, to curtailing market reforms in the country in 1996–1998 and turning to ‘Socialist’ methods of economic governance. Its first part takes stock of the economic situation in Belarus and points to obstacles in the country’s consistent, long-term economic development. In particular, the authors point to legal nihilism, State monopoly in nearly all areas of economic activity, exclusion of public sector from market mechanisms, lack of market infrastructure or safeguards for private property, poor financial and contractual discipline, lack of effective restructuring and bankruptcy mechanisms, excessive tax burden, non-liberated monetary and lending markets, and lack of a sound, economically founded anti-crisis government program with a team capable of implementing it.

As stated in the document, the main way out of the economic crisis is to use the power of private enterprise and promote economic freedom. The authors be-

³⁰ Ibid., p. 257, 262, 264.

³¹ Ibid., p. 256.

³² Ibid., p. 331–341.

lieve that the role of the State should be limited to developing a market-oriented regulatory framework with a level playing field for all undertakings and individuals. They stress that the main idea of market reforms is in achieving the triple target for the transition period: stabilization, liberalization and institutional changes in all economic aspects.

Assessment: One essential difference between this and previous document is that it contains a description of financial support for reforms and expected deliverables.

Strategy for Belarus: A Concept of National Development – published by a group of authors including M. I. Hryb, S. Ya. Leushunou, L. F. Zaika, Ya. Ch. Ramanchuk, L. K. Zlotnikau and others in 2000³³.

Apart from status description of the economic situation and specifying goals and principles of reforms, the document provides a detailed analysis of how the Belarusian economy will develop if the existing economic policy is to be continued. The authors offer their vision of the sequence of reforms, analyze what the general public thinks about the economic situation in the country, and make assumptions as to how the nation would react to their reform ideas. The document reviews all the previous concepts of conducting market reforms in Belarus. It emphasizes the importance of market reforms, and points to the systemic nature of current economic problems in Belarus.

The ‘Strategy for Belarus’ formulates economic reform goals and principles in monetary, fiscal, trade, investment, price, industrial and agricultural policies; it describes mechanisms of establishing conditions for developing small business and putting safeguards for private property in place. As stated by the authors, the planned measures have to be taken in three phases: firstly, economic liberalization and preparations for the system’s stabilization; secondly, stabilization and laying foundations for economic development; and thirdly, institutional transformations, manufacturing sector upgrades and participation in globalization processes.

Assessment: The document provides a concept for national economic development, which sets out guidelines for democratic market transformations, but

³³ Ibid., p. 372–431.

fails to describe a long-term, sustainable socioeconomic model for Belarus, or the mechanisms for conducting reforms in accordance with the measures proposed. Therefore, the document cannot be said to be a comprehensive program of market reform.

The Program of Socioeconomic Reforms for Belarus of the Coordinating *Rada* (Council) of Democratic Forces – drafted by a group of experts headed by P. U. Daneika in 2001³⁴.

This document is not really a concept per se; rather, it is an attempt to structure a real program of reforms for Belarus which envisages broad reforms in monetary and fiscal policy, formation of market institutions, development of the private sector, restructuring of industrial and agricultural enterprises, and changes in foreign trade and social policies.

The group of experts sets forth the following goals to be achieved by the reforms: ensuring macroeconomic stability, generating confidence in the national currency among the business community and individuals, matching government spending with budget revenue, reducing tax burden with an expanding tax base, lifting restrictions in setting prices for goods and services, establishing private ownership of land, abolishing ‘money-printing’ practice in extending loans to state-owned farms, providing targeted support to poor social groups; creating an efficient system of occupational training; establishing a mobile labor market force, etc.

Each chapter describes the existing situation, reviews previous developments, sets reform goals in specific areas, offers main reform principles and formulates measures to be taken to achieve the goals.

Assessment: Despite a rather detailed description of goals, tasks, objectives, directions and principles for economic reforms, the document lacks an indication of a long-term, sustainable socioeconomic model for Belarus, as well as fails to specify reform phases, expected deliverables and public views on proposed reforms.

³⁴ *Праграма сацыяльна-эканамічных рэформаў для Беларусі (Каардынацыйная Рада Дэмакратычных Сілаў)*, Група экспертаў на чале з Данейкам П. У., Мн. 2001, р. 180.

The document is too focused on existing economic problems in Belarus. It is dominated by the macroeconomic approach to reforms. Meanwhile, it is a valuable attempt to move from general concepts to specific economic reform programs.

An analysis of economic reform concepts and programs prepared by independent groups of experts shows that there has been substantial evolution of such documents from indecisive, contradictory and incomplete to a clearer understanding of the essence of market reforms and, consequently, to more specific and decisive programs of reform. At the same time, the above documents rely heavily on current economic developments. Market reform is often regarded as a 'magic word' resolving existing economic problems.

State-sponsored programs of economic reforms

A number of State-sponsored reform programs were prepared for Belarus in the 1990s. Most of them saw the light of day in 1996, when official elites and political parties finally parted ways, which is why the government faced the need to step up its own efforts in developing programs of reforms. Below is a review of the most important ones.

A Plan for Financial Recovery Measures in the National Economy by Belarus' National Bank (August 1, 1996, to October 1, 1997)³⁵.

The document is a rather in-depth analysis of the country's economic situation in the first half of 1996. It singles out a number of positive trends, such as slower inflation and devaluation processes, slower pace of economic decline, adaptation of undertakings to market conditions, and increase in real personal incomes. At the same time, it points to certain negative trends, such as a sharp decline in capex, worsening foreign trade indicators, yawning trade deficit, growing unemployment, increasing number of unprofitable enterprises and a larger public budget deficit.

³⁵ *Сборник альтернативных программ развития Беларуси*. Под ред. В. М. Шлындикова, Мн.: Бестпринт, 2001, p. 266–330.

Against the backdrop of a comprehensive analysis of the economic situation, the National Bank's experts proceed to stating that the main reason behind the crisis is inferior competitiveness of most domestic enterprises and the national economy at large. They explain that such a situation is a legacy of the socialist economy and its general backwardness. Yet, simultaneously, the experts also admit that 'the failure of the government to understand the macroeconomic situation in Belarus, the lack of clarity in choosing ways of reforming the socio-economic relations in a newly-established sovereign Belarus, as well as indecisiveness and inconsistency in conducting economic reforms have been the main reasons for economic crisis symptoms to set in'³⁶.

The authors point to the problem of then unreformed real economy, which turned out to be in conflict with the National Bank's course of tight monetary policy and efforts to slow down the inflation and national currency devaluation in 1995–1996. In order to resolve the conflict, the National Bank's document offers a plan with measures aimed at financial recovery in the economy. Part One of the action plan encompasses a range of measures to stimulate capital expenditure projects and improve competitiveness of domestic enterprises. Following this are measures to streamline the social services and welfare system, ensure better regulation of personal income and employment, and support small businesses in job creation initiatives. Parts Three and Four are devoted to issues of improving monetary and exchange policies. The National Bank's experts point out that changes in inflationary processes, namely inflation exceeding devaluation, result in domestic prices nearing world prices and in eroding competitiveness of domestic enterprises in price terms. Part Five includes measures geared to improve the fiscal and budget systems. Their main idea is to lower the taxes for undertakings, and thereby improve tax collection. Part Six pays considerable attention to the need for fostering the growth of a financial market. Part Seven describes measures in foreign trade policy, pointing to the need for supporting national exporters and developing import-substituting output. A special part in the document is made up of institutional pro-

³⁶ Ibid., p. 275.

posals which have to precede financial recovery measures in order to work in harmony with them.

Assessment: The document offers an in-depth analysis of the reasons underlying the economic crisis of 1996. Still, the proposed program of reforms is rather limited and proposes little else than measures aimed at financial stabilization at the macro-level. Notably, even this program was not implemented at the time.

The following document was prepared in October 1996 – Guidelines for Belarus' Socioeconomic Development in 1996–2000 – approved by a presidential edict # 464, on November 14, 1996.

In accordance with the trend to modify economic policies so as to orientate them more toward social aspects, and in reaction to an unstable economic situation of the early 1990s, the document asserts that the key strategic goal for economic changes is to result in improving living standards of the Belarusian people, gradually bring them to those in well-developed European countries by building a socially-oriented market economy.

In the initial phase of economic transformation, the document envisaged macroeconomic stabilization and setting the stage for economic growth, while the second phase, i.e. post-1997, was to be a period of economic growth. Those two phases had to be completed by the year 2000.

The document describes measures aimed at a structural reconstruction of the economy, including those to improve the operational efficiency of State property, including de-nationalization and privatization, financial recovery of undertakings via restructuring and bankruptcy procedures, effect land reform by introducing private ownership of land, develop small- and medium-sized business and market infrastructure by encouraging competition, and stimulate commodity, financial and labor markets.

The program also envisages measures to develop science and innovation, real sector of the economy and capex activities, as well as calls for adjusting fiscal, price, monetary and forex policies.

Despite a large number of market measures advocated, most tend to be half-hearted solutions. Specifically, the document suggests privatizing only small state-owned companies, while large enterprises are to be denationalized, i.e. they

would turn into joint-stock companies with the controlling stake of the State. The program also says that the State will continue to own large companies for many years to come and, accordingly, a large sector in the economy will be state-owned or controlled. Therefore, there is a call for raising the efficiency of the state-owned sector via streamlining the management of state-owned companies and drafting regulations to improve mechanisms of their operation so as to achieve stable production levels, ensure appropriate discipline amongst employees and management, etc.

Similarly, as proposed, the State intends to play a dominant role in setting prices, i.e. launch market principles but retain levers of State regulation. This is to apply also to developing the real sector of the economy, i.e. prioritize housing construction and farming in economic development, and developing entrepreneurship and SMEs by providing them with consultation services, resources and protection. Similarly, the labor market is to be reformed by guaranteeing young people the right of preferential treatment in job search. There is similar mention of other areas in this context.

Assessment: This document offers a moderate program of reforms. It contains an extensive list of vaguely formulated measures, with no specific terms of taking them on board. Consequently, it is difficult to understand whether the program has actually been put to effect.

Due to general financial instability in late 1990s, higher pace of inflation and devaluation, declining exchange rate and consequent increase in physical volume of exports at lower prices, the country's industrial output and GDP growth gained momentum. Therefore, the main target of the '1996–2000 Socioeconomic Development Guidelines', that is economic growth, was formally achieved, albeit without causing market changes, which was why the market processes essentially slowed down in subsequent years.

The macroeconomic stabilization of Belarus has not been achieved to date.

One of the underlying reasons was that another program was heralded for the country – The Program of Belarus' Socioeconomic Development in 1996–2000, developed by Eduard Eydzin, the president's economic aide at that time³⁷.

Despite never being officially approved by the Cabinet, the program had a most significant impact on the country's economic policy, even greater than official reform programs.

The program is noted for its expectation of quick results upon its implementation. It was founded on the premise of 'the State that has a strategic program and a well-organized, productive and efficient government system capable of preventing the economy from collapsing in crisis conditions and of ensuring necessary conditions for an irrevocable transition to a socially-oriented market economy within a short period of time'³⁸. Along with privatization and 'effective support for all bona fide members of the business community'³⁹, the program envisaged a number of other measures, such as 'designating key priority manufacturing industries and output, and establishing a program of targeted centralized State support during a period of stabilization and initial development of the aforesaid manufacturing industries'⁴⁰, low interest-bearing loans to priority industries, protection of domestic producers by customs barriers, flexible State regulation of prices, which 'is by no means a step back from market mechanisms; on the contrary, it approximates the economy to civilized market practice'⁴¹.

The program lay the ideological foundation for the government's economic policy of the late 1990s. The implementation of its principle of 'creating a system for channeling monies into the economic needs of the day'⁴² led to excessive money-printing, exacerbated financial instability, boosted inflation and na-

³⁷ *Программа социально-экономического развития Республики Беларусь на 1996–2000 годы (Основные направления)*, Мн. 1996, p. 257.

³⁸ *Программа социально-экономического развития Республики Беларусь на 2001–2005 годы*, Мн. «Беларусь», 2001, p. 7.

³⁹ *Ibid.*, p. 67.

⁴⁰ *Ibid.*, p. 31.

⁴¹ *Ibid.*, p. 101.

⁴² *Ibid.*, p. 126.

tional currency devaluation, lowered the Belarusian ruble exchange rate, and prompted sales of Belarusian goods abroad at disadvantageous prices. Despite a growth in export-oriented output and GDP, the average pay in the country fell threefold if expressed at the market ruble-to-US dollar exchange rate.

The program's consequences were partially eliminated, albeit not until the early 2000s, when the government opted for a tighter monetary policy, exchange rate and price liberalization, and improved competitiveness of the domestic output.

The Program of Belarus' Socioeconomic Development in 2001–2005, enacted by a presidential edict # 427 on August 8, 2001⁴³, is the government's current program of reform.

It takes stock of the present socioeconomic situation in Belarus, sets out macroeconomic policy objectives and guidelines, and outlines scenarios of the country's economic development during the first five years of the 21st century.

Just like its predecessor, the '1996–2000 Guidelines for Belarus' Socioeconomic Development', the new program sets the strategic objective of 'improving the living standards of the Belarusian people to align them to the level of economically developed European countries'⁴⁴. The document emphasizes the need for enhancing the efficiency of the real sector, for technological improvement and modernization of the economy.

Market transformations are outlined in a dedicated chapter. They comprise denationalization, privatization, development of entrepreneurship, promotion of SMEs, market infrastructure formation and human resources development. The document does not offer much novel content on these issues. Again, it advocates 'prudent privatization: 'swift privatization is not envisaged for 2001 to 2005; instead, a gradual approach to reform should be considered...'⁴⁵.

Like other documents for the previous period, the program indicates the government's propensity towards excessive State sponsorship of developing

⁴³ Ibid., p. 167.

⁴⁴ Ibid., p. 40.

⁴⁵ Ibid., p. 66.

entrepreneurship: 'varied and targeted State support will be provided to those entrepreneurs and businesses that engage in capex projects in high-priority areas'⁴⁶. It contains the same vague definitions of measures and fails to specify when measures are to be initiated.

As the document claims, the government plans to continue developing housing construction, yet vouchsafes to abandon money printing as a means of financing housing via lending. It also intends to intensify the structural economic reform, expand the area of market-based pricing and reduce cross-subsidies in the cost of energy for residential and industrial off-takers alike.

In addition, unlike the previous document, the program includes a chapter on developing the stock market.

Assessment: The document does not differ in any essential manner from its predecessor for 1996–2000. Both are very cautious and ambiguous in terms of formulating and implementing proposed measures.

Conclusions

As of today, Belarus does not have an ambitious program of market reforms which would envisage swift moves in Belarusian economic reforms and the country's integration with the international economic set-up. There is no program proposing EU accession as its objective.

A new program should outline a future economic system in Belarus in distinct terms, a system based on market principles without State domination. It would have to formulate a concept of unleashing private initiative as a driving force for developing the national economy. It would also have to reflect changes in the economic situation in Belarus, and emphasize reforms in the real sector, rather than just focus on achieving financial stabilization as former programs did. Apart from domestic changes, it should consider changes in the international economic situation, and the European Union's eastward enlargement in particular.

⁴⁶ Ibid., p. 69.

Growing public acceptance of market reforms and the European integration are important factors that could prompt the drafting of a new program. Therefore, the new program should suggest specific steps in implementing market reforms in Belarus and concrete measures aimed at Belarus' joining the World Trade Organization and the European Union.

An important idea to be incorporated into the future program should be one going beyond a mere achievement of higher living standards as fostered by economic growth and higher personal incomes. It should also comprise the premise of creating comfortable living and working conditions for the population at large, and vesting people with confidence that the future will be brighter than the past.

2

Belarus' Economic Status. Why Is Belarus' Economy In Urgent Need of Reform?

by Vital Silitski⁴⁷

Current status

Since the 1990's, Belarus has lagged behind other CIS countries in economic reforms. The US-based Heritage Foundation dubbed Belarus' economy 'repressive'. In the early 1990s, the government attempted to carry out reforms, but stopped with Alyaksandr Lukashenka's effective election for president. He sought to retain total control of the economy by stifling the private sector. Repressive measures included nationalizing banks, imposing restrictions on private businesses, resurrecting the planned economy and fueling inflation to boost economic growth.

Structurally, Belarus has a Soviet-type economy. It lacks: a) a market-adjusted manufacturing structure resulting from independent choices of consumers, business and sources of capital. b) unregulated prices, and c) a well-developed labor market.

Institutionally, Belarus has a command economy dominated by the public sector with administrative allocation of financial and physical resources, price controls and unbalanced prices. In addition, the government relied heavily on 'bureaucratic deals', such as the oil-for-goods contracts with the Russian government. In result of such widespread practice, governmental agencies turned

⁴⁷ The author acknowledges the assistance of Pavai Daneyka and Alyaksandr Hatouski in writing up this topic.

into intermediaries dealing in products of state-controlled enterprises. The latter have either lost their right to independently run their business, or deliberately handed business initiative over to the government.

The way the government makes economic decisions is high on economic populism. The government's priority is to see the economy advance and redistribute profits to the public sector's advantage by collecting a tax from private and foreign trade sectors. The policy ignores inflation and budget deficit risks, or takes no account of the external environment or response from contracting partners in business. In an effort to offer additional social security guarantees, Alyaksandr Lukashenka resorted to wage increases that were not supported by an adequate economic growth, aided instead by price and exchange controls, restriction on imports, and expansionary fiscal and monetary policies.

The 'economic miracle' or paradoxical growth in a command economy

Absence of reforms in the Belarusian economy has not led to its collapse, and the government's anti-market policy did not prevent it from growing in late 1990s. Despite macroeconomic instability, high inflation and depreciation of the ruble, the Belarusian economy has been growing since 1996. Against the background of recession continuing in Russia and other former Soviet republics, Belarus' economic recovery seemed to be a miracle.

Nevertheless, Belarus' true economic growth may be questioned, considering the controversies surrounding the credibility of official statistics. For example, the methods of calculating GDP growth, inflation and GDP deflators raise a lot of issues⁴⁸. Still, there was some economic growth in Belarus, but the nature of this growth needs thorough examination. It should be noted that capex on upgrade programs and new product development was negligible. Before the economic recovery, the private sector comprised merely small trade, service and woodworking companies. The fact that most enterprises were public did not make the environment more appealing to potential investors, or

⁴⁸ See details: А. Чубрик, *Экономика Беларуси: Статистический обзор*, Дасьледніцкі цэнтар бізнэс-школы ІПМ, аналітычны даклад № 5, Менск: верасень 2001 г.

prompt enterprises to invest in new plant and machinery and manufacture competitive products.

Table 1. Belarus' Economic Indicators (as share of prior year's indicator)

	1995	1996	1997	1998	1999	2000	2001	2002
Gross Domestic Product	89.6	102.8	111.4	108.4	103.4	105.8	104.7	104.7
Industrial output	88	104	119	112	110	108	106	104
Agricultural output	95	102	95	99,3	92	109	102	102
Capex on fixed assets	69	95	120	125	92	102	97	103
Cargo shipments	75	87	109	105	96	91	98	109
Retail sales	77	131	118	126	111	112	128	113
Producer's price indices	561	134	188	172	456	286	172	140
Consumer price indices	809	153	164	173	394	269	161	134
Exports to CIS countries	205	124	143	96	70	121	103	99,3
Exports to non-CIS countries	172	106	102	99,3	120	128	101	123
Imports from CIS countries	176	124	127	95	77	142	94	109
Imports from non-CIS countries	194	126	121	104	80	108	96	112

Source – CIS statistics committee

The industrial upturn was attributable to expansionary monetary policies, also used for funding the inefficient agricultural sector and government housing construction projects. Monetary expansion weakened the Belarusian ruble and led to a drop in prices in dollar terms and a rise in exports. Stocks of unsold goods were diminishing; factories operated at full capacity and recalled their employees from forced leave. However, soon it was obvious that it was a fall in the dollar equivalent of salaries and wages, calculated at the market exchange rate, which thwarted prices in dollar terms. People worked more but earned less.

To prevent living standards from declining sharply, the government resorted to price controls. The consumer purchasing power was growing, with wa-

ges decreasing in dollar terms. All these factors discouraged enterprises from producing better goods, and caused shortages in staple goods and agricultural stagnation.

Thus, a rapid yet temporary economic growth was fuelled by populist measures. The growth was too costly and unsustainable. The main objective of Lukashenka's experiment was to resurrect and maintain the Soviet economic model rather than carry out structural reforms in the late 1990s.

Once at its critical point, the dilapidated industrial asset base will be absolutely ineffective, while the external economic environment will develop in a manner disadvantageous to Belarus as neighboring countries, Russia primarily, will outstrip Belarus in terms of economic growth. This means that some day Lukashenka will have to pay a high price for his populist experiment.

The Lukashenka administration was forced to embark on efforts, however feeble, to reform the economy, including ways of limiting the growing money supply, cut State subsidies, unify the Belarusian ruble exchange rates and adopt a crawling exchange rate peg.

By contesting the need for market-oriented changes, the Belarusian authorities failed to lay a solid foundation for sustainable economic growth. Yet, in the short term, the policy was rather effective in terms of maintaining social stability and conserving the existing political situation with silent majority support among the general public. Moreover, by correcting their most absurd mistakes, the authorities managed to avoid a big macroeconomic disproportion that might have triggered off hyperinflation and a major economic crisis.

Living standards in an unreformed economy

Official statistics indicate improvements in living standards for Belarusians. According to the Ministry of Statistics and Analysis, real income more than doubled between 1995 and 2001. The figures also suggest that Belarusians enjoy the highest standards of living ever. Real incomes in 2002 were 30% above the 1990 level. Moreover, real income grew faster than GDP. One may logically assume that the consumption-to-GDP ratio was rising due to a decline in capex

and savings⁴⁹. Another possible explanation is that the official statistics have nothing to do with the real state of affairs in the country. Still, the truth is most likely to reside somewhere halfway between the two possibilities.

Official statistics on living standards and real income raise many questions, especially about the calculation methods used. Real income indicators depend directly on the computation of inflation, while the ministry's methods of determining the latter are rather questionable. There are also other questions. As per the same official statistics, for example, real income increased by 12 percent in January through March 2003. Yet, over the same period, real-term salaries dropped by 5 percent against December 2002 (The nominal salary was up by 3 percent, whereas consumer prices soared by 8.1 percent).

It would be interesting to compare the abstract statistics on real-term income growth with more realistic figures indicative of living standards, which offers a clearer picture for the general public. Let us consider food consumption. Belarusians spent more than half of their personal income on food. As seen in Table 2, the official statistics do not reflect any dramatic decline in food consumption, yet even in the most favorable year 2001, as reflected by official figures, Belarusians consumed much less than in 1990. Consumption was slightly above 1995 levels, but one should bear in mind that a high-calorie diet with high butter and sugar content is typical of countries with low living standards. It should be stressed also that the majority of consumed food was produced in private gardens and allotments. For example, in Minsk (the capital of two million), private holdings accounted for 53 percent of the output of consumed potatoes and 43 percent of vegetables in 2001. In other words, the standard of living does not decline much mostly as people supplement their income by additional work during days off, engaged in what is basically subsistence farming, hardly a proof of the Belarusian economic model's efficiency.

The poverty statistics (Table 3) may also offer a more realistic idea of how large personal incomes were. However absurd it may seem, between 1995 and

⁴⁹ Each official statistical indicator is calculated with the use of different deflators.

Table 2. Consumption of Staple Food Items

	1990	1995	1996	1997	1998	1999	2000	2001	2001 as % of 1990 level	2001 as % of 1990 level
Bread	127	121	122	122	118	115	110	105	82.6	86.7
Potatoes	171	182	188	182	173	170	174	172	100.5	94.5
Fruit	78	83	88	88	87	89	93	98	125.6	118.1
Vegetables and berries	38	38	39	37	35	24	25	65	65	
Sugar	49	32	32	34	37	34	34	41	83.6	128.1
Oil	8.6	6.5	6.8	7	6.6	8.3	8.7	10	116.2	153.8
Meat	76	58	60	60	62	62	59	59	77.63	101.7
Fish	19.6	7.3	8.7	8.7	6.1	6.2	9.5	11	56.1	150.7
Milk, liters	428	367	369	350	372	334	295	307	71.7	83.6
Eggs.	325	297	299	296	271	237	224	224	68.9	75.4

Source: the Ministry of Statistics and Analysis of Belarus, author's calculation.

2000 when, as the official statistics have it, real income soared by 70 percent, the proportion of low income households with below-subsistence levels increased instead of shrinking. The Gini index of inequality did not change much over the period.

Yet, the situation did improve in 2001, mainly as a result of short-term political measures (an increase in wages and old age pensions before the presidential elections in a move intended to bolster support for the incumbent president).

However absurd, in 1996 and 1998, at the time of a significant increase in personal incomes, the poverty level also rose. Moreover, for some reason, poverty was rapidly expanding in 1999, while the reported decrease in real income was negligible. In 2000, as claimed in official statistics, income rose by 50 percent against 1995, while the number of low income households sky-rocketed by a factor of three. It means that the official statistics on real income can hardly be a reliable criterion for estimating living standards in Belarus.

Table 3. Real Income, Poverty and Income Distribution in Belarus

	1995	1996	1997	1998	1999	2000	2001
Changes in real income (as percentage of prior year's indicator)	-27	17	6	19	-3	20	29
Households with per capita income below subsistence level (as percentage of prior year's indicator)	38.4	38.6	32.1	33	46.7	41.9	28.9
Gini index	26.1	25.4	25.8	28.3	26.9	27	27.8

Source: the Ministry of Statistics and Analysis of Belarus.

Living standards may be estimated by converting salaries and pensions into US dollars. The average monthly pay in November 2002 rose to \$107 after a slump from \$88 to \$36.4 in 1996–2000. However, over the same period, the US dollar equivalent of consumer prices increased twofold, consumer goods prices shot up by 77 percent, prices of consumer services and utilities sky-rocketed six- and 14-fold, respectively.

Moreover, official statistics hardly take into account the higher cost of education and healthcare services. Belarusians saw not only cheap goods but also free education and healthcare vanish. New price markets have emerged, including corrupted ones, but the government does not even intend to legalize them and thus provide real-term social security in the form of education loans or health insurance.

In this context, results of the opinion poll conducted by the Independent Institute of Social Economic and Political Studies (IISEPS) in April 2003 may seem interesting. Only 7 percent of those polled said they were better off lately, while 42 percent stated the opposite. 53 percent were concerned about rising prices of utilities and consumer services, 51 percent were concerned about rising prices of staple goods, 12 percent expressed concern over the introduction of tuition fees, and 24 percent worried about chargeable healthcare services⁵⁰.

⁵⁰ Source: IRISEPS, <http://www.iiseps.by/press1.html>, April 29, 2003.

It may be concluded that, firstly, there was no dramatic decline in living standards during Lukashenka's presidency; on the contrary, there was obvious improvement. Secondly, real income growth is certainly overstated in official statistics and may be questionable. Thirdly, the period of rapid economic growth, fueled mainly by political measures, is attributable to years 2000 and 2001, yet not sustained by the government. Finally, living standards did not drop dramatically as the people adapted to existing conditions. It merely goes to say that more people resorted to subsistence farming, but this did not help to improve quality of life or boost economic efficiency.

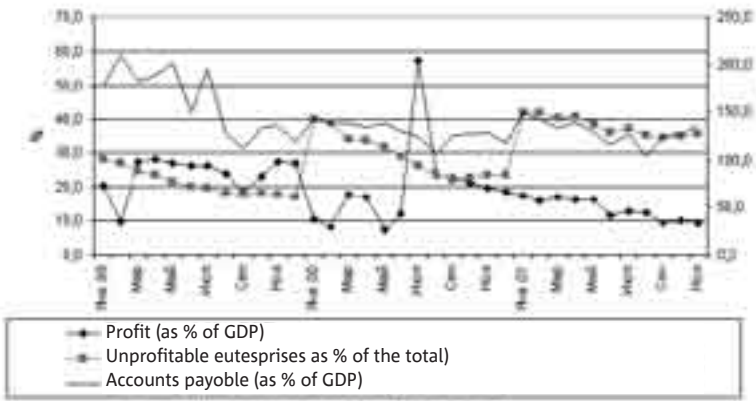
Real economy crisis

Are there any realistic prospects for a sustainable and dynamic economic development in Belarus? Is it possible to improve living standards within the existing economic system? Belarus' economic outlook is grim.

Unprofitable enterprises. The Belarusian government's economic experiment has brought about rapid erosion of profitability in the corporate sector. In the first quarter of 2003, the proportion of those in the red reached 48 percent. Most of these are bankrupt since their total debt exceeds asset value. Moreover, enterprises do not generate much profit from their output as their goods are not competitive at home or abroad. With profitability remaining low, enterprises are not in a position to finance upgrades. Most industrial operators seem hardly able to make it in the future, even if the government sticks to its current policy of supporting the public sector.

A number of factors have contributed to the financial crisis in the manufacturing sector. Some enterprises face difficulties as they had to follow governmental directives geared to increase the output, which was possible only by cutting capex on fixed assets and upgrade programs. Other enterprises fell victim to price controls. When the government was supporting the manufacturing sector with soft loans and redistribution of convertible currency resources, enterprises were not motivated towards making competitive products. As the industrial crisis deepened, the government adopted more sensible macroeconomic policies.

Diagram. Profit and Debt indicators of the Belarus' Economy



Source: The Ministry of Finance of Belarus

In fact, the governments' objective to achieve full employment has indeed brought about the crisis. Enterprises had to keep redundant labor force in employment or, in other words, to maintain low output and efficiency. During Lukashenka's presidency, the official unemployment rate dropped from 4 percent in 1995 to 2 percent in 2000. Yet, according to independent researchers, hidden unemployment was on the rise⁵¹. In 2000, just one in four unemployed persons was captured by the official system. As the financial crisis progresses, hidden unemployment was rising. In 2002, compensation arrears amounted to 20 percent of the payroll, and the debt was cleared only by the year's end. Yet, the arrears shot up again in April 2003 to reach 7.5 percent in result of the government's failure to reform the real economy.

⁵¹ In 1997, the government introduced new rules for granting unemployment benefits that discouraged the jobless from registering with employment centers (А. Соснов, *Государственная социальная политика: белорусский вариант* [в:] *Белорусская экономика: от рынка к плану, 1995–2000*, т. 1, р. 17).

In need of investments. Lack of capital expenditure aggravated the crisis in the real economy. As seen in Table 4, capex remains one of the most burning issues for the Belarusian economy. Capex in the manufacturing sector in 2002 was just over half of the 1989 volume, with the industrial output far exceeding peak levels of Soviet times, if official statistics are to be believed. In other words, the Belarusian economy is eating into its fixed assets.

Table 4. Investments in Belarus

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Investment in GDP, %						18.4	15.6	18.6	22.6	20.6	19.8	17.8	16.6
In manufacturing						10.8	9.8	11.2	13.9	11.7	11.4	10.9	10.3
Non-manufacturing						7.6	5.8	7.4	8.7	8.9	8.4	6.9	6.3
Investment growth (1989=100)	109	113	80	68	61	42	40	48	60	55	56	54	56
In manufacturing	105	109	66	57	51	36	37	42	53	46	48	49	52
Non-manufacturing	116	121	112	94	83	56	48	62	76	77	77	68	68

Source: the Ministry of Statistics and Analysis, author's calculations.

In fact, the government provoked acute capex shortages in order to boost economic growth and maintain high consumption figures during populist campaigns. In 2001, the reported GDP growth was as low as 4 percent, whereas real wages increased by as much as 23 percent. The Lukashenka government's effort to achieve growth by all means made it much more difficult for investment-starved enterprises to replace their obsolete equipment, which has led to its further depreciation. Although Table 5 does not include equipment wear and tear figures, it should be noted that, in 2002, an average of 80 percent of plant and machinery was worn out.

The Belarusian government's populist investment policies, which included housing construction programs, the Minsk Ring Road, redevelopment of the Independence Square or National Library projects were a major cost to the taxpayer. In addition, the government allocated considerable funds for irrational import substitution programs.

Table 5. Equipment Depreciation in Various Industries

	1990	1995	2001
Average	39.8	56.5	61.4
Power generation	46	51.8	59.8
Fuel	68.2	58.8	66.4
Metallurgy	18.4	44	45.7
Petrochemical	58.6	67.5	69.9
Equipment manufacturing	45.3	56.3	63.7
Timber	50.2	49	59.6
Building materials	47.2	49.8	56.1
Light industry	38.8	54.3	57.1
Food processing	36.3	47.9	47.1

Source: the Ministry of Statistics and Analysis of Belarus.

Foreign direct investments are another problem⁵². Belarus ranks last among East European countries in terms of FDI per capita. Russian gas giant Gazprom's investment in the Yamal–Western Europe pipelines accounted for greater part of total foreign investments.

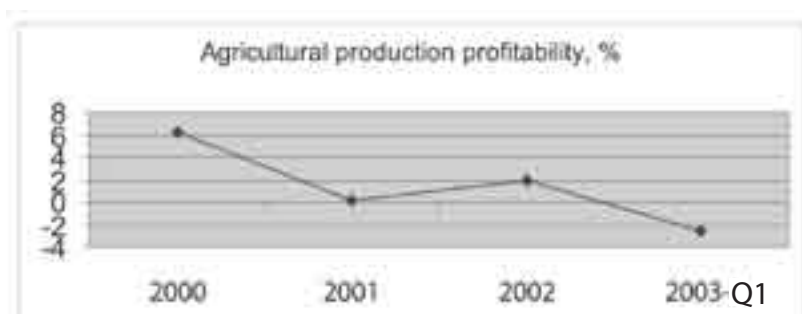
⁵² The government claimed that FDIs totaled \$700 million in 2002. The amount, however, includes loans of \$400 million and nearly \$200 million in proceeds from the sale of the government's stake in the Russian oil company Slavneft. Part of those monies was spent to pay off the country's debt for energy resources.

Table 6. Foreign Direct Investments in Belarus

	1993	1994	1995	1996	1997	1998	1999	2000	2001
Annual FDI growth, \$ mio	17	10	14	104	351	208	444	118	108
Cumulative increase, \$ mio	17	27	41	145	496	704	1148	1266	1374
FDI per capita, \$	1.7	2.7	4.1	14.5	49.6	70.4	114.8	127	137.4

Source: NBB, UNCTAD, author's calculations.

Agricultural decline. The Belarusian agriculture is in a problem situation, with profitability just over 2 percent (2.5 percent in Q1'2003). In order to support Belarusian agricultural producers, the government restricts imports, thus forcing Belarusian consumers to pay higher prices for domestically-produced food. The agricultural sector suffered heavy losses due to the government's populist intention to control prices in order to keep up the living standards of the urban population. Huge agricultural subsidies could not make up for the losses even in part. The agriculture is still paying the cost of this policy.



Source: the Ministry of Statistics and Analysis of Belarus.

Foreign trade deficit. In 2002, Belarus' deficit with Russia officially totaled \$822 million (ca. 7 percent of the GDP). A major disproportion in foreign trade balance illustrates problems in entering external and retaining domestic markets. Despite the talk of Belarus' great scientific potential, high-tech commodities accounted for just 4 percent of total exports, i.e. at a level similar to that in developing countries. Belarus' main exports to Western countries included raw materials, potassium salts, timber and products such as textiles, that do not require high technology input.

Belarus' exports to non-CIS countries doubled from 1998 to 2002, largely owing to effectively seizing an opportunity for processing more Russian oil and exporting it to Europe, and due to higher global oil prices.

Table 7. Foreign Trade of Belarus, 1995–2002

	1995	1996	1997	1998	1999	2000	2001	2002
Total	10367	12591	15990	15619	12583	15972	15626	17078
Exports	4803	5652	7301	7070	5909	7326	7448	8098
Imports	5564	6939	8689	8549	6674	8646	8178	8980
Balance	-761	-1287	-1388	-1479	-765	-1320	-730	-882
With CIS countries	6704	8334	11196	10714	7911	10469	10197	10677
Exports	3027	3764	5379	5160	3622	4399	4491	4461
Imports	3677	4570	5817	5554	4289	6070	5706	6216
Balance	-650	-806	-438	-394	-667	-1671	-1215	-1755
With non-CIS countries	3663	4257	4794	4905	4672	5503	5429	6401
Exports	1776	1888	1922	1910	2287	2927	2957	3637
Imports	1887	2369	2872	2995	2385	2576	2472	2764
Balance	-111	-481	-950	-1085	-98	351	485	873

Source: the Ministry of Statistics and Analysis of Belarus.

Foreign trade figures clearly explicitly show the results of political isolation and the government's failure to reform the economy. In 2002, foreign trade de-

ficit with Russia exceeded \$1.8 billion. The fact that Russia sold mainly energy resources to Belarus points to the Belarusian economy remaining energy-intensive and dependent on prices of natural resources in Russia. Attempts to find new external markets helped the country to reduce the trade deficit. Yet, with the prospect of EU enlargement, the likelihood of keeping the competitive edge of Belarusian products remaining in these markets is low, considering that a lion's share of Belarusian commodities is sold at dumping prices.

Problem areas of government control over the economy

Macroeconomic instability. As stated above, the economic policy implemented in Belarus throughout most of the last decade was not aimed at macroeconomic stability. Despite the reported 34-percent annual inflation for 2002 turning out to be at an all-time low for the independent country, Belarus experienced the highest depreciation of the national currency among the post-Soviet nations. However, attempts were made at a macroeconomic stabilization, but with each time that political stakes were getting high, the government pulled out of unpopular measures. The first realistic attempt was made in 1994 and 1995 following a 53.5-percent rise of consumer prices in August 1994. It was only then that Belarus started to put an independent monetary policy in place.

With the national currency established, the government began taking measures to prevent money supply from growing. Real-term interest rates reached a viable level, which was sufficient to keep monetary growth in the economy in check. An important component of the government's financial stabilization program consisted in fixing the ruble exchange rate to the US dollar at 11,500 rubles in March 1995. Since prices continue to rise, albeit at a relatively slow pace, and the National Bank sold convertible currencies to all willing buyers at a fixed rate, convertible currency demand lost its thrust and the foreign exchange market stabilized.

At the same time, against the background of a considerably slower price rise, contradictions emerged between the monetary policy of the time and the unreformed real economy. A fixed exchange rate in an inflationary environment spur-

red a growth of prices in US dollar terms. Due to the price factor, unreformed enterprises which manufactured obsolete, low quality products suffered from their competitive edge waning in effect. Late 1995 and early 1996 were the time of a major crisis for Belarus. Enterprises operated only two or three days a week, and hidden unemployment spread throughout the economy.

The government changed its economic priorities in 1996. Governmental agencies focused on supporting the real economy by trying to increase housing construction and agricultural output. Money-printing followed suit, and negative consequences were not long in coming. The CPI rose from 39.3 percent in 1996 to 63.1 percent in 1997, 181.7 percent in 1998, and 251.2 percent in 1999. Real-term interest rates turned negative again, and market forex rates escalated.

The task of keeping the lid on inflation was removed from the National Bank and delegated to the Ministry of Economy, which began to combat price hikes with administrative mechanisms available to it, such as capping markups, the industrial producer price index, prices for so-called 'consumer goods and services of general social import'. This resulted in consumer goods shortages, deteriorating quality, numerous price structure and financial flow deformations.

This state of affairs was further upsed by the fact that the National Bank's legal status prompted it to acting as a market player in the overall game of economic growth rather than safeguarding stability of the national currency. Due to its statutory reporting to the president and the Council of Ministers, the National Bank had to directly support a number of government programs for several years and extend low-interest loans to state-owned firms. Naturally, this led to general distrust in the country's banking sector, the assets of which in 2000 totaled slightly more than \$ 0.5 billion, i.e. the asset size of a Polish bank. In fact, banks served as an ancillary device in the life support system for the state-owned economic sector. A considerable rise in personal bank deposits was enabled only after real-term interest rates overshot the inflation rate again. It took several years for Belarusian authorities to accept the idea that there is immediate relationship between the rise in domestic lending and price hikes⁵³.

⁵³ The National Bank has and is continuing with a highly contradictory task for itself and other banks, i.e. increasing lending support in the economy and, simultaneously, restricting money supply,

In addition, due to the government's reluctance to curb climbing of forex rates, the National Bank effectively set its official rate plus those of commercial banks. In 1999, the official US dollar rate was three times below the then-black market rate, thus causing a severe convertible currency shortage in the country. For the necessary imports, such as energy resources, medicines, grain, sugar et al, the government required that the exporters sell a considerable part of their hard currency proceeds to the National Bank at the official exchange rate. Control was established over exports and imports. Thus, between 1996 and 1999, economic stabilization and liberalization were brought to a halt. The more the government interfered in the economy the more economic stability was lost, which only strengthened government pressure and exacerbated economic instability.

It was only at the end of 2000 that the government in fact recognized the unofficial ('black') market exchange rate as a the market's benchmark and gradually started raising the National Bank's official rate to match it. The government also restricted inflationary lending in financing agriculture sector and housing construction, and established strict money supply control. The National Bank's refinance rate was raised considerably, and real-term interest rates were jacked up above the inflation.

Macroeconomic stability prospects gained in viability in 2000 and 2001 in result of relative financial stabilization and waning inflation. However, the Belarusian economy proved to be unable to contain these processes even at this slow pace, as provided for in official economic programs. For instance, in the first quarter of 2003, consumer prices reportedly rose by more than 10 percent against an 18 to 24 percent forecast for the entire year. Moreover, the first six months of the year saw symptoms of loosening the macroeconomic discipline. The National Bank increased its direct lending to support the real economy. Given that, in April 2003, the president vested the government with an unrealistic task of reaching an eight-percent GDP growth per annum, prior years' inflationary methods are likely to be used again to boost the economy. Should this be the case, inflation will not take long to accelerate.

Monetarnaya Politika v Respublike Belarus (Monetary Policy in the Republic of Belarus), by I. Rusakevich, *The Belarusian Economy: From Market to Planning, 1995–2000*, Volume 1, p. 12.

Spurred by high inflation, the economy moved towards dollarization. Until recently, and especially before 2000, the Belarusian ruble was used by the people solely in routine daily transactions, with the trend lasting for several years. All larger transactions were made in convertible currencies, mostly the US dollar, or in Belarusian rubles with prices fixed in the dollar equivalent. Moreover, the Belarusian ruble was not much used for the purpose of saving. Personal bank deposits denominated in convertible currencies largely exceeded those in the Belarusian ruble. The situation changed notably only in 2001 and 2002, when a trend started for ruble-denominated bank deposit rates to be more appealing than foreign currency interest rates. However, there is a genuine threat that the Belarusian ruble's trend of the past two years to appreciate, where currency depreciation has been much slower than price rises, coupled with signs of the government's return to an inflationary monetary policy and the growing import surplus, may provoke a renewed steep decline of the Belarusian ruble in the immediate future.

Budget. Belarus' state system of finance is the main source of disequilibrium in the economy. The consolidated budget suffers from chronic deficit which is financed by inflationary methods. Table 8 illustrates a marked quasi-fiscal deficit which is several times above the externally reported figure of the 'official' deficit. In 2000 and 2001, owing to the National Bank's tighter monetary policy, quasi-fiscal transactions reduced in numbers. However, the practice of financing government expenditure from inflation-inducing revenue or, in plain terms, by reaching into people's pockets by spinning the money-printing press, has not been abandoned, yet.

Table 8. Official and Quasi-Fiscal Deficits

	1996	1997	1998	1999	2000
Official deficit	-1.9	-2.2	-2.4	-2.9	-0.6
Quasi-fiscal deficit	-3.4	-5.8	-5.0	-4.2	-0.9

Source: *Ekonomika Belarusi: Statistichesky Obzor (The Economy of Belarus: Statistical Review)*, by A. Chubryk, the Research Center for Privatization and Management Institute's Business School, Analytical Report No. 5, Minsk, September 2001.

The Belarusian government's fiscal policy has two distinguishing features. On the one hand, it is irrational in prioritizing government spending. This, above all, applies to social programs. With close to six million people entitled to various benefits, their average amount does not exceed a few dollars per capita. Consequently, government programs cannot cope with combating poverty. As seen in Table 9, the main path in income redistribution via the State and its social programs is 'from the poor to the rich', the only exception being subsidies to maintain low food prices that, at any rate, have been dramatically reduced lately.

Table 9. Distribution of Social Benefits to Households by Quintile Groups (Quintile groups ranked by the total amount of social benefits received)

Quintile group	Bottom	Second	Third	Fourth	Fifth
Food	2	3	1	4	5
Public transport	5	4	3	1	2
Public utilities	5	4	1	3	2
Drugs	5	4	2	3	1

Source: Choices for the Future, Belarus National Human Development Report 2000, p. 45.

The table ranks the quintile groups by amounts of social benefits received. For example, rating in 'Drugs' suggests that the highest consumption is attributed to the wealthiest and the lowest level to the poorest (the fifth quintile group).

On the other hand, this government's fiscal approach to all undertakings irrespective of their form of ownership results in a high level of taxation, approximately 40 percent of GDP. This, above all, stems from the large number of elevated taxes. There were a total of 39 various taxes at the national and local levels in 2001. That is why tax evasion has taken on mass scale; consequently, diligent taxpayers have to shoulder yet a heavier tax burden. In addition, the high level of taxation forces businesses into the shadow economy, which in certain sectors has already equaled the official economy in value terms.

**Table 10. Share of the Shadow Economy by Sector,
as a % of Official Levels***

Sector	Average percentage
Goods	55
Services	65
Construction	80
Trade	55
Transportation	66

* The percentage indicator shows the share of the shadow turnover in the sector against the official one. For instance, the construction sector's unofficial turnover totals 80 percent of figures captured in official statistics.

Source: *Usloviya dlya Chastnogo Biznesa v Belarusi (Conditions for Private Enterprise in Belarus)*, by P. Daneiko, *The Belarusian Economy: From Market to Planning, 1995–2000*, Privatization and Management Institute, Minsk, 2002.

Among other factors, this state of affairs is due to absence of a realistic approach in formulating and implementing the budgetary policy, as illustrated by frequent overestimates of the economic growth and budget revenue. The resulting budget gaps are mostly offset by new taxes and customs duties being launched, predatory customs methods and – a recent phenomenon – downright extortion of contributions from various social groups, from business owners to students.

The existence of special purpose undertakings that report to president's governmental agencies which in turn control the most lucrative financial and commodity flows, coupled with un-accountable presidential and off-budgetary funds – whereby the 'official' budget automatically loses a considerable part of lease proceeds – forces the government to tighten its budgetary and financial policy even further.

Methods of controlling the economy. Belarusian economic liberalization of the early 1990s was forced by pressure from the external environment and influen-

ced by examples of the neighboring countries. This may explain the government's indecision and half-hearted measures pursued in market-oriented reforms in Belarus. A large-scale price liberalization was in fact a knock-off effect of price liberalization in Russia with which Belarus shared the ruble zone at that time. However, despite declarations of moving towards free price formation in January 1992, prices for so-called 'goods of social import' such as bread, meat and dairy products, products for children, utilities and transportation – continued to be regulated. With economic ties severed with former USSR republics, foreign trade was liberalized at a relatively fast pace. At the same time, the Belarusian government was very reluctant in abandoning the centralized public procurements system for domestic market needs. Public procurements of industrial goods were eradicated in 1994, while the practice still continues in agricultural products and government control over the consumer/retail market. A large-scale economic liberalization promised by President Lukashenka in 2001 has in fact materialized only in the form of partial price liberalization. Between 1999 and 2003, the list of government-regulated prices was cut from 33 to eight items.

The government continues to throw stumbling blocks to the development of private enterprise. These include:

1. Lack of legal guarantees for private ownership and their relevant statutory regulation. However recognized – as officially asserted – private ownership does not enjoy true protection. Private and NGO property is subject to arbitrary confiscation by governmental agencies, as testified by the government's right to introduce its golden share in private companies and instances of its retro-active application, ordinances resulting in squeezing small-scale wholesale and retail operators from business with no compensation for the losses, President Lukashenka's decree allowing extrajudicial appropriation, orders to contribute property and funds as required by State needs, e.g. for sowing and harvesting campaigns, etc. This state of affairs discourages both domestic and foreign business communities from investing in the Belarusian economy.
2. Ambiguous, inconsistent, unpredictable and unstable regulations. For instance, there are about 280 laws, bylaws and ordinances that apply to

pricing. Fiscal and accounting regulations change several times in a year. This entails additional transaction expenses for conducting business. The situation is mainly due to the president's decision-making monopoly, as Lukashenka has usurped the right to issue edicts and decrees superior to laws passed by the legislature.

3. Excessive bureaucratization of the economy. The government continues to impose new barriers for starting-up private businesses. This may be illustrated by the need to obtain a license for ca. 180 types of business activities, and restrictions on private enterprise in sectors where the government endorses the interests of State monopolists.
4. Support for the predominant status of the state-owned sector. Statism in the Belarusian economy increasingly engenders crisis trends. Private business generates just over 20 percent of the country's GDP, i.e. the least among the region's transitional economies.

Denationalization and privatization peaked between 1991 and 1994, yet they were spontaneous and unorganized processes at the time. The government auctioned off enterprises or allowed for employees of a contractor-run enterprise to buy it out. Large enterprises were transformed into joint stock companies in which the government retained a stake, with the other shares distributed among the employees and put up for general sale.

Despite 1993 and 1994 being widely regarded as the golden age of Belarusian privatization, the years did not yield impressive results. A government program envisaged turning two-thirds of fixed assets in undertakings and organizations into non-State property in terms of value, including 10 percent in 1993. In reality, a paltry one percent of all State property was denationalized and privatized throughout year. In 1994, the government set out the ambitious target of privatizing 20 percent of all State property. However, after Alyaksandr Lukashenka's election for president that summer, the Belarusian authorities' approach to privatization changed radically. The Auditing Chamber started scrutinizing the rightness of privatization projects carried out in 1991 and 1992 according to standards established in 1994. Authorities started to annul municipal property auctions. By September 1994, about half of the targeted enterprises had been

withdrawn from the process of transformation into joint stock companies. Although Belarus' privatization did peak in 1994, only one-fourth of the targeted 20 percent of the fixed assets changed hands in result of the reform that year.

The following year, privatization was on the wane. In March 1995, the government revoked the licenses of all the 37 specialized investment funds set up to carry out coupon privatization. The president signed an edict titled 'On the Regulation of State Property Management', whereby all transactions involving State property exceeding 10,000 times the minimum monthly income required presidential endorsement. The State Property Ministry was thereby restricted in its powers. In the summer of 1995, due to the industrial sector's crisis, the trend was to re-nationalize. Employees of several joint stock companies who experienced pay delays petitioned the government to restore state ownership in their enterprises and provide them with support and preferential treatment. On January 1, 1998, the president proclaimed the State's right to the golden share that entitled the government to determining the corporate development strategy even with a minor public stake. The country's macroeconomic situation changed considerably. The government's inflation-inducing monetary policy and less rigorous tax and social security deductions from state-owned enterprises were conducive to preserving state-owned property status, which further abated the privatization process. A mere 94 enterprises changed their form of ownership in 2001, as compared to 177 in 2000, 307 in 1999, and 329 in 1998.

A total of 5,476 undertakings were reformed in terms of ownership between 1991 and 2001. Of this number, trade operators totaled 25.1 percent (1,372 entities), with 12.9 percent (707) in agricultural undertakings, 12.2 percent (670) in utilities, 10.4 percent (569) in industrial enterprises, 9.9 percent (536) in retail services, 4.9 percent (270) in public catering establishments, and two percent (112) in transport and communications.

In 2002, deceleration of inflation, increased fiscal pressure on businesses, rise in the real foreign exchange rate of the Belarusian ruble, increase in the dollar equivalent of monthly income, the resulting dampening of competitive strength, and greater numbers of unprofitable enterprises elicited renewed interest in ownership reforms, soliciting strategic investors and in privatization in

general. The government initiated joint stock company transformation of national petrochemical giants such as Azot and Khimvalakno in Hrodna, Palimir and Naftan in Navapolatsk, the Belshyna tire factory in Babruysk, the Horizont television factory and the Beltranshaz gas pipeline operator under pressure from Russia. However, the government is still reluctant to go ahead with privatization. In most cases, it offers small stakes for sale, intends to retain control over the enterprises by imposing numerous additional conditions for the prospective buyer. Some of these conditions seem absurd. For instance, Baltika, a leading Russian brewery, was told to build an ice-hockey arena 'for workers' when expressing interest in acquiring the Krynitsa brewery in Minsk. There is a realistic threat that if this approach to privatization continues, investors will be hard to come by in a few years, if at all, as the financial condition of enterprises due in for privatization deteriorates and their production facilities soon wear out.

Reform Incentives

Price of reform delays

Inevitably, the fundamental incentives in opting for an economic development strategy are driven by aspirations to attain higher living standards, establishing a favorable environment that would foster societal development founded on the well-being of each individual. As stated above, the existing economic model cannot contain these needs. This begs a question of what there is to be lost and won for Belarus if the country eschews economic reforms and preserves the existing economic model for as long as possible. In our opinion, key effects of shunning reforms are the following:

- A chronic lagging of Belarus behind developed Western countries and its immediate neighbors with starting conditions similar to those of Belarus of a few years past. Belarus has lost its reputation of the most rapidly developing former USSR republic; instead, since 2000, it ranks among the region's slowest economic growers. In 2001, it had the lowest economic growth rate among CIS countries. To prove the alleged Belarusian economic miracle, it has become common practice for government statisticians to compare Belarusian indicators with those of Russia to show advantages of the official economic course. However, the same approach may now be used to reveal the drawbacks and potential negative consequences of the strategy geared at putting reforms on hold. Economic stagnation will

- turn Belarus into a lesser developed, Third World-type country. Technology and know-how disparities between the nation's economy and those of the developed Western countries or even the neighboring nations will widen. Belarus has already begun losing the capacity to position itself in the international labor market and adapt to global economic processes. The country's economy is becoming highly exposed to external crises; in fact, it is turning into a transit Third World periphery, with all the economic ailments characteristic of such countries.
- Given the market orientation of the neighboring economies, the Belarusians' belief in the Soviet-style mode of living, fostered also throughout the last decade, and its possible continuation may be a fallacy. The government has already proven to be incapable of ensuring an appropriate degree of social security and subsidizing out-of-pocket payments for social services. Belarusians may find themselves in a situation where socialism is ultimately wiped out, and a market-based system spurring them to shoulder responsibility for their own living conditions and income is not yet established due to the current government's anti-market policies.
 - Belarusians will have to live in increasing poverty. In 2001 and 2002, the decline in living standards became increasingly noticeable. In January 2003 alone, real-term personal income dropped by some 10 percent. Given the financial standing of industrial giants, a sharp rise in unemployment seems inevitable. In these circumstances, degradation of the Belarusian society, a demographic crisis, self-destruction of the nation's intellectual potential and brain drain may potentially assume devastating proportions.

A market reform model: motivators behind the options

One important motivating factor in choosing an economic reform strategy is the desire to see an operating and efficient economy, capable of ensuring the country's sustainable development. Lessons learned from previous reforms in

post-Communist countries suggest that not all reform models may be best suited for achieving this goal.

Transitions of former socialist countries spawned two types of market economies. One of them can be defined as democratic capitalism. This economic system is mostly characterized by stable, transparent and fair rules of the game for all market players. It emerged in Central European and Baltic states whose political and economic systems copy patterns of Western democracies in their basic aspects. Success of these countries' economic models is attested by their accession to the European Union, OECD and NATO.

The basic precept for democratic capitalism is the individual whose well-being can be realistically achieved in an economic system founded on economic freedom and private ownership. Free market and private enterprise make up a system of incentives for participants of economic process that enable satisfaction of personal aspirations and interests of people by producing goods with value adequately determined in free exchange, this being the free market principle, and whose income and property are protected from confiscation, this being the principle of inviolability of private property. The main function of government in this system is to protect ownership rights and ensure compliance with contractual obligations, which sets the stage for a stable and predictable economic growth. The government's social function is anchored in the principle of assisting those who are in actual need of welfare, rather than in unsystematic distribution of resources which frequently enriches the wealthy and impoverishes the poor.

The other model born in transition is referred to as oligarchic capitalism. It is characteristic for government's excessive interference in the economy so as to further interests of a small group of people in power or those enjoying preferential treatment from government, as well as by widespread use of administrative methods in controlling economic processes. Oligarchic capitalism has taken root in Russia, the Ukraine, most of other CIS countries and some European countries. This model serves not so much general public interests as those of a certain group of people claiming the right to speak on public behalf who amalgamate with State bureaucracy by using mechanisms of clientage and corruption.

Oligarchic capitalism is spawned mainly by half-hearted, 'doctored' economic reforms. Unlike the comprehensive economic reforms which breed a system of well-founded economic motivators for individuals and undertakings, warrant circulation of unbiased information on the economic situation and establish risk-reducing institutional mechanisms, 'doctored' reforms result in there being a hybrid model with features of a market economy, albeit in a system of business incentives suggesting that the success of private enterprise depends almost entirely on 'snouts at the trough' strategies, access to distribution of public funds and resources that may fall into private hands only by bureaucratic permission. This system dampens motivation for creative work, as all undertakings thus fall into two categories: those on the receiving end of government privileges and those cramped by the government for the benefit of the privileged. It is precisely this model that engenders the notorious practice in Russia of delaying payments to doctors and teachers despite oil prices (Russia's key export commodity) currently standing at \$30 per barrel, in a country boasting its billionaires. Belarus' incorporation into the Russian Federation will i.a. lead to entrenching the model of oligarchic capitalism, thus dooming the nation for Third World status for years to come, if not permanently.

The pro-European option and European integration as an incentive for economic reforms

Europeanization of the Belarusian economic model is the fundamental factor enabling a civilized pro-European choice for Belarus. The European integration of Belarus cannot happen without restructuring the economy and public governance aimed at facilitating complete integration with the European economic space. This goal could be achieved through an economic strategy aimed at establishing a functional market economy capable of sustaining competitive pressure in the single European market. Internal adoption of EU laws would cause domestic economic processes to be regulated along the same standards as in the European Union. In macroeconomic policy terms, the country's monetary and lending system should meet the criteria set for accession to the

European Monetary Union. These are the following: high degree of price stability (with deviations not exceeding 1.5 percent of the average European level), capping public debt at 60 percent of GDP, stable interest rates and a stable exchange rate.

Certainly, there are hindrances on Belarus' way towards Europe. The main ones are inherent in the country. To join the European home of nations, it is necessary to ensure that its values, rules and standards become common practice and part of tradition in Belarus. This is a complicated and lengthy process requiring strong political will inside the country as well as the government's consistent efforts in enacting proper laws and establishing adequate political and market institutions. Another barrier is on the European Union's side. The difficulty of the task is due to the fact that the Belarusian public will have to overcome EU skepticism about this country. However, it is possible if, above all, the Belarusian society becomes inherently European, i.e. reaches civilization and cultural standards characteristic of any democratic country with a market economy and due respect for democratic freedoms and human rights.

Major factors that will determine ways of rapprochement between Belarus and the European Union will include the presence of political will in the country to go ahead with radical economic reforms. If this is in place, Belarus will be able to have an efficient economy capable of ensuring long-term economic growth.

In this event, the nation might choose between joining the EU and building its relations with it, as does Norway for instance. However, in either case the country's alignment with European laws would proceed rather quickly. Adoption of some of the *acquis communautaire* that would negatively impact business incentives could be postponed, or it could be adopted in more liberal versions. Adoption of European laws, or the opportunity to assume responsibilities of an EU member state, i.e. application of the *acquis communautaire*, would not only mean that Belarus may enjoy membership in the Union but also, if not chiefly, that the country has put an efficient economic policy to work.

The goal of ensuring sustainable development of Belarus and the country's Europeanization would be attained if the country adopts an economic strategy based on the following principles:

- **Market economy.** In the future, the Belarusian economic model should certainly be based on the tenets of private ownership and free market. This implies maximum privatization of state-owned property and curbing government interference in the economy. Low living standards on the one hand and global economic realities, of which Belarus will inevitably be part on the other, suggest that the country will not have strong government, which currently redistributes up to 50 percent of GDP, especially given that the Belarusian economy is yet to receive powerful impetus for a civilized development. In the foreseeable future, Belarus is likely to have to diminish the role of government, whose interference in the economy would whittle down to a few basic functions plus an inconsiderable role of welfare provider.
- **Openness.** Being a small economy, Belarus will have to be integrated with the international market. Its ability for successful adaptation to a highly competitive market environment will depend on the degree to which the government's economic policy will promote international integration, open the country for trade and investments, free movement of goods, services and capital. An economic strategy based on aspirations to autocracy, domestic market protection, import restrictions, and excessive expectations for public support would be a dead-end policy sidetracking the economy into stagnation.
- **Competitiveness.** This implies economic de-monopolization and furthest possible reduction of government intervention otherwise aimed at restricting business operations, nurturing and keeping 'national champions' afloat and supporting selected companies. Competitiveness of the Belarusian economy is the pre-condition for enhancing competitive strength of undertakings by fostering a system of incentives geared at stepping up efforts in productivity, investments and innovation.

With these conditions in place, public oversight in the economy should be based on the following principles:

- **Rule of law.** Economic processes should be regulated by acts of Parliament, rather than bureaucratic directives of the executive. The govern-

ment's key function should be to safeguard ownership rights and fulfil contractual obligations.

- **Transparency.** An economy can be efficient only if it functions on a level playing field for all undertakings. Decision-making in the economic policy should be transparent and accountable to the general public instead of being hinged on isolated interests of those closely connected to bureaucrats who leverage government's intervention in the economy for furthering their own business agenda. Discretionary powers of the State machinery, such as the arbitrary right to grant various privileges and concessions, state aid, access to public resources etc. should be minimized.
- **Stable and predictable regulations.** Undertakings operating in a market environment should be rid of excessive transactional expenses due to frequent and arbitrary changes in regulations governing business activity.

These principles are implementable only in an efficient democratic system warranted by genuinely independent legislative and judicial powers, and with public oversight of political process.

2

An Ideal Economic Model for Belarus

by Uladzimer Kalupaieu
and Uladzimer Valetka

Below is a description and clarification of a market economy model that is alternative to the one currently in force in Belarus. The proposed model envisages tapping into the country's domestic potential and latent opportunities; it is underpinned by the principle of an open economy. It would enable FDI flows into the Belarusian economy and ensure its growth within the shortest possible time, thereby raising living standards.

Economic reform objective

The need for economic reform ensues from the fact that, with ongoing liberalization in international economic relations, closed economies i.e. those lacking modern technologies and management methods are fundamentally unable to compete with developed countries in domestic and international markets alike. With economic openness, conformity to patterns of international division of labor and high asset productivity as pre-conditions, high living standards may be a reality.

To achieve such living standards is the main objective for Belarusian economic reforms.

Fundamental economic model principles:

- economic efficiency, which cannot be attained without a free market and private ownership. One of the necessary conditions in this regard is a har-

monious interaction between the government and market players, where the government contributes to enhancing efficiency of market operations by setting up an appropriate legal framework and market economy infrastructure.

- free competition; above all, this implies free market access for undertakings, guarantees for and protection of a level playing field for all market players. This leads to legalizing ‘shadow’ businesses and abolishing preferences enjoyed by ‘law-abiding’ state-owned enterprises.
- maximum openness, meaning not only transparency of limits to enterprise, but also openness in a broader context of traditions, business practice and the law, as technological progress is contingent on harmony in political and economic relations.

In addition, this model calls for undertaking an efficient social policy which should be purpose-specific to the maximum possible degree and tied to the degree of economic performance. In general terms, this implies the priority of generating the nation’s wealth over its distribution.

In the proposed model, a market economy is primarily viewed as safeguarded economic freedom that manifests itself in:

- the right to increase personal wealth at one’s discretion (freedom of consumption);
- the business owner’s right to use their time, labor, funds and entrepreneurial skills at their discretion (freedom of business, freedom of choosing occupation and place of work, freedom to use property);
- the right of entrepreneurs to manufacture and sell goods at their own risk (freedom to manufacture and trade);
- the right of each buyer and seller of goods or services to achieve the desired purpose (freedom of competition).

These freedoms may only be limited in cases of breach of third sector’s rights, constitutional provisions or legally established civilized rules of the game for engaging in business.

As expounded on in Sections 1–4 above, the legal framework in this economic model should contain provisions that foster choices and are related to the

flow of goods, free movement of people, freedom to provide services and liberalization of capital flows.

One fundamental principle for this economic model is that economic freedom is an integral part of political freedom, and only in a developed democracy can one assess, formulate and modify business-related provisions and regulations that prove inefficient in business practice. Economic freedoms should also be combined with responsibilities: the government should be responsible for economic policy-making and stable market operation; the National Bank should ensure a stable currency, and private businesses ought to focus on results of their economic operations.

The essence of the described model is in multiple exercise of the fundamental business transaction – that of buying and selling to mutual benefit of the parties. For this purpose, it is necessary to enable the following:

Firstly, both the seller and the buyer should know what it is exactly that they possess and what they can acquire. This calls for specifying and protecting the ownership rights system by means of the law.

Secondly, there is a need for certain formalized transaction methods to be put into place that ensure performance of buy and sell contracts, and settlement of resulting disputes. For this, there should be contracts, laws, courts, a commercial code, etc.

Thirdly, it is necessary to keep account of what market participants transact, hence the need for a system of accounts and records allowing for monitoring asset and liability movements, corporate earnings, revenue, expenses and profit trends.

Fourthly, in order to avoid barter, which dampens manufacturing productivity and prevents adequate evaluation of changes in customer needs, market participants should have a stable currency acting as legal tender, accounting measure and means of accumulating wealth.

Putting the aforementioned conditions in place by government, combined with further development of market relations, will bring about a developed banking and financial system which will ensure the operation of businesses and insurance and advertising industries.

Thus, successful development of a market economy requires stable and efficient basic market components such as competition, the institution of ownership, small businesses, a banking sector with sufficient lending resources, flexible labor and capital markets, labor market movements, a stock market, pension and investment funds, etc.

A stable and transparent operation of these market infrastructure components and the enactment of unambiguous laws and regulations to govern economic activities will contribute to minimizing expenses related to conducting lawful business transactions (transaction expenditure).

The role of government

Regulations that govern the operation of market players will be developed with maximum participation of the Parliament and non-governmental organizations, rather than merely ministries and other governmental agencies that are not interested in increasing their current regulatory workload or being truly accountable for the documents they issue. To prevent the cost of setting up and running a legal framework that governs business operations from exceeding their actual economic effect, plans are designed to achieve maximum clarity and transparency of the legal framework and market institutions, and to clearly describe and specify government functions.

Peculiarities of reform

Many Belarusians believe that it is easier to endure financial hardship in a non-market economy than in a market one on the premise that ‘we’re all in this together’. The economic policy pursued by current government contributes much to tenacity of this conviction.

Belarusians will not be able to discard this stereotype without an economic revival and effective implantation of market institutions and principles in all their relevant aspects.

In contrast to the idea of market relations as stated before, the focus is on a broader interpretation of their social function, ensured both by normative ele-

ments (the constitution, general rights, laws, system of regulations) and informal methods of enforcing market rules.

Aside from limitations inherent in an economy (limited resources), legally set standards and limitations should establish a system of economic incentives and trends for efficient economic growth.

Entrepreneurship and the ability to learn are long-lasting personal qualities and Belarusians certainly have not lost them. Yet, decades of the Communist rule have distorted notions and standards characteristic of market behavior. In order to truly embed standards of market behavior, effective statutory mechanisms must be laid down to discourage disruption of market relations. This primarily calls for a judicial system reform with a view to restoring public trust in the law, confidence in its effective operation and enforcing accountability for one's acts. If a power, especially the judiciary, is not competent and independent, enacting good laws will help little if slack compliance undermines confidence in them.

The civil service reform is yet another prerequisite for economic transformations; it should be embarked on to warrant loyalty and stability of state machinery in implementing reforms and stabilization efforts. Measures should be taken to improve skills of government officials and reduce their numbers. Financial incentives to civil servants would be an important factor in increasing their liability for consistent implementation of economic policies and regulations.

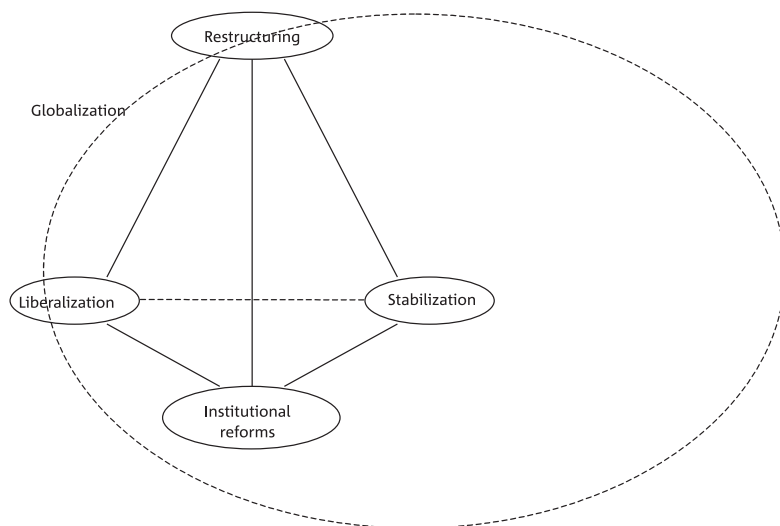
Consequently, undertakings would be issued with established rules of the game that would prevent profiteering at the customer's expense. Failure to comply would entail business closure.

The model's fundamental ideas and long-term advantages would be communicated to the general public via the media, schools and at training and retraining courses. The objective is to encourage business initiatives in people that run counter to expectations of better living standards being provided by the State, rather than individual work and entrepreneurial efforts. Initially, it is necessary to research possible ways of arguing with the general public to explain who benefits from the absence of market mechanisms and is interested in preserving low transaction costs. The government would vow accountability for reforms and publish a program with measures to alleviate their social consequences.

Reform program

Implementation of an economic model, once selected, entails the following reformist actions: 1) liberalization of economic relations; 2) institutional reforms and establishment of a system that complies with market economy principles; 3) macroeconomic stabilization; 4) structural transformation of the manufacturing sector and the economy at large. All elements of the transformation impact one another simultaneously, are influenced by other areas and aspects of reforms (so-called transformation tetrahedron).

Illustration. Market Reform Directions in a Globalized Environment



Effective structural transformations in the economy would only be possible as a result of successful implementation of other types of reforms. In addition, all transformation efforts are subject to controversial influence of globalization.

In all the aforementioned aspects, reforming implies relentless and consistent rapprochement to a liberal market economy through methodical continuation of previously started reforms.

Liberalization should include:

- ultimate abolition of remaining administrative centralized control of the economy, transition to planning at the level of undertakings, optimized operation of governmental agencies (e.g. currently, there exist seven concerns and three ministries governing the operation of 2,500 enterprises in the industrial sector alone);
- business deregulation, i.e. exercise of the principles underlying the freedom of establishment, level playing field, and competition among market participants regardless of ownership status;
- transition to deregulated pricing, including ‘prices of goods of social import’; gradual increase of out-of-pocket payments for utilities and public transportation to match 100 percent of the cost, with parallel reduction of government spending for these sectors. Prices fixed by natural monopolies would be under public control. Public procurements would be allowed only if made at market prices;
- elimination of various State monopolies including utility services, transportation, energy supply, healthcare and education by means of privatization and free access of private operators to these sectors;
- foreign trade liberalization, abolition of import duty on foods, reduction of import duty on other goods from 10–12 percent to the average prevalent in EU member states and WTO (four to six percent); elimination of non-tariff foreign trade restrictions such as licensing, quotas, complicated procedures for certification, transportation, etc.; recognition of international standards and quality certificates;
- freedom of wealth formation and use of disposable income;
- expansion of the free market area by developing markets other than for goods and services: labor, real estate, capital, information, advertising, insurance and social services.

The objective for liberalization is to lay foundations for market self-regulation, itself the basis for fostering competition as the most efficient system of distributing resources, encourage efforts to improve the quality of goods and services and increase efficiency in the use of manufacturing assets, and turn effective demand into the single most important regulator of growth rate and output mix.

To ensure that market players enjoy economic freedoms for the consumer's benefit and do so in the most efficient way, it is necessary to reach macro-economic stabilization along with institutional reforms in the economic system that sets out rules of the game.

Market institutions and infrastructure should develop along the following lines.

1. Privatization (reform of ownership relations) and establishment of an efficient system to protect owners' rights, effective creation of a land market and housing privatization.

The privatization concept. Regulation of ownership relations and establishing rules to be applied in State property restructuring and privatization is key at the time of market transformation. If restructuring does not bring about its logical effect, i.e. emergence of a competent owner, a reasonable economic policy is out of the question because any economic policy in that case would be detrimental to the economic interests of that kind of owners in effect. By seizing a market niche, such an owner is ready to reinvest their earnings and may be partnered with the government in industrial restructuring.

The emergence of a competent owner is currently impeded in Belarus by:

- procrastinated privatization, or sectoral agencies' efforts to slow down the ownership reform in enterprises within their remit, as privatization narrows the scope of undertakings under their control. Only 25 out of the initial 145 state-owned enterprises (17 percent) were restructured in 2001 against 44 percent in 2000, and 62 percent in 1999;
- flawed and unstable regulations that govern private enterprise;
- flawed regulations governing privatization (limited methods, no levers against state-owned enterprise managers' efforts to hamper privatization,

questionable asset valuation and property appraisal system, imposition of a heavy social/welfare burden on new owners);

- government intentions to use privatization proceeds merely to solve current financial and other problems, particular to bridge budget gaps or dispose of unprofitable plants.

However, privatization is the best method for economic recovery, as private investors are the ones most capable of analyzing market opportunities in the most adequate manner.

The following privatization rules could be proposed:

- viable medium-sized and large state-owned enterprises should be restructured and privatized under the supervision of a special agency accountable to the Parliament (for instance, the Privatization Department) and reporting to the relevant sectoral ministry;
- Uncompetitive, resource-intensive and environmentally hazardous enterprises should be shut down. This also applies to inefficient links in technological chains that may be substituted by foreign suppliers. This should be a gradual process the social consequences of which should be alleviated at every opportunity.

To privatize consistently, it is necessary to:

- prioritize the Privatization Law over all other acts governing privatization;
- abandon the approach to transforming state-owned firms into government-controlled joint stock companies whereby it is seen as special and ultimate form of denationalization; rather, it should be regarded as an interim privatization stage;
- ensure efficient application of the bankruptcy procedure to guarantee that the bankrupt enterprises and entities interested in keeping them afloat will be able to use all economically viable methods to continue manufacturing and other types of business;
- opt for ‘cash’ privatization on a competitive basis as the main privatization method; refrain from granting any privileges to employees of companies under privatization. In tune with the principles of market econo-

my and justice, it is necessary to ensure that '*mayomast*' (property) privatization coupons are used as a means for investment solely at auctions, along with the underlying funds, rather than exchanged for shares at par. In addition, it would be advisable to allow the use of '*mayomast*' coupons for privatizing housing stock by tenants.

- lift the ban on the sale of shares previously acquired by private individuals on preferential terms, abolish the golden share rights;
- simplify the privatization procedure. Existence of two separate agencies for restructuring and sectoral issues is by no means justifiable. Insofar as possible, the role of governmental agencies must be reduced as, by the sheer virtue of controlling entities, they are not interested in seeing them privatized. The right to the final decision to privatize should be delegated to the Privatization Department which could be established as a successor to the Department for State Property Management at Ministry of the Economy;
- ensure a level playing field in privatization rights for foreign and domestic players. Should the new owner guarantee capital expenditure on fixed assets, the asking price of the enterprise due for privatization could be reduced;
- allow potential new owners to use borrowed funds for privatization purposes;
- promote market valuation of enterprises under privatization by appraisers independent from potential buyers and the government. Enterprises with a market value close to zero should be sold for a token payment;
- reduce to three years the deadline for petitioning for contracts to be ruled void.

Efficiency of reforms aimed at stabilization largely depends on underlying financial support. That is why cash privatization proceeds should be collected in a special privatization fund that should be part of budget revenue. Proceeds from this fund and foreign loans would be used for social reforms, stabilization measures, and increasing foreign assets in the banking sector. At the same time, high debt would impede growth in privatized enterprises. In order to offset mu-

tual debt between enterprises, the Privatization Department should develop a system for debt payment by enterprises with a more stable financial position, i.e. those where receivables exceed payables. Debt could also be settled from proceeds of the privatization fund, whose additional source of finance would come from asset sales of bankrupt enterprises.

Trade arrears in enterprises where payables exceed receivables could be netted by offering a stake in these indebted enterprises to commercial banks, should they find it beneficial. In exchange for loan payments due, the lending banks would be given shares. It would be advisable to restrict participation of government-controlled banks in these transactions.

2. Land Reform. The objective of land reform is to create conditions for farmers to choose forms and methods of land management, to be provided for by the Land Code. Private ownership of land would be introduced. In rural areas, land and other assets would be handed over to private owners with no compensation by means of distribution in the form of land and property shares. New owners would have the right to:

- a) quit the collective or state farm, withdraw their land and property shares, start their own farms or joint agricultural undertakings;
- b) delegate the right to manage their property to a newly elected management of an agricultural cooperative replacing the local collective farm, with the prospect of receiving a share in the profit generated by management of business,
- c) lease out their land and property shares,
- d) sell their shares.

Land Register (cadastre) appraisal of the country's land resources would be completed. Owners who possess land in excess of an established standard (one to three hectares) would pay property tax of no less than two percent of the land market value irrespective of land use.

Institutional measures

The government would regulate business activities, i.e. develop and enact regulations to establish rules of behavior and relationships among market partici-

pants in production, financial, external economic and other relations, for which it is necessary to adjust the civil, commercial, fiscal, budget and land codes. This would eventually lead to laying down business rules in tune with market economy principles, including the legal basis for protecting ownership, for bankruptcy, competition, antimonopoly activity, protection of rights of investors and contracting parties, insurance business, etc. All ownership rights should be firmly warranted by the law, safeguarded from breach and protected by the State.

The government would promote genuine competition in the economy at large, a natural stimulus for businesses to improving the quality of products, increase output, boost labor productivity, reduce primary costs and lower prices. Regulations concerning state competition policy should above all govern agreements concluded with a view to restricting market access and operation of state monopolies and state-owned enterprises that enjoy preferential treatment.

In this regard, the government would harmonize the 1990 Law 'On Enterprises in the Republic of Belarus' with international standards and enact regulations governing intellectual property rights.

An economic and legal environment would be established for the growth of market participants well adapted to market conditions and able to operate in a market environment efficiently. These include undertakings, research and development organizations, banks and investment funds, stock exchanges, brokerage houses, dealerships, employment centers, insurance companies, social security and pension funds, auditing and consulting companies, advertising agencies, etc. The government would facilitate market access for newly established undertakings, i.a. by way of a simple notification principle in registering small businesses.

Institutions and new rules would be established for implementing the State's social and economic policies at various levels of government (national, regional, and local). The main objective here would be to develop local government and self-management, delegate powers to this level along with funds necessary to solve local problems and satisfy major social and economic needs of local communities.

The government would establish and foster non-State bodies for regulating the economy and the market, such as trade unions, business community, con-

sumer organizations, scientific associations, etc; develop international institutions, improve the system for staff training and retraining with a view to developing a sense of responsibility for personal career among labor market participants who would be capable of thinking strategically, operating in a global market environment and oriented towards innovation in production.

It should be borne in mind that liberalization measures geared to reform the economic system may be embarked on instantly, e.g. import duty could be abolished as soon as a law is enacted to this effect, whereas institutional transformations are a medium-term process at the least. To prepare and comprehensively examine institutional innovation, put it to effect, detect and remove shortcomings, establish efficient market institutions is a time-consuming effort. Reform of the real economy, i.e. restructuring of the manufacturing sector, is the lengthiest part of reforms. Changes should be instituted in parallel and according to a systematic program.

The length of transformation depends in equal measure on efficient establishment of market institutions and macroeconomic stabilization, to be conducted in parallel to launching the market institutions.

Stabilization

The following actions should be taken to stabilize the economy:

- a) price reform;
- b) currency reform and a sustainable monetary policy;
- c) tax reform and a balanced fiscal policy;
- d) a market-oriented income policy.

Ad a). Price reform

No government can fully satisfy consumer demand and please all consumers. Absence of an effective price system prevents consumer preferences from being identified. The goal of the price reform is to deregulate prices and limit administrative intervention in the economy. The government should retain control over electricity, gas, heating, public transport and telecommunications prices for some time. Prices will differ depending on consumer groups and the

level of consumption. Electricity and heating rates to the residential segment will be higher than those for industrial consumers. Yet, simultaneously, subsidies to manufacturers will be replaced by household subsidies which will be phased out as incomes increase. In result of the reform, subsidized and market-based prices will gradually approximate the same level.

Ad b). Currency reform and monetary policy

A strong national currency is a pre-requisite for achieving economic growth and competitiveness, and for consolidating positions in the global marketplace. A government-forced growth of output via currency depreciation will not help to address the main issue of overcoming technological backwardness, boost productivity and set the stage for raising living standards.

Belarus is the only former Soviet republic lacking a truly sovereign national currency; in fact, preparations are underway for replacing it with a foreign currency. The country has no treasury to speak of since the annual inflation has been in excess of 30 percent ever since Belarus gained independence. The lending system is underdeveloped because of the ruble depreciation.

Since expectations concerning the inflation and depreciation of the ruble are high and set to continue, the main criterion for selecting a monetary policy should be its efficiency in achieving monetary stability.

This is possible by adopting a strict currency board regime. The National Bank should stop printing money. To make this regime effective, the currency board holds foreign currency reserves (or gold or some other liquid asset) at a fixed exchange rate equal to at least 100% of the domestic currency's value. The central bank may issue currency only for converting domestic into foreign currency. When buying foreign currency to support the ruble, the National Bank withdraws the corresponding amount from circulation. This will help to approximate domestic inflation and interest rates to those of the country whose currency the ruble is pegged to.

The currency board should be established by the law 'On Stable National Currency', which would ban government interference in monetary policies. This would prevent the government from demanding loans supporting the economy when monetary policies are tightened.

High inflation in Belarus is not attributable to monetary factors alone. It is also related to high manufacturing costs resulting from lack of competition, non-productive manufacturing technologies, excessive fixed asset depreciation, insolvency crisis and barter settlements.

The currency board system should be accompanied by a fiscal reform, tight budgetary constraints on undertakings and adoption of a balanced budget to prevent Belarusian goods from losing their price-related competitive edge.

There are two relatively stable currencies, the dollar and the euro, to which the Belarusian currency can be pegged. Although the US dollar dominated Belarus' foreign trade in the last decade, it is time for the National Bank to peg the ruble to the euro and conclude a currency board agreement with the European Central Bank.

Over the past few years, Belarus' economy has been slowly shifting from dollarization to euro-ization. Belarus' foreign trade is focusing on European markets: in 1997-2000, Europe accounted for 70 percent of Belarus' foreign trade with EU members, with candidate countries totaling as much as 30 percent.

With the start of real-term privatization and structural reforms, Belarus will be gradually involved in European political and economic integration. Trade with the EU will rise, while exchange with economically retarded CIS countries will be on the wane. The share of euro-denominated forex transactions will grow. The euro peg will become an effective mechanism for spurring Belarus' euro market and help to restore the Belarusian ruble as the currency of choice for households and businesses.

The potential of this monetary policy will be easier to fully realize as the financial system develops, and financial institutions, the currency and the stock exchange function more effectively.

Ad c). Tax reform and fiscal policies

The adjustment of public finance to market economy requirements should proceed in parallel with currency stabilization and tight budgetary constraints on undertakings. This is a crucial phase in stabilization as economic liberalization and market openness call for structural reforms and trigger off bankruptcies resulting in a sharp drop in inland revenue from the public sec-

tor. At the same time, the government will need to spend heavily on reforming the system for public governance, developing market infrastructure, supporting social service establishments, and providing unemployment benefits for redundant workers as the unemployment rate may hit 20 percent (1 million people) in the reform's first year. To avert a fiscal crisis which may be caused by declining output and tax revenue, the government will need to resort to cuts in spending, provide transparency in expenditure, phase out hidden subsidies such as arrears, barter transactions, subsidized household utility rates or cross-subsidies among various consumers groups designed to keep unprofitable operators afloat.

The fiscal reform should establish a mechanism for identifying and separating revenue and expenditure, ensuring budgeting transparency at all levels, impose legal budget deficit caps, and enhance the role of direct taxation in order to provide local budgets with greater financial independence.

To boost tax revenue, the government may expand the taxation base and sell state-owned enterprises. The government would have to stop supporting state-owned agro-industrial conglomerates (support there totaled 32 percent of GDP in 2002), and stop financing housing development with public money.

Unfinished housing construction and other projects with over three years in implementation and less than a 70-percent completion rate should be frozen. The government will need to cut numbers of army servicemen and expenditure on governmental institutions and the defense.

It would be advisable to deprive the government of the right to award undertakings with tax and customs duty exemptions. The parliament alone should have the right to approve exemptions when adopting the annual budget.

The reform should lead to fiscal decentralization and greater financial independence of local authorities. Utility companies should pay all taxes to local budgets. This would encourage local governments to adopting utility sector restructuring programs, expand the taxation base and develop local infrastructure.

The current tax system consists of 36 taxes collected by central and local budgets. The overall fiscal burden (incl. social security contributions) nears 50 percent.

The current fiscal system has the following drawbacks:

- it slows down economic growth;
- dampens the job creation potential among individuals and undertakings;
- does not encourage business owners to paying taxes and legalize their income; instead, it forces them into the shadow economy;
- creates conditions for unfair competition;
- impairs the competitive edge in business;
- slows down structural reforms;
- discourages foreign investors.

The tax reform and fiscal policies should be in line with the following principles:

- taxes should play an exclusively fiscal role, i.e. should guarantee collection of funds to finance public expenses. They should not be used as a means to adjust industrial output;
- neutrality and equitable treatment (all should pay taxes with no exception);
- the tax burden should not slow down economic growth;
- efficient administration (tax collection cost should be limited);
- simplicity and transparency (the purpose of taxes should be clear and the public should know how tax revenue is spent);
- single taxation (the same taxation base should not be taxed several times).

The government should reduce the overall tax burden and cut spending. The following taxes should remain in place after the tax reform:

- personal income tax;
- social tax;
- property tax;
- value-added tax (VAT) on goods and services;
- excise;
- customs duty.

It is necessary to adopt a pro-rata income tax to encourage business. During stabilization, it would be reasonable to set a higher property tax to achieve optimum distribution of tax revenue. As financial stability is achieved and emergence of the middle class is fostered, the government should seek to lower the property tax and customs duties, followed by reducing other taxes.

In particular, the standard VAT rate should be gradually reduced to 16–18 percent, while income tax rates should be cut to 10–15 percent. The overall tax burden on salaries should drop from 40 to 30 percent.

Early steps should include abandoning the 2.5-percent tax collected by local funds to support agricultural producers, and the 2-percent tax collected at the central level to support agricultural producers and agrarian sciences. A 1-percent cut in these taxes reduces the overall tax burden by 1.3–1.5 percent.

To make it easier for Belarusian companies to operate in international markets, inland revenue authorities should be prepared to cooperate with their opposite numbers in EU member states. In particular, lawmakers should bear in mind that indirect taxes (VAT and excise) and their collection principles are harmonized by various EU regulations. The same holds true for the direct capital gains tax.

Ad d). Income policies

To support financial stabilization, it is necessary to freeze wages and salaries so as to ease inflationary pressures (stop wages and prices from spiraling). The government should guarantee minimum income for vulnerable groups and make sure that its rise will be mirrored by an adequate rise in productivity. The government needs to set an acceptable rate of unemployment benefits to add transparency and predictability to the labor market. Unemployment benefits should be paid no longer than six months per year. It is necessary to stop payments of social benefits for those who do not need them. Wage increases should be related to greater productivity. To be able to earn additional income, households should have an opportunity to choose between keeping their savings in banks and entrusting them to institutional investors. Individuals should be guaranteed the right to divest shares regardless of the terms and conditions on which they were acquired.

Structural reform strategy

Stabilization, liberalization and the establishment of market institutions are preconditions for an effective structural economic reform, raising economic efficiency and living standards.

The real economy

Economic reform implies step-by-step implementation of the following objectives:

- financial and macroeconomic stabilization – curb inflation by pursuing sound monetary policies that rule out unsubstantiated money-printing practices and are conducive to monetization of the economy (insufficient liquidity in the real economy is an obstacle to a smooth self-adjustment of market mechanisms); offset overdue debt (the government pays the amounts due to companies from funds raised by selling property of bankrupt operators);
- create an environment for economic growth (competition and higher mobility of resources as enabled by various types of exchange), improve investment and depreciation policies, radical change in manufactured goods and services mix (restructuring), award public contracts via competitive procedures;
- integrate the national economy with the international labor market – join the WTO, phase out tariff restrictions, lift non-tariff restrictions, allow foreign companies to participate in tenders for public procurements, improve customs clearance procedures, and obtain an international credit rating;
- create a setting for sustainable development and adoption of environmental standards, develop the small business sector and the transport and tourism infrastructure, and diversify energy supplies;
- create scientific, technical and social preconditions for the economy's transition into the postindustrial (information) stage of development: train highly skilled employees, motivate researchers to integrating with

the manufacturing sector, raise the share of R&D spending from 0.9 percent of GDP today to 1.8–2 percent of GDP (the average R&D spending in EU countries).

State aid to enterprises should be based on the following principles:

- Financial support should be limited. The government along with other parties concerned may partially finance R&D, and R&D-intensive, environmental, and regional infrastructure development projects.
- State aid should be transparent and subject to close and permanent scrutiny.

Industrial policies

The main principle underlying industrial policies is to avoid putting the spanner in the works of market mechanisms. Therefore, the industrial policy concept should underscore its systemic nature and orientation towards fostering a general environment for economic growth.

Industrial policies should not be targeted at specific industries, undertakings or regions, but equally affect all market participants that constitute the economic, institutional, organizational and legal environment for their efficient operation. These policies will be pursued mainly at the macroeconomic level.

Their purpose will be to warrant a level playing field for all players, as assisted by financial stabilization and privatization.

Industrial policies should provide for organizational and financial assistance in restructuring enterprises that are fundamental for the economy of towns and cities.

Methods of pursuing industrial policies

Informational methods. The government must provide businesses with scientifically substantiated statistics on the business environment, including the global dimension, so that they may opt for better manufacturing, investment, innovation and trade solutions. The public should have access to economy, industry and regional surveys, forecasts, market research and consulting services.

Macroeconomic regulation methods should be aimed at maintaining financial stability, reducing the budget deficit and inflation and strengthening the national currency.

Resource methods pertain to the system of government contracts in the first place, and also to the formation of investment and export risk insurance funds, personnel training and retraining, and social security guarantees.

Institutional methods should adjust and improve the system as a whole. Use of institutional methods does not imply spending to support the system's constituent parts such as industries, undertakings and regions, but rather provide legal guarantees for labor relations.

The above-mentioned reforms (liberalization, institutionalization and stabilization) should provide an environment for restructuring the industries. The government should be equipped with a restructuring concept in order to limit line ministries' ability to lobby their interests by introducing additional taxes, extending soft loans, imposing import quotas etc. In this respect, it is necessary to point to an integral criterion of restructuring efficiency, this being a rise in manufacturing asset productivity, i.e. increase in the number of undertakings with above-average productivity or return on investments. The manufacturing asset productivity would be higher if products were competitive and in continuous demand in the domestic and foreign markets.

Obstacles to restructuring

There are three types of obstacles that should be overcome for a successful restructuring of the real economy. These are:

- Institutional constraints resulting from non-systemic reforms: lack of competition and well-developed fundamental market institutions such as owners, the SME sector, the banking sector with sufficient lending resources, flexible capital and labor force markets etc. The current ambiguous legal framework complicates business operation and decision-making at the micro-level, increases transaction costs and impairs competitiveness.
- Financial constraints manifest themselves in a shortage of investments and ineffective use of available capital. An open economy, stable legislation, and

- a low tax burden would attract foreign direct investments and loans and induce the government, banks and undertakings to using their funds effectively.
- Technological constraints require rapid response to changes in prices of raw materials, energy resources and other cost factors, as well as the use of inter-industry connections. Enterprises will need advanced technologies that would enable them to use the available raw materials (wood potassium salt etc.) more effectively. Due to absence of basic raw resources, Belarus should develop and pursue projects to procure raw materials abroad, in particular in Russia e.g. develop oil fields and other natural reserves, attract private capital and bolster partnerships in technological initiatives with other countries.

Restructuring principles

Key restructuring principles are openness, reliance on new and advanced technologies, resource conservation and environmental safety.

Openness is essential for Belarus' presence in economic globalization. Lower import duties are a key factor for raising living standards owing to lower prices of imported goods and overall economic modernization, if one is to rely on the premise that imported equipment is usually better. The open economy would encourage companies to manufacturing globally competitive goods. As domestic markets saturate, exports will rise (in Belarus, exports have been growing over the recent years due to lower domestic consumption and national currency depreciation.)

Specialization: inferior industrial efficiency calls for replacing inefficient technological elements (primarily domestic manufacturers) by foreign suppliers. At the same time, specialization in the manufacturing of certain parts and components would help to attract FDIs.

Reliance on new and advanced technologies is a key restructuring principle. It will help to consolidate competitive advantages of the economy. As a rule, technology-intensive industries are not usually associated with multiplication effects as they were not originally well connected with other branches. Therefore, technology-intensive industries should be the driving force for the economy,

the main consumer of other industries' output, e.g. the construction industry. It is necessary to boost total technology-intensive share of GDP which shrank from 2.3 percent in 1990 to 0.8–0.9 percent at present.

Resource conservation and environmental safety: considering the limited supply of domestic raw materials, fuel and energy resources (not more than 30 percent of domestic demand), and high production costs in the manufacturing sector (74 percent in 2000), the restructuring strategy should be closely related to the resource-saving policy.

The relationship between the government's environmental and restructuring policies, launch of environmentally friendly technologies should reduce the share of resource-intensive industries in the country's total. At present, raw material, fuel and energy consumption in Belarus is twice as high as in developed countries. The experience of transition economies has pointed to a need for adopting a law to encourage efficient use of raw materials and energy.

Financial sector reform

The financial sector reform should be closely related to currency stabilization policies and will depend on successful reform of the real economy.

The purpose of the banking sector reform should be to increase its lending capacity. This cannot be done without a strong national currency and a financially stable banking system.

The following steps should be taken to reform the banking sector:

- ensure independence of the National Bank from the executive pursuant to a national currency law that has yet to be adopted. This step calls for changes to the Banking Code whereby the parliament will appoint National Bank governors and deliberate on central bank's audit reports. A law should be passed to prohibit the National Bank from printing money to finance budget deficit;
- open the way for private investments in six largest state-controlled banks that account for about 90 percent of the sector's total assets;

- balance household deposit and lending interest rate policies, as banks currently offer attractive interest rates for households and excessive loan interest rates to corporate clients;
- forbid government forcing the banks to lend to certain sectors or enterprises, and ensure that the government settles bad debts resulting from compulsory lending to state-owned enterprises;
- abandon the current 50 percent limit on foreign capital presence in the banking system;
- have the country's banking system rated by international financial institutions;
- create a competitive environment in the banking sector to encourage banks to cut costs and fees, adopt international payment, auditing and reporting standards.

The reform should include efforts to encourage the development of stock and insurance markets on the basis of stable and transparent legislation harmonized with EU laws.

The following steps should be taken to develop the stock market:

- lift restrictions on professional dealers and brokers accessing the stock market, with simultaneous tightening of requirements for stock market dealers and brokers. To this end, the Securities Commission should be vested with greater powers;
- lift the 15-percent tax on personal income from securities and temporarily exempt corporate stock market dealers from taxing securities transactions;
- offer freedom of choice to individuals in divesting securities;
- broadly advertise public offerings of shares in profitable companies;
- prepare for integration with the European stock market.

Foreign trade policies

Consistent reforms will allow for bridging the GDP gap between Belarus and most EU countries. Belarus will continue to export commodities to CIS co-

untries, but the proportion of exports to Europe and countries outside the CIS should rise from 35 percent to 60-65 percent. The exports of services should increase from 62 to 80 percent, combined with a rise in exports to former Soviet Union republics.

Belarus needs to join the WTO to see a removal of non-tariff barriers to exports of textiles, chemical products, potassium fertilizers and steel.

To re-orient exports westward, the country will need to reduce the ratio of cross-industry exchanges (trade in products of various industries) and encourage trading goods of the same industries to expand trade volumes and increase specialization. Intra-industry trade exceeds 70 percent of total trade, mainly among developed countries.

Export re-orientation will be fostered by modernization and technological advancement, involvement in multi-national R&D projects, acquisition of Belarusian companies by international corporations, and by the growing purchasing power of EU countries, which currently far exceeds the spending power in Russia and other CIS countries.

The reforms should allow for the country to achieve European standard of living and facilitate its convergence with the EU economies.

Reform of industries

In absence of large domestic investors, large-scale industries (petrochemical and machinery manufacturing) are likely to be controlled by foreign investors with the government retaining a stake. At the early stage of the reform, it is advisable to foster an environment for attracting domestic investments (including household savings) in sectors producing goods in large demand domestically and in external markets such as consumer goods, the woodworking industry and R&D-intensive sectors (integrated circuits, computer software, medical and environmental equipment, bio-technologies, production of new materials etc.). These industries should continuously pursue specialization as encouraged by increasing international intra-industry trade.

Medium-sized private businesses may take over some consumer and R&D industries with a short payback period that do not require major capital expen-

diture. An upturn in these industries, some of which are labor-intensive, would help to ease labor market tensions caused by the reform. Technological development, along with a rise in highly skilled labor force and growth of infrastructure, will cause high-tech exports to increase from current 3.7 percent to 10–15 percent. In a more distant future, competitive industries will help the country to discover new niches and gain the competitive edge on a global scale.

Agriculture

For the time being, Belarus' collective and state farms are not profit-driven; rather, they operate to support agricultural infrastructure.

Since rural population stands at 29 percent of the country's total, a reform of collective and state-owned farms should be accompanied by transfer of their social and welfare functions to local authorities. At an early stage, agricultural reform would boil down to denationalizing collective farm property and setting aside up to 30 percent of infertile soil from agricultural production (for forestation). Proceeds from the lease of land and other natural resources (property tax) should replace a considerable part of tax revenue. Unlike most other taxes, lease payments do not contain the production element and do not distort resource distribution. Lease proceeds would allow for the government to reduce agricultural subsidies to 5–10 percent, in line with WTO requirements. To employ excess labor force in rural areas, authorities will need to create jobs in non-agricultural sectors such as tourism, small businesses and hunting. Belarus will need to open its agricultural market to ensure sufficient food supplies and fully tap into the capacity of food processing plants.

As the land market develops and land becomes available to private owners and local governments, rural areas are more likely to attract investments both in non-agricultural sectors (restoration of historical monuments, tourism, transportation and leisure infrastructure development) and high agricultural technologies (production of renewable energy resources – ethyl alcohol, oils, GM-crops, creation of a gene pool).

Transportation, construction

Development of transport infrastructure and the construction industry spur economic growth, as the experience of EU expansion suggests.

The role of transit of goods and services would increase as Belarus' economy opens up. The need for improving the transit infrastructure urgently calls for intensifying the construction business. The country may see a rise in the population as a result of labor force migrations from Russia and other CIS countries.

However, these industries should give priority to local labor force and domestically manufactured products (building materials, trucks and construction equipment). The adoption of new building technologies will benefit housing renovation and utility sector upgrading projects.

The expansion of transport services network could create new jobs.

Fuel and power generation industry

The present state of Belarus' fuel and power generation industry highlights the need for saving fuel and electricity. The country's power generation facilities are in a critical condition: power generation units at the two largest hydropower plants are worn out, while most power plants using liquid fuel were built some 40 years ago. Belarus will need to replace 80 percent of its power generation plant and machinery before 2010. Most power plants are using expensive fuel like gas or oil.

Construction of a nuclear power plant does not seem to be the advisable option as the cost of nuclear power is high. Therefore, in the near term Belarus should increase electricity imports (which rose by 15.3 percent in 2001 to 8.3 billion kW/h, i.e. 25 percent of total power consumption). However, power plants should start replacing their worn-out equipment now. This will require private investments. In an open power and heat generation market, privatization of old facilities and greenfield investments should encourage competition.

Telecommunications

Despite some hardships, the telecommunications sector has been vigorously developing over the past few years. The number of telephone users rose by 80 percent between 1990 and 2002. Mobile telephony and Internet have been expanding, with the number of cellular subscribers rising to 600,000.

Reform priorities should include privatizing state-controlled companies and creating a competitive environment. Also, state-controlled media must be privatized.

* * *

The economic reform plan presented above seeks to achieve European living standards as fast as possible. The reform's main goal is to restore or set up effective market institutions that would help businesses in using their potential effectively, buy new technologies and know-how that enhance competitiveness on a global scale. All basic principles of this economic model, i.e. economic performance in market conditions, private ownership, free competition and an open domestic market, are designed to achieve that goal. Economic freedom will be mirrored by the government's responsibility for economic policies, markets and currency stability, and private companies' responsibility for their performance and earnings.

An effective, targeted social assistance that is commensurate with the nation's wealth is intended to cushion shocks of economic reform in the mid-term. Therefore, the government should seek to set the framework for boosting productivity, growth of small business, and inflow of foreign capital and technologies.

Market mechanisms should be established irrespective of economic and political support from the EU. However, close and mutually beneficial economic ties between Belarus and the enlarged EU would be conducive to the country's economic growth. While pursuing the above-mentioned reforms, the government should focus on developing the labor market, which implies prospects for employment opportunities and establishing a mechanism for effective use of individual energy and creative initiative.

Labor market

by Andrei Shabunia

The purpose of labor market reform is to limit government regulation and offer greater freedom to labor market participants. Relations between employers and employees should be governed by the law of supply and demand.

It is impossible to boost economic performance without giving employers and employees an opportunity to negotiate and conclude wage agreements.

The labor market policy should ensure:

- employment for job seekers;
- streamlining the employment structure;
- a free choice of occupation and job.

The labor market policy should incorporate the four pillars of the European employment strategy:

- employability;
- entrepreneurship;
- adaptability;
- equal opportunities.

In this respect, steps to be taken at the reform's first stage should be aimed at developing those labor market aspects that encourage occupational activity and high degree of employment.

In terms of steps to encourage occupational activity and employment, the prime necessity is to change labor legislation to limit government regulation of the labor market. Legislation at variance with market conditions may impair labor force mobility and obstruct the flow of labor force from the declining to growing industries.

Efforts to promote labor force mobility would be geared to:

- establish contractual working arrangements as the main mechanism to regulate relations between the employer and the employee;
- simplify employment and employee redundancy regulations (which should provide for collective, individual, written and oral agreements of limited duration, facilitate laying off workforce for employers, diminish

the role of trade unions and employment centers in concluding employment contracts);

- enable flexible forms of employment (part-time, occasional employment, work from home, subcontracted employment etc.);
- abolish compensation capping in private companies;
- minimum compensation binding for all undertakings regardless of ownership status should be adjusted by government directives rather than automatically;
- abolish regulations that restrict companies' right to fix and adjust compensation. Wage increases should depend on labor productivity and financial position of firms;
- obligate the management, especially in large companies, to provide advance notice of planned closures or large-scale redundancies, so that measures could be taken to address unemployment;
- introduce a flat-rate income tax of 13–15 percent;
- cut indirect taxes on labor force to 30 percent, including those charged to employees;
- reduce job creation costs (especially costs of low-skilled jobs).

Development of SMEs

The small and medium-sized business sector can potentially create more jobs than any other sector of the economy.

The following steps should be taken to foster entrepreneurship:

- register new businesses pursuant to the principle of notification, rather than authorization;
- abolish the regulation preventing companies from registering official seat at residential premises (domicile);
- reduce the minimum capital requirement;
- lift restrictions on the maximum authorized number of employees hired by entrepreneurs in the small business sector;

- ensure that companies are registered with business regulation and tax authorities of the same location to reduce bureaucracy, and adopt a single list of documents to be attached to the business establishment application;
- abolish the regulation requiring firms to engage in all types of business activity referred to in the founding deed;
- enhance legal guarantees whereby companies may be closed by their owner's decision, by a body authorized by the owner, or by a court of law;
- set up regional centers for supporting SMEs and develop the micro-lending network;
- develop a system of financial incentives for those investing in human resources, including in employee training.

Flexibility of authorities (the Ministry of Labor and Social Security and state employment centers)

It is impossible to abandon administrative intervention in the labor market completely. The government's policy in this respect may be 'passive' or 'active'. The passive policy of mitigating unemployment is limited to traditional measures such as registering the jobless, paying unemployment benefits and running unemployment insurance schemes. The government should pay particular attention to monitoring the labor market, sharing information on labor market conditions and forecasting company closures and layoffs.

Active policies imply influencing the labor market by stimulating demand and adjusting supply.

Measures to address unemployment include:

- increased funding for training and retraining, youth employment programs and programs to avoid long-term unemployment;
- developing a community work plan for the jobless;
- offering loans to the unemployed wishing to start up a business;
- providing financial support to selected unprofitable enterprises to maintain a level of employment. Support should be limited for time and provided in areas with low labor force mobility (e.g. due to housing shortages) or for enterprises that play a key role in the local economy.

Employment centers should receive adequate funding irrespective of the number of applications from job seekers they handle.

Bolstering labor force mobility is crucial for a flexible labor market. The following steps should be taken:

- abolish the *propiska* system whereby state-owned enterprises and establishments cannot offer jobs to people coming from other locations, along with other regulations that limit employment opportunities;
- orientate the training and retraining system toward labor market demand. Retraining programs, especially ones that offer good employment prospects, should be partly financed by trade unions or trainees;
- limit the amount of compensation paid to laid-off workers.

Reform of the unemployment insurance system

Unemployment benefits and the procedure for receiving benefits should stimulate the jobless to searching jobs. The period of benefit payments should be limited to three or six months. A grant scheme may be introduced to replace benefits for those who wish to improve their skills.

Reform of social partnership (tripartite dialogue)

Work to develop and implement employment policies should involve the government, trade unions and employers. None of the parties involved should have exclusive decision-making rights. Negotiations should cover issues such as compensation, employment, training and retraining programs, and access to labor market statistics.

Yet, tripartite arrangements should not necessarily be given a prominent role as they may impair labor market flexibility.

Non-discrimination in the labor market

Efforts include promoting equality of men and women, encouraging employment of women, fostering an environment for active occupation of the disabled and women during and after maternity leaves.

The government's employment policies should be aimed at achieving higher living standards and human resources development in a highly performing economy.

Funds for employment programs should be transferred to local organizations responsible for their implementation. A special agency should coordinate all programs at the national level. Despite sizeable spending, results of labor market policies are not always visible. However, this does not diminish their role in combating unemployment, a phenomenon that humiliates people, breeds psychological problems for families of the jobless and stirs social unrest.

Decisions to earmark funds for a specific employment program should be made with due consideration of all possible benefits and problems. For instance, if a region with high unemployment has considerable economic potential, it makes sense to offer community work for the jobless to improve local infrastructure. If the potential is low, it is reasonable to subsidize employers to sustain the employment level.

The employment strategy should promote educated and highly skilled labor force, while the labor market should be responsive to economic changes.

All elements of the labor market policies, such as registration of job seekers, retraining and active forms of countering unemployment, should be closely interrelated and interface with other economic policies. The employment programs should not be in any way inferior to economic policies; instead, they should be part and parcel of the government's overall economic strategy.

The reform should shape a flexible labor market that is responsive to demand and supply changes. The labor market should create and eliminate jobs with as little government intervention as possible. It should not restrict occupational and geographic mobility of the labor force.

Review of Social Services Sectoral Reforms: Efforts and Ideas

3

The Soviet legacy in Belarus encompasses a well-structured social security system¹. The system was based on the formal principle of equitable distribution of performances whereby those in active occupation were obliged to support inactive persons by paying statutory social insurance fees. Governmental agencies in charge of social security programs were responsible for ‘correct, timely and fair’ distribution of these funds among the needy. With time, numbers of those eligible for the same portion of funds provided via the ‘correct and timely’ distribution grew, and caused it to change into a cumbersome system of various welfare and social benefits that expanded far beyond low income groups. At the same time, a shrinking portion of funds continued to target the low income groups intended as their initial beneficiaries.

For this reason, the general public broadly supported the idea of restoring ‘social justice’ during the first few years of Belarus’ newly gained independence, the time also marked by a shakedown, effectively leading to a collapse of the former social security system. This idea is reflected in the period’s liberal programs of social security reforms. Notably, early ideas for social security reforms were much less radical than reforms proposed in other aspects of the country’s life at the time.

¹ The system was based on the principle of the so-called Leninist employee insurance program (р. В. И. Ленин, ПСС., т. 21, с. 146–149.) – universal and comprehensive coverage provided from central and local government funds. The system was financed by contributions of workers and employees and from general State revenue.

Documented reform proposals, discussed below, are to be seen in election platforms of political parties and presidential candidates, independent experts' research papers and in government programs.

Political party platforms

The 'Adradzhenne' Belarusian Popular Front (BPF) was the first political party to offer a social security reform plan as an alternative to government programs. The plan included measures to:

- phase out benefits and privileges for civil servants;
- guarantee minimum subsistence income and index it to inflation;
- provide employment guarantees;
- retain free-of-charge healthcare services and increase government funding for the healthcare sector;
- promote physical education and sports and enhance their role in improving the population's health;
- raise pensions in line with average income levels;
- raise childcare benefits;
- set up a State agency for social, career and creative assistance to and moral support for disabled persons, orphans and single-parent children;
- increase support for Belarus' eastern regions;
- convert public housing into private property that may be inherited, and provide soft loans for housing construction;
- reform the prison system and offer societal rehabilitation options to former inmates.

The document calls for introducing a broad social security system hinged on the principle of social justice. Its main goal is to guarantee the right to social security and welfare by means of comprehensive public support for all vulnerable groups, from disabled persons to retirees to former inmates. The platform is based on the idea that the government is capable of providing any amount of social support in tune with the needs. The paper works on the premise rooted in Soviet-style delusions of equality and social justice.

This was followed by a BPF program of May 30, 1993, and the Declaration of Program Goals and Principles of the United Democratic Party of Belarus, adopted in November 1993.

Both documents called for building a ‘social market economy’. They were drafted in response to growing social and economic instability.

The BPF program sought to guarantee social justice not only for the disabled, retirees and large families, but also in terms of the general economic environment. It proposed equitable distribution of the fiscal burden, but failed to specify how to achieve this. The program called for fair privatization and transfer of State property to private individuals, but did not offer ideas on how this could be done.

The program stated a need to support low income groups and maintain the nation’s health. For the first time, mention was made of targeted assistance as an alternative to non-specific social benefits. It highlighted the need for raising retirement age and introducing health insurance schemes. A recommendation was made that private hospitals should be allowed to operate alongside the state-owned ones. Overall, the program may be said to be an attempt to formulate and define some social policy principles.

The Declaration of Program Objectives and Principles of the United Democratic Party of Belarus defined social security as a system of state guarantees that can be relied upon ‘only in situations where individual efforts are insufficient or fail for valid reasons’. Among the practical steps, the Declaration suggested granting tax exemptions to charities and associations of disabled persons.

However representing different (national-democratic and liberal) views on social security, both programs called for a shift towards targeted social assistance.

Political party platforms developed after the presidential election of 1994 remained focused on the idea of ‘social justice’ that implied redistribution of property and socially-oriented economic policies.

In particular, the Civic Party platform, adopted at the founding conference in December 1994, proposed measures to slow down the opening of income gaps. The measures proposed to levy real estate tax, prioritize spending to assist the

needy, expand the range of payable services in healthcare and education, and raise utility rates and public transport fares.

The Civic Party platform adopted in October 1995 envisaged the same measures. The platform's social package included housing, healthcare, youth, culture and science policies.

Inconsistency in Belarusian liberalism reveals itself in a combination of measures to support the jobless: along with unemployment benefits, suggestions were made to take steps such as offering community work, and retraining laid-off workers. The platform called for real estate tax becoming a more important factor in funding social security programs. The document is also notable for its leftist definition of taxable property as one originating from 'the enrichment of a group of individuals in effect of imperfect legislation'.

In housing policy terms, the platform calls for providing low income households with what is referred to as 'social housing'. Among other measures is the provision of soft housing loans and tax exemptions on funds invested in housing projects.

The liberal platform warrants free healthcare services combined with the development of State health insurance schemes.

Measures to support youths included offering soft loans for youth housing development projects and promoting employment of students during summer vacations.

Unlike the above-mentioned program documents, the Civic Party platform bears striking similarities to Alyaksandr Lukashenka's election platform which stipulates many identical provisions. Both platforms call for building an effective and dynamic social market economy. Parallels can also be found in program documents of other political parties such as 'The Program of the Belarusian Party of Labor – the Society's Path to Democratic Socialism' (March 1996), The Program of the 'Narodnaya Hramada' Belarusian Social Democratic Party (June 1996), and The Program of the Belarusian Communist Party (March 1999).

It was the similarity of positions on social security reform and other issues, along with the majority of voters' ignorance of the content of these platforms that made political parties so indistinct and unpopular.

Presidential candidates' election platforms

Electoral platforms of Alyaksandr Lukashenka, Stanislau Shushkevich, Zyanon Paznyak, Vasil Novikau and Alyaksandr Dubko reflect the whole spectrum of political views on State-sponsored social policy.

Lukashenka's platform braudishing the slogan: 'To Shield the People from Disease', called for establishing an extensive social security net. Measures included implementing a subsistence wage to which the minimum wage should be indexed; introducing a progressive income tax scheme to prevent the gap between the rich and the poor from widening; satisfying the minimum need for free housing, health services and medicines; offering loans to youths and young families for housing, property, as well as for training and retraining; providing state subsidies and low interest-bearing loans for housing construction in relation to size of household income and wealth etc.

Economic mechanisms proposed for attaining these objectives included strict price controls that implied enforcing criminal punishment on individuals in managerial positions in case of their failure to comply with price control regulations. The platform called for channeling construction industry efforts towards satisfying the population's need for housing, and making it a top priority sector in terms of funding.

Shushkevich's platform called 'State, Democracy, Market – a Path to Prosperity' was similar to the program put forth by the United Democratic Party of Belarus that called for targeted social assistance. A novelty was, among others, to suggest a move to turn over some public property to pension funds.

'The Economic Platform of Presidential Candidate Zyanon Paznyak' also favored targeted assistance. In addition, it suggested that the government pursue an active policy of supporting vulnerable groups, and take active steps to raise salaries and income of public sector employees. Unlike other candidates, Paznyak wanted housing policies to focus on constructing individual houses, with the government assuming responsibility for building adequate infrastructure. He also called for establishing mortgage lending institutions, giving greater financial independence to local authorities in carrying out social programs

and allowing them to use land tax revenue to that end. Paznyak stressed that collective and state-owned farms should not act as local administration. Their contribution to social security programs should boil down to prompt payment of the land tax. In terms of the political spectrum, Paznyak's ideas could be positioned halfway between those of Lukashenka and Shushkevich.

Dubko's 'This Country Needs a Good Stewart' program was aimed at restoring the Soviet system and vesting the future president with extensive powers. Dubko suggested providing veterans, pensioners, disabled persons, large and low income families with monthly food rations at fixed subsidized prices. The platform said that the State should guarantee employment, public housing, free healthcare services and cheap clothing for children. It failed, however, to outline a mechanism of how to put these ideas to work.

It should be stressed that the programs were prepared in the midst of a deep financial and social crisis of the early 1990s. Therefore, the candidates' election success largely depended on their approach to tackling social and welfare problems.

Lukashenka's platform outperformed others in the 1994 presidential election because it clearly indicated social issues and efforts to embark on so as to attain social policy objectives specified in the BPF's initial platform. Lukashenko's proposal that the government should give priority to social policies did not, however, materialize in the course of the subsequent social and economic reform.

Election platforms of Mikhail Chyhir and Zyanon Paznyak in the opposition-organized alternative elections in 1999 proposed minor adjustments to the social security system of the late 1990s that was built on the principles of 'developed socialism' laid down in Lukashenka's election platform.

Social services sector: reform concepts and programs devised by independent experts

One should bear in mind that independent teams were formed on the basis of a coalition of experts associated with the UCP, Social Democratic parties and the BPF. Since these teams' conceptual ideas were generated by one man,

Leamid Zlotnikau, all these programs² suggested shifting the focus of social policies from social justice to social solidarity.

Independent experts recommended that a reformist government, if ever formed in Belarus, should move from the existing social protection system towards a social insurance system by means of establishing pension and health insurance schemes.

The authors believed that a pension insurance scheme should encourage people to earn money and set aside savings, while health insurance should prompt people to greater care of their health. The experts thought that Belarus could copy the health insurance scheme that was being established in Poland, but the government should continue financing health services for people with chronic diseases and subsidize some medicines.

The program found flaws in the existing social security system that was based on minimum subsistence guarantees. It called for narrowing the scope of social security to ensure adequate funding. For that purpose, the amount of welfare transfers (pensions, student allowances, and child support allowances) should not fall below minimum subsistence levels. Other priorities included retaining public transport subsidies at 40 to 50 percent of operating costs, with private and state-owned transport operators entitled to equal subsidies.

The program pointed out that the households should fully cover utility costs when the GDP reaches twice the 1999 level. GDP growth should facilitate transition towards targeted assistance. The government would have one year to abandon price controls. The pre-conditions for this exercise should be very simple. Beneficiaries would include large and single parent families, elderly persons and those who lost the capacity to take up employment.

² See: Предложения по формированию экономической политики (этап стабилизации), approved in June 1996 by the Committee on Economic Policies and Reform of the 13th Supreme Soviet. Белорусский рынок. № 23. 1996; Концепция и программа экономических реформ (Национальный исполнительный комитет), «Народная воля», 19 лютага. 1998 г.; Беларусь – альтернатива XXI, «БР», № 51. 1999; № 1. 2000; Стратегия для Беларуси, «Народная воля» 25 жніўня. 2000.

Government programs for social services reforms

All government-sponsored social security programs were revolving around the same idea. Their objectives indicate that the government realized there was a need for a social security reform. The reform may be said to be defined by the tenet of modernization.

This goal is clearly stated the National Strategy of Sustainable Development of the Republic of Belarus, approved by the Council of Ministers on March 25, 1997. The objectives which all these programs have in common are the following:

- rationalize social security policies;
- plan social security measures;
- raise living standards;
- provide level playing field in socioeconomic conditions for various social groups;
- raise labor productivity;
- streamline state institutions.

Apart from that, the program sets out the underlying goals:

- restructure the economy;
- regulate the business environment;
- develop the science, education and health sectors;
- boost the birth rate and life expectancy at birth.

The table below illustrates a shift in official social policies. The table compares proposals of BPF 'Adradzhenne' with the national social protection strategy referred to by the Belarusian leader in his speech to the National Assembly, in particular in the section entitled 'State Social Policies and Social Protection of the Population'. The speech is not quoted verbatim, yet makes its point clearly.

Table 11.

BPF program (1989)	Lukashenka's speech (2002)
<p>Cancel benefits and privileges. Fair distribution under public scrutiny. Subsistence minimum guarantees. Employment guarantees.</p> <p>A rise in pensions under close public oversight.</p> <p>Better financial incentives for mothers to have and raise more children. Establishing state centers for labor and societal rehabilitation of and moral support for the disabled and assistance to orphans and single-parent children.</p> <p>Devote particular attention to eastern regions. Convert state and municipal/council housing into private property subject to inheritance. Improve prison conditions and guarantee societal rehabilitation of former inmates.</p>	<p>Cancel benefits and privileges. Fair distribution under public scrutiny. Subsistence minimum guarantees. Retrain the unemployed. A rise in pensions via a combination of state guarantees and personal liability for generating risks in manufacturing. Better financial incentives for mothers to have and raise more children. Passing a package of laws dealing with the provision of pensions, state pension schemes, and introducing mandatory occupational accident insurance.</p> <p>Devote particular attention to Chernobyl-hit areas. Enhance social justice in healthcare and find additional non-public sources of financing the healthcare system. Promote sports, tourism and healthy lifestyles.</p>

The table shows the government's shift toward a market-oriented understanding of individual rights and duties and social responsibilities of the State. At the same time, Soviet-style declarations are excessively focused on.

3

The Social Services Sector Today

Healthcare

by Andrei Yekadumau

Over the past few years, the Belarusians saw the mortality rate and the incidence of diseases rise sharply.

The Ministry of Statistics and Analysis figures for 1990–2002 indicate that general health status has been worsening and life expectancy has shortened.

The health of residents of Chernobyl-stricken areas remains a serious problem. The incidence of diseases, for instance of thyroid, has been on the rise.

The Belarusians' health worsened not so much due to environmental factors, however, as due to inefficiencies in the monopolized State healthcare system. The government hampered the development of private healthcare services, while still being unable to provide effective free-of-charge healthcare.

On the one hand, healthcare is suffering from increasing penury, and access to services for low income groups has become limited. On the other, the authorities have been throwing stumbling blocks at investments in private healthcare and research, with public healthcare losing its highly skilled professionals in effect.

In addition, many public health services are no longer free of charge. Hospitals charge patients for drugs, consumables and surgeries. Health benefits for residents of radiation-contaminated areas have been reduced due to shor-

tage of funds. That led to increased incidence of diseases and a higher mortality rate.

Table 12. Disease Incidence

Indicators	Years		
	1990	2001	2002
Total population, in thousands (beginning of year)	10188,9		9950,9
Life expectancy at birth	71,1	68,5	
Life expectancy at birth (women)	75,6	74,5	
Life expectancy at birth (men)	66,3	62,8	
Congenital malformations*	6	9	
Neurological and sensory organ disorders*	265	491	
Blood diseases*	14	24	
Cardiovascular diseases*	116	189	
Tumors*	49	73	
Infectious and parasitic diseases*	308	375	
Skin and connective tissue diseases *	245	393	
Skeletal system and connective tissue diseases*	188	366	
Number of newly registered diseases 000s	5638	7169	

* Newly registered cases per 1,000 cases.

In 2002, the Council of Ministers passed a directive on minimum healthcare guarantees that restricted the range of free-of-charge services to primary medical and sanitary aid, emergency aid for certain conditions, aid to mothers giving birth at maternity hospitals and aid to children under 18.

The government actually acknowledged the crisis of the free-of-charge healthcare system, one that remains largely unchanged from the Soviet era.

Social security system

Belarus' situation is unique in terms of social support for people who cannot cope with their financial problems. Governments of the world's richest co-

untries provide support for only 7 to 12 percent of the population. As Ministry of Labor and Social Security statistics indicate in Belarus, 40 to 43 percent are entitled to social assistance.

In absolute figures, assistance is very slight: 6,000 rubles (ca. \$3) a month on the average. Rarely does assistance reach 100,000 (\$50) per person. The government spends much on welfare and social assistance the final effect of which is negligible. In addition, the social security system is stretched by having to combine general social transfers, benefits for various groups of employees and retirees, and subsidies for goods and services. The system of benefits lacks structure and rationale. The Ministry of Labor and Social Security says that the government provides some 300 benefits to various groups. Many of these are purely notional, thus eroding confidence in the authorities.

The system cannot cope with the task of distributing resources to benefit the needy, and represents too heavy a burden for the public, manufacturing and financial sectors. It also encourages people to parasitize at public expense.

Chernobyl benefits are a separate expenditure item. Six percent (381.8 bn rubles over the past three years) of total expenditure was spent on alleviating the Chernobyl disaster consequences. Ca. 70 percent of this is spent on social support of the affected population. Now, the government is seeking to encourage residents in the contaminated areas to earn their own living. Yet, it would cost a lot to change farm specialization to produce crops that do not absorb radioactive substances, or switch to animal farming because this implies new equipment supplies. The government program, however, does not address this problem.

In response to the systemic crisis in social services, the government devised a targeted assistance program which has been tested since 2001. Targeted aid is eligibly available to traditionally vulnerable groups – large and single-parent families, the elderly and the disabled. More than 278,000 people, or 1.6 percent of the population, received targeted assistance over the two years. The percentage of those truly in need of support appears to be higher, considering that well-developed countries support 7 to 12 percent of the population.

The amount of social assistance becomes more and more inadequate vis-à-vis the real needs of low income groups.

Over the last few years, the government has short-listed eligible beneficiaries and adopted a directive ‘On the System of State Targeted Social Assistance’ aimed at establishing a targeted support system. It has moved to reform the inefficient social security system, but lacks resources for creating an effective one, an effort impossible without systemic macroeconomic reforms.

Measures to rearrange the social security system proposed in 2003 – in transition to targeted social assistance – would allow the government to trim expenses, but will not provide adequate support for people who need it. According to the Ministry of Labor and Social Security, 694,700 Belarusians, or 7 percent of the population, are eligible for targeted assistance under the aforementioned directive. The government set a low poverty line at a monthly per capita income of \$24.6. The government guarantees in-kind or financial aid to bring income up to a stipulated minimum.

As before, the taxpayers will not be consulted on how the outstanding funds should be spent. It is largely anyone’s guess what portion of these funds, if any, goes to those in need. Inconsistent efforts to modify the social security system, with the old system of benefits being preserved, albeit in reduced format, delayed its collapse, but failed to address the root cause.

Pension system

Under the 1993 pension law, the Belarusian government pays what is known as ‘occupational’ and ‘social/welfare’ pensions, as described below.

The main type of ‘occupational’ pensions are old-age benefits paid to more than 80 percent of the retirees. Belarus has more than 2.6 million people entitled to pensions, i.e. 26 percent of the population.

Under the law, men are eligible for benefits at the age of 60, with no less than 25 years in active employment, with the age of 55 for women having at least 20 years’ worth of occupation. Benefits may be claimed five to ten years prior to the statutory retirement age by ca. 20 occupational groups.

The size of pension depends on the average compensation earned over the last five years spent in employment and the maximum wage in the last 15 years.

‘Social’ pensions and disability and survivor benefits

Belarus’ redistribution pension system provides universal coverage and is based on the solidarity and pay-as-you-go (PAYGO) principles. ‘Occupational’ pensions are funded from employers’ contributions of 35 percent of the payroll, and by employees who pay a 1-percent tax. Benefits to the military, police, civil servants, and Chernobyl-affected population, and ‘social’ pensions are financed from general state revenue.

In 2002, public spending on pensions totaled eight percent of the GDP. Officially, benefits depend on years in service and the wage, but in fact differences are small. Benefits paid to half of the retirees are below the poverty line (\$2 per person per day), yet the average pension in Belarus is close to half of the average monthly remuneration (43 percent in 2002). The pension law provides for indexing pensions to the average monthly remuneration, but pensions usually lag behind the inflation rate and price hikes.

The pension system in Belarus depends on external factors such as the number of contributors, contributions, and income of the working-age population. The solidarity-type system is a heavy tax burden on enterprises. It has proved to foster unemployment and growth of the informal sector (estimated at 60 percent of the GDP) as employers neglect their system contributions. This is precisely the missing revenue side of the social tax equation. Moreover, the share of household income generated by salaries dropped from 53.6 percent to 50.2 percent in the first quarter. The social tax is not levied from sources of income other than payroll. At the same time, as the number of loss-making enterprises rises and their debt to the Social Security Fund grows, the government finds it more difficult to meet payments to pensioners.

International experts believe that the public redistribution program would be effective in a situation of a long, sustainable economic growth and a favorable demographic situation, i.e. one of having at least one pensioner per ten contributors. Such conditions do not apply to Belarus. In fact, the number of contributors has been shrinking. In 1990, the manufacturing sector employed 5.15 million people against 4.42 million in 2001. Some 900,000 went ‘missing’,

presumably into the informal sector, and evade taxation. The number is expected to top the 1 million mark in 2003.

The demographic situation exacerbated the pension system crisis. The number of new retirees increased to 131,500 in 2002 from 18,300 in 2001. There is no chance of the situation changing for the better. In 2020, the proportion of working-age people in Belarus is expected to stand at 57.1 percent, where the retirees will make up 27.8 percent and children just 15.1 percent.

So far, Belarus has a surplus of immigrants. However, no new jobs have been created, the number of industrial workers has been shrinking and the SME sector is stagnant. If these trends continue, there will be one pensioner per one worker in the country in 2020.

Other pension system problems are related to retirement age, the extensive range of occupational groups entitled to early retirement benefits, effective payment of benefits to those still in active occupation, and the emphasis on employers and employees funding the pension system.

Belarus has one of the world's lowest retirement ages – 60 years for men and 55 years for women. The average retirement age is even lower as many categories may stop working earlier. Thus, the average effective retirement age is 58 years and 10 months for men and 53 years and 11 months for women. On the average, men receive pensions for 14 years and women for 23 years.

At present, there are more than 20 categories of those eligible for early retirement, i.e. 25 percent of all new pensions in the last few years. This is twice the 1990 registered figure.

It turns out that all employees make the same contributions, but some of them may claim benefits five to ten years earlier than others. This depletes the level of old-age security in the country.

Housing and utilities

The majority of Belarus' current housing stock was built after World War 2, with only 6.9 percent of residential space built before 1945³.

³ Figures here are quoted after the 1999 census; more recent official statistics are not available, as yet.

Multi-storey apartment buildings of 'the first mass housing construction series' called the 'Khrushchovki', as they were built at the time of the Soviet leader Nikita Khrushchev, were erected in late 1950s and early 1960s to accommodate the increasing number of migrants from rural areas. More than 2.2 million people, or 22.7 percent of the country's population, live in multi-storey apartment buildings constructed between 1960 and 1980. Some 1.8 million people, or 18.5 percent of the population, are inhabitants of multi-storey apartment houses erected in the 1980s.

Slightly over one million people, or 10.6 percent, live in individual houses built after World War 2, and another one million, or 10.4 percent, in individual homes built between 1960 and 1980.

Housing stock quality depends on the quality of input construction materials. At present, 52.6 percent of the tenants live in prefabricated concrete buildings, and 39.2 percent live in multi-storey brick houses. It is common knowledge that the prefab concrete houses wear out faster.

Not everyone can afford a separate housing unit. In 1999, 574,000 people lived in dormitories and 401,000 in municipal/council housing (the *kommunalki*) with the kitchen and bathroom shared with other tenants, or in barracks. This is 9.7 percent of the total population and 13.1 percent of urban residents. More than half of dormitories and municipal buildings were erected in the 1960s and the 1970s. Conditions there are much worse than in self-contained apartments, let alone individual houses. Considering that, since 1996, the country has built an equivalent of just one third of the housing stock available at the end of WW2, one in ten residents would have to live for a long time in conditions that can hardly be called civilized.

As the official statistics have it, there are 21.6 meters of housing space per resident in Belarus. This, however, is not the true picture. In fact, inhabitants of self-contained apartments have 18.5 square meters of space per person, inhabitants of municipal dwellings have 12.3 square meters per person, and those in dormitories have just 10.6 square meters per person. Those living in individual houses have 25 square meters of space per resident.

The urban housing stock is managed and maintained by a network of Housing Maintenance Enterprises (HMEs) accountable to the Housing Ministry and city/town authorities. Privately owned condominiums and cooperatives manage a negligible fraction of ca. 5,000 houses.

Utilities, i.e. maintenance and repair of buildings, supply of heat, water, gas, electricity, sewage and garbage disposal, are provided by operators residing partly in the municipal system and partly controlled by state-owned conglomerates. All these enterprises are subsidized by the government.

The utility and housing management market remains a State monopoly. Consumers may not select the scope of services provided and do not know what the real costs are. In addition, consumers are deprived of any rights as they have no contract with providers, and there is no legislation to guarantee their rights. That is why, tenants have no tools to get HMEs to satisfy their needs, or at least force them to provide services that they are entitled to under regulations governing the utilities and municipal services industry.

The pricing structure is very complicated and obscure. Various ministries and state-owned conglomerates set quotas of use, while utility and housing rates are set by the Ministry of the Economy, regional and Minsk city executive committees and local authorities.

In 2001, the government adopted a timetable to phase out subsidies and increase cost recovery on maintenance and utility expenses from tenants, scheduled to reach 100 percent before 2004. Cross-subsidies applied in connection with heating, electricity and gas services to households totaled 532.6 billion rubels (\$385.3 million) in 2001.

There are four groups of customers who pay different utility rates:

1. households;
2. public establishments, catering, consumer and housing maintenance enterprises;
3. agricultural enterprises;
4. industrial, construction, business and other enterprises.

Big consumers such as the industries pay three to four times the household rate. At the same time, the cost of supplying energy to big consumers is well be-

low the cost of supplying small quantities to households. Businesses in Western Europe and the US pay lower rates than the residential segment.

Meanwhile, the government has been raising household rates ahead of the timetable. In early 2003, households were paying 62 percent of the utility costs out of their own pocket, a figure that the government scheduled for the year-end. Households pay much more for gas supply and garbage disposal than these services really cost. Meanwhile, the government failed to ensure an adequate average salary rise to soften the impact to the residential segment. The average salary was equivalent to \$109 in mid-2003, whereas the government had intended to raise it to \$143 in 2003. Household expenses on utility and housing services jumped two- or threefold in the last two years.

Thus, the current situation in the housing sector provides no incentives for new housing construction, repairs of old housing stock, energy efficiency and cost recovery, just as it does not encourage residents to assume responsibility for their dwellings.

Social Services Sectoral Reforms: Causes and Rationale

by Andrei Yekadumau

Healthcare

Belarus' Soviet legacy comprises a free-of-charge healthcare system, with a range of privileges for various population groups. The government's reluctance to reform the sector and the conservation of the Soviet system of allocating health services served to back the authorities' populist policies. However, the level of free-of-charge health services can no longer be sustained because of insufficient funding. At the same time, the private market of health services, including the informal sector, has been developing spontaneously, while the state-sponsored healthcare system has been deteriorating.

The government's general policy aimed at squeezing as much funding as possible out of the private sector slowed down the development in the private healthcare system. As state-run health facilities resort to fee-for-service payment methods, they face tough competition from private providers.

Although the private health services market undermines the state monopoly, the Belarusian authorities cannot outlaw private practice altogether, because it helps to ease the financial strain on the state-owned healthcare system.

Users have to pay twice for services provided by state-owned healthcare facilities – they pay taxes and fees when using the actual service. Taxpayers have no say on public funds allocations as the budgeting process is not transparent.

In its bid to retain monopoly over healthcare, the government has come to a deadlock where it may no longer provide quality health services, while the private sector is not in a position to change the situation for the better. The government's move to cut the range of freely provided healthcare and expand the use of fee-for-service methods of payment has not helped to improve quality; instead, it increased the burden on low income groups. In addition, the state monopoly in the health sector will not encourage providers to cut prices.

Given the slow pace of market-oriented reforms and administrative mechanisms for allocating services and privileges, the informal segment is unlikely to shrink. Therefore, the level of services available to individual users depends not only on their income, but also on their social status, position and access to privileges.

Despite the absence of a health insurance development strategy, changes in the healthcare sector will continue, albeit without appropriate government oversight. The market of private services will develop in parallel and at the expense of the state-sponsored health sector, but without guarantee of availability to low income groups, who will find access to effective, quality health services to be increasingly difficult. If no dramatic changes are made in healthcare, it will not be able to satisfy the population's need for health services, and the mortality rate and diseases will be on the rise.

Social security

Belarus' social security system is ineffective, as proven by the fact that numbers of people who need benefits is rising, while the benefits are insufficient to meet their needs.

Some 7.5 million out of the 10 million Byelorussians are entitled to one form benefit or another. The government spends \$2 billion a year, or 14 percent of the GDP, on fighting poverty, but the number of claimants does not drop.

The social security system is ineffective because the funds are stretched, and their distribution is inadequate. There is no effective mechanism for targeted support. Because of subsidies to staple foodstuffs, public transport, housing

and utilities, much of the assistance goes to those who do not need it effectively. The system is prone to abuse.

On gaining independence, Belarus opted for preserving the old social security system, and even to increase the scope of benefits rather than build an effective new system. Now, the government has run out of funds to continue these paternalistic policies.

The mechanism of allocating benefits is very complicated and obscure. To cope with social security expenditure, the government raises taxes, thus forcing contributors to conceal their income and encouraging employees to claim benefits rather than increase their official income. Therefore, the government contributed to fostering parasitical attitudes, including among people still in active employment.

As a result, people regard allowances as guaranteed extra pay to top their wages, pensions and student allowances. Benefits are not viewed as incentives to act, but rather as compensation for low wages in the state-owned sector. Such mentality is the main cause behind high numbers of claimants.

The government seeks to retain its monopoly over the allocation of benefits and ignore advantages of the market economy that gives most people an opportunity to earn a living. In contrast to official declarations, benefits have been gradually eroding. This increases public discontent with public policies.

Pension system

The Belarusian authorities have taken some inroads towards the pension system's reform. The government endorsed a pension system reform plan in April 1997. The plan calls for establishing a three-tier system. The first tier consists of disability and survivor benefits paid out of the government's annual budget. The second tier is made up of mandatory individual accounts, and the third tier is voluntary individual accounts.

Since about 80 percent of the elderly in Belarus are entitled to 'occupational' benefits, if the reform is carried out these benefits will be made up of the minimum pension paid to anyone with the required years of service (ca. 20 years),

and an additional individual benefit contingent on the average taxable salary for the whole service period.

On January 1, 2003, the government adopted a regulation introducing a notional pre-defined contribution scheme for the State-run PAYGO tier where each insured has a hypothetical personal account made up of all contributions made during his/her working life. This was a step to tie pensions to contributions.

This is the technical side of the reform. In practical terms, the reform calls for eliminating state monopoly in the pension services market. As long as the Belarusian pension fund is managed by the government, individual accounts will be notional rather than real-term. Contributions paid by employees into the fund are redistributed among the retirees immediately. At the same time, the government has not announced any plans to raise the social tax, although such a step is likely. It may, however, escalate social tension. Even if the State decides to give up its monopoly under certain conditions, this will not automatically address all problems in the pension system.

Belarus needs to establish an effective inflation-proof individual account scheme in an inflationary environment of ca. 40–50 percent per annum.

Currently, there are 2.62 million people eligible for retirement benefits, i.e. 26.2 percent of the population, or 58.2 percent of people in active employment. The employee-to-pensioner ratio has dropped to 1.7 in 2003 from 2.2 in 1990. This puts Belarus at a major disadvantage, since the ratio is much higher in many other Central and East European countries – 2.3 in Poland and 2.7 in Slovenia.

2001 saw the first retirement of baby boomers born between 1945 and the early 1960s. Therefore, the number of retirees is likely to rise in the next few years. The proportion of retirees (60 for men and 55 for women) in Belarus is likely to rise to 28 percent in 2020 from 21.3 percent in 2000.

The pension expense-to-GDP ratio rose from 8.5 percent in 1995 to 9.5 percent in 2001. The Social Security Fund accounts for 12 percent of GDP.

A wide range of occupational groups are entitled to early benefits, such as people working in hazardous conditions. At present, there are more than 20 categories of those entitled to early benefits; they total 33 percent of all pensioners. They can claim benefits five to ten years before reaching retirement age.

These legal provisions encourage employees to seek early retirement rather than work productively. Those entitled to 'occupational' pension at the age of 55, excluding retired military, police and KGB servicemen, make up for 13.5 per cent of the total number of pensioners.

The Social Security Fund has no reserves, as it struggles to meet current payments. It is acceptable international practice for a pension system to have a three-month reserve of funds for a risk-free operation.

The Belarusian government has no long-term strategy to meet its financial commitment to present and future pensioners. An annual Social Security Fund equals close to half of the consolidated annual budget. A pension system malfunction may cause the regime to collapse and trigger off a deep social crisis.

A reform of the pension system will reveal latent unemployment, thus leading to reducing the number of contributors and swelling numbers of beneficiaries.

Financial strain on the Social Security Fund, caused by the increasing number of pensioners and shrinking labor force, will force the government to raise employers' social security contributions, now at 35 percent of payroll. Therefore, labor cost may increase. This may impair competitiveness of Belarusian goods and encourage illegal (unregistered) employment, or force employers to conceal or understate employee salaries.

The Social Security fund is in need of additional sources of funds. The government would find it very difficult to source them from an unreformed economy given the absence of proceeds from the sale of industrial enterprises and land.

The government's efforts to set up the notional defined contribution scheme cannot improve financing of the Social Security Fund. The measure should be regarded as a necessary, albeit initial step to transform the solidarity system into a system of individual accounts.

The government has considered the idea of raising retirement age to 65 for men and 60 for women. The step is reasonable but, consequently, only a fraction of the country's male population would live long enough to reach retirement. The measure would certainly trigger public protests and could rock current or future political set-ups.

Thus, pension reform delays entail the following threats:

- redistribution will remain unfair as part of the money due to 'ordinary' pensioners goes to privileged groups;
- living standards of pensioners will decline further due to benefits being scant;
- life expectancy at retirement may fall;
- the Social Security Fund may collapse.

The reform should eliminate or reduce the risks. Its main purpose is to establish an effective and fair system on a par with international social security standards.

Housing

The state of repair of the housing stock is one of the country's most serious problems. It is necessary to draw a line between urban and rural housing. The rural housing stock is unlikely to cause major problems for national policies in a foreseeable future. Firstly, because the service life of properly maintained individual homes is much longer, secondly because the government is not committed to renovate or repair owner-occupied homes and, thirdly, in 2002 the country had 120,000 vacant houses, of which 99 percent in rural areas, including just 0.3 percent in areas contaminated by radioactive substances. Clearly, a crisis of the rural housing stock is not anywhere near.

The state of repair of the urban stock is a cause for major concerns. Most of the multi-storey residential buildings in medium-sized and large cities were erected between 1960 and 1990. 73% of apartment dwellers live in such houses. Just 6 percent of multi-unit houses were built after 1991.

As per current regulations, the prefabricated concrete buildings erected in the first mass housing construction series (the 'Khrushchovkas') can serve 40 years without repairs; other prefab concrete structures can serve 50 to 70 years depending on type. Brick houses can be used for more than 100 years without an overhaul. Ca. 55 percent of the apartments commissioned between 1960 and 1980 are in the prefab concrete category. Most units built during the first

mass housing construction series require overhaul now or will need it in the next five to seven years. Occupancy in those buildings beyond their stipulated service time can be hazardous. There have already been a few cases of structural items most vulnerable to wear and tear collapsing (e.g. balconies).

However, a deep housing stock crisis should not be expected to arise before 2020s or 2030s, the time when the lifecycle of most un-serviced prefab buildings is expected to run out.

Communist Party promises to provide each household with a self-contained housing unit were dissipated with the party's collapse.

The current government is also failing to tackle the housing issue – it has not set up housing lending schemes, just as it kept away foreign banks that offer such services. Residents cannot afford investing their savings in long-term housing projects, and there are many obstacles within the construction industry as well. At the same time, swelling numbers of those in need of housing may severely destabilize the social and political arena in the immediate future.

In 2001 municipal authorities repaired 313,500 square meters of urban residential space, i.e. 0.23 percent of the total stock. If coupled with owner-occupied homes renovated at owners' expense, the share totals 0.26 percent.

Notably, apartment tenants, with the exception of those in housing cooperatives, have been required to contribute to the impending overhaul since 1999. However, the funds are not deposited in bank accounts; they're used to bridge current budget gaps. In other words, tenants pay today to have their house repaired in 380 years. They have paid a lot already. The figure for 2003 is equivalent to \$50 million.

On the heels of the pension system, akin to a pyramid scheme, the authorities are devising a new bogus scheme where ca. 6 million residents pay their bills, with just few being lucky enough to have their houses repaired. It should be remembered that in 1991 the authorities pocketed some 145 million then-Soviet rubles (\$235 million at the-then official exchange rate) set aside by housing cooperatives for major repairs. If the government fails to spend as initially intended, 4,500 multi-storey buildings will be stripped of any maintenance funds at all.

If the problem is not addressed immediately, accidents caused by depletion may be expected in five-ten years in buildings of the first mass housing construction series, and within another ten years in other prefabricated concrete structures.

The government's plan for phasing out cross-subsidies in the utility sector foresaw a 4–5 percent cost cut as a result of lower rates for industrial enterprises. This means that the plan was intended to increase efficiency in the industries rather than encourage energy resource conservation or establish a sound economic relation between the tenants and utilities and housing services providers. However, utility rates for industrial enterprises have not decreased. Therefore, the enterprises failed to cut costs or raise wages. Staple goods and services have not become cheaper, therefore the overall tax burden on the population remains the same, while the utility and housing maintenance rates rose sharply. Some single pensioners living in large apartments and large low income families have problems meeting their bills. A further rise in rates would lead to an insolvency crisis and aggravate social tensions.

The cost of supplying running water, heat, power and gas to multi-storey buildings is too high. The greater the output of a public utility, the higher subsidies it receives from the municipality.

Equipment in utility companies is worn out, obsolete and should be replaced or modernized to reduce energy consumption and prevent accidents. In the future, upgrade programs will call for a considerable rise in funding, and may lead to a further rise in utility rates. Given the increase in spending on maintenance, major repairs, retrofitting and insulation of houses, the utility bill is likely to take up a considerably larger share of household expenses.

Utility bills will not go down and services will not improve without economic mechanisms being put in place to boost efficiency. In absence of appropriate changes, the quality of housing services will remain poor, the housing and utility system will be increasingly hazardous to operate, and people would have to bear the increasing burden of the inefficient housing sector.

Ideal Model of the Social Services Sector

Goal, rules and conditions of sectoral reforms

Belarus' social services sector in the transition period should encompass healthcare, social security, the pension system and housing maintenance and utility services.

Reform objectives include establishing a system of institutions that warrant quality health services and adequate old-age pensions, provide social security for the needy, and offer utility and housing maintenance services at affordable prices.

The guiding principles of the social sector reform should be:

- a) efficiency;
- b) social justice that rules out allocation of benefits to those who do not meet certain criteria;
- c) availability and affordability of services guaranteed by various means (salaries, wages, pensions and social assistance).

The general condition for implementing the principle of efficiency should be to reduce overheads in each sector, transfer the infrastructure to private hands or mixed management involving local authorities, and review benefits and social security contributions. Social programs should be financed by the central and local authorities, employers, employees and charities.

During the reform, all social sector's functions should be transferred to local authorities. Central government should be responsible for regulation, statistics and analysis, personnel training and the provision of research data. It would be advisable to combine various regulatory authorities responsible for healthcare, pension system and social security in one ministry, and thus cut down on staffing in administration.

The sections below outline measures that should be taken in each segment of the social sector in line with the above-mentioned principles.

Healthcare

The healthcare reform should prioritize encouraging people to take care of their own health.

Freely available services should include visiting a doctor, emergency aid in all health facilities irrespective of ownership, treatment for epidemic diseases in hospitals, and treatment of low-income patients at public health facilities. Other services should be paid for by patients or health insurance funds. The government should advocate a legal and economic set-up for developing health insurance schemes.

During a transition period of eight to ten years, local authorities may finance additional free-of-charge services for low income groups. To improve quality, the government should create incentives for private healthcare establishments.

Social security

The first step is to revise eligibility criteria for awarding social benefits and merge all social security funds.

Eligible beneficiaries should be those who, for a number of reasons, have no other income to live off or whose income is below the subsistence minimum. These are non-working disabled persons, large families with incomes below the subsistence minimum, people in retirement age with low pensions and the temporarily unemployed. All other benefits should be stopped.

The social security system should be funded by the government, while contributions computed as a share of the payroll should be replaced by a tax. The social security expenditure item should be protected from subsequent budget cuts.

Pension system

Within five to ten years, it is necessary to set up non-state pension funds. These funds should accumulate contributions of employers and employees. Before accumulating sufficient amounts of money, the funds may be managed by local authorities or local authorities and companies. Most likely, these should be regional funds with largest local enterprises becoming their major shareholders.

The current pension system should remain in place for some time while, at the end of the reform, pensions should be directly contingent on the claimant and his/her employer's contributions. Contributions should constitute ca. 3–5% of wages provided that the income tax is reduced.

Housing

Despite its complexity, the housing sector reform should be implemented over a relatively short period. The reform should be aimed at full recovery of housing maintenance and utility costs from tenants, and building a system of billing per unit/household.

Providers of housing maintenance and utility services should be immediately privatized, i.e. by long-term lease. The primary target for privatization should encompass transportation services and housing management enterprises, while regional suppliers of power, heat and electricity can be reformed gradually. The profit margin in the housing and utility sector should not exceed the average profit margin prevalent in the economic environment. Local authorities and consumer organizations should monitor profit margins in the sector.

Targeted housing allowances provided from social funds should protect vulnerable groups. Towards the end of a three-to-five year transition period, consumers should be in a position to cover housing maintenance and utility costs fully.

The social services sectoral reform as a whole and its adaptation to the market environment will take between five and ten years. The reform's duration will depend on the sector's initial condition.

The main idea of the reform is to restructure and privatize housing management enterprises and make the transition to market-oriented management principles.

Priorities, stages and financing of social services sectoral reforms

The goal of the reform is to achieve European standards of living. The main indicators to determine the standards are life expectancy and life quality. The reform should cover healthcare, social security, the pension system and the municipal/council housing sector. The reform should aim at boosting efficiency and ensuring social justice, including equal access to social assistance and social and welfare services.

Measures to attain these objectives include privatization of all social sector institutions that may be privatized, cutting administration costs, and monitoring demand for social services. Since most services are delivered specifically to households, the local authorities should shoulder responsibility for the reform and for maintaining the social sector in normal condition.

Healthcare

The following steps should be taken within two or three years to reform the health sector.

All clinics and hospitals that provide services for a fee should be transformed into joint-stock companies and leased to the staff, with a staff option to buy out the lease.

The government should encourage tax allowances and lower office rental rates to foster the opening of new private clinics. It may retain control of health facilities operating as part of public scientific research institutions.

For some time, the existing clinics should be managed by municipalities, yet with the use of the fee-for-service payment method. The system of general practitioners and specialists should be transformed into a mixed GP-cum-specialist system. Unlike in the current system, where each patient is assigned to a particular doctor, the mixed system should offer patients a choice. At the early stage, patients should be given an opportunity to choose from among doctors who work under contracts with clinics of their due jurisdiction and, in a more distant future clinics, too, should be given the freedom of choice, subject to available opportunities to contract any doctor on terms and conditions applicable to any legal contract.

Physicians practicing as general practitioners should be allowed to obtain a license for private practice outside their clinic of due jurisdiction.

With the exception of emergency cases, patients should be referred to specialists only on the GP's recommendation. Care at specialized clinics and hospitals should be provided both on patients' request and GP's recommendation.

Local authorities should set up medical commissions to oversee performance of general practitioners, monitor the quality of service, control prices and suggest methods of payment for services. Under close supervision of the above-mentioned commissions, local authorities should set up medical aid (Medicaid) funds to purchase services of general practitioners, specialists, clinics and hospitals.

The most important aspect of the health sector reform is the establishment of a fair and equitable payment system. At the early stage, the funds should collect monies allocated by the central and local governments and fees charged by health facilities for their services.

Prior to such payment system being launched, local authorities should have at least one year's notice to set up local insurance funds to accumulate contributions from local residents aged over 18. The contributions may be withheld by employers or paid by the beneficiaries themselves. Student health insurance fees should be paid by education facilities, the government, or withheld by other sources of funds that provide for their tuition (bank loans, charity funds,

parents and disposable income). By the same token, employment centers should pay insurance fees for the jobless entitled to benefits.

Each resident would be issued with a health insurance policy to be used to obtain medical care outside of his/her domicile, regardless of reasons for claiming services elsewhere than indicated by home address.

Since it takes some time to accumulate enough funds to purchase health services for the general population, the purchasing functions should be shared between authorities, insurance funds and patients.

At the early stage, Medicaid funds should purchase services of local doctors in the patient's due medical jurisdiction and up to 50 percent of services of GPs. Insurance funds should cover up to 50 percent of services provided by specialized clinics and health facilities. Wealthier individuals should also bear the other half of the costs. The insurance funds' share in purchasing treatment for those with medium income should be higher, between 60 and 70 percent, and up to 80 percent for low income beneficiaries. The insurance funds' coverage should not exceed the individual account balance by more than 30–40 percent.

A system thus structured flags up the issue of those who – for valid reasons – cannot support their individual accounts from personal income. A solution may be to collect health insurance fees from all persons under 50 upon the insurance scheme's launch. Medicaid funds would cover 100 percent of services by local doctors within one's medical jurisdiction and up to 80 percent of the healthcare costs in specialized establishments for those under 18 and over 50. The same applies to the disabled regardless of age. Therefore, the respective shares of Medicaid, insurance funds and patients will depend directly on their disposable income, government subsidies and possible donations.

All uninsured residents capable of taking up employment may rely on Medicaid funds for services of local doctors within their medical jurisdiction. Medicaid and insurance funds would not purchase medicines from pharmacies, with the exception of epidemic and particularly serious diseases. Pharmaceuticals and treatment for such diseases should be government-funded.

Regulations governing insurance funds may provide for allowances to be paid to beneficiaries on reaching certain age, provided they have a positive outstanding balance on their individual accounts.

The health sector reform should be governed by a special law that would stipulate a procedure for establishing insurance and Medicaid funds, as well as central and local budget allocations for healthcare. The law should define indicators used to assess the performance of the healthcare system as a whole, and local health facilities in respective medical jurisdictions regardless of ownership. Key indicators should include life expectancy, infant mortality, incidence of serious diseases, the total amount and proportion of expenditure out of Medicaid and insurance funds, and patients using healthcare services. The indicators should discourage providers from overcharging patients or limiting access to adequate care.

It is necessary to raise salaries of medical workers to 130–150 percent of the average wage, provided that the monies allocated to the Medicaid scheme and insurance funds are spent effectively.

Public healthcare expenditure should require commitment of ca. eight to ten percent of the total consolidated budget expenditure.

Pension system

The pension system reform is necessitated by insufficient social security provided to retirees, the falling worker-to-pensioner ratio, and the need to ease the strain that the current high social tax of 35 percent puts on the economy.

Belarus should gradually transform the centralized state pension system into one based on individual accounts. In other words, people should take care of their own future pensions. At the same time, the government should bear the cost of pensions for those who, for some reason, failed to set aside money for old age.

The pension reform may take as long as eight to ten years because, apart from the time factor, it requires that a specific economic environment should be in place. Considering that changes in the public pension scheme are extremely

unpopular with the general public, efforts should start now to make people realize that they should be saving money for retirement once they turn 18.

The first step towards this goal would be to specify what types of pension schemes and sources of funds for pensions will be present in the reformed system, followed by enacting laws, setting up economic mechanisms to safeguard savings on private retirement accounts, and decisions as to who will manage these accounts.

On the basis of experience in countries that have been reforming their pension systems, and primarily Estonia, the following types of benefits seem to be recommendable in Belarus.

‘Occupational’ pensions payable at a specified age and directly related to the size of salary earned over a specified period of service and years worked. The eligibility criteria should be set out in a law, which may be based on Belarus’ legislation currently in force.

The following arguments speak in favor of the existing legislation. Firstly, laws are generally in line with their declared objectives. And, secondly, the pension system should be conservative as most of the retirees are accustomed to laws in force during their active employment.

Therefore, considering the budget and non-budget resources available, the average ‘occupational’ benefit may amount to 70–80 percent of the average remuneration and the benefit formula should be based on the premise that people do not usually work longer than 35–45 years. The formula should include a basic minimum level of 50 percent of the salary earned over a period of five to ten years, with one percent added for service in excess of 20–25 years, if the retirement age difference for men and women is retained.

Depending on resources available, the stipulated minimum service time may be shortened by one year, for instance, in order to increase the bonus for extra service and the overall amount of benefit.

Old-age benefits are minimum pensions guaranteed to those who reach specified age regardless of years of service. This pension is paid to a relatively small group who, for one reason or another, has not achieved the minimum length of service. The benefit formula should be in a relation to ‘occupational’

pensions. The pension should account for 40 to 50 percent of the average salary, with no extra allowances added. The old-age pension would constitute two thirds of the 'occupational' benefit, which is fair and would boost the propensity to save up for one's future benefits.

Disability benefits may be claimed by those who lost fully or partially their capacity to work from the age of 18. The benefits should be granted to all disabled persons on reaching 18 years of age, irrespective of whether they are supported by other wealthier family members, live in low income families, or receive care at healthcare or other facilities. The benefits should be financed from State or local governments' revenue. The benefits should be calculated in such a way as to accommodate the claimants' need for food, clothing, utilities and medicines. Therefore, they should be slightly above old-age benefits, at ca. 50 to 60 percent of average remuneration.

In cases of workers losing the capacity to work due to an occupational accident, benefits are financed by the employers until beneficiaries reach retirement age. These benefits should equal the beneficiary's average salary. At retirement age, those with a disability caused by an occupational accident receive an 'occupational' pension.

'Survivor' benefits should be paid to children under 18 who lose a parent on the condition that the average household income per capita is below the average remuneration level. 'Survivor' benefits are very similar to social security benefits and are designed to prevent social inequality. The size of a survivor benefit may vary, but it should not be higher than the nation's average wage. It may be in relation to the lost parent(s)'s monthly income. It is possible to provide for the benefit to be claimed irrespective of the other parent's or custodian's income, if the other parent has suffered while in duty. If a parent's loss is linked to his/her employment contract-related circumstances, the benefit may be funded by the employer regardless of their form of ownership.

All types of non-standard/privilege benefits, such as higher pensions granted for outstanding services, should be abolished. Supplementary services should be rewarded by high salaries, later to be taken into account when computing the pension.

Retirement age should be set statutorily in relation to life expectancy and the nation's health. The current retirement age – 60 for men and 55 for women – is optimal for Belarus. Benefits could be claimed earlier in selected occupational groups with hazardous working conditions, or for those with sufficient number of years of service, such as 35 for men and 30 for women.

Belarus should set up a network of pension insurance funds to keep records of retirees entitled to one or several benefits and manage individual accounts where contributions or regular pension subsidies are deposited. Benefits should not be capped.

In the first few years of the reform, the funds may and, indeed, should be run by the State and be region-specific, and reflect the country's administrative division. The only condition is that the funds should not be fragmented. Given the country's current administrative structure, the government should set up regional pension insurance funds. This should not be too labor-intensive or costly as there already is a system of establishments in Belarus to administer retirement benefits.

Also, the government should create incentives for private pension funds which should cover all retirees entitled to occupational benefits in the future. The main advantage of private pension funds is that, apart from merely collecting contributions, they invest money and generate capital gains. Therefore, along with paying pensions to contributors, these funds should guarantee that the outstanding individual account balance not claimed as benefit payments may be inherited by legal successors.

The state-run regional pension insurance funds can be founded by large enterprises operating in the region. As private sector funds develop, members of state-run pension funds may transfer their individual accounts to private funds.

A company that withholds private fund contributions from employee earnings should also transfer the employer's share of contributions. The pension reform implies replacing employers' contributions to the so-called social insurance funds with much smaller contributions to pension funds. All social assistance should be funded from general tax revenue.

Pension funds should be financed from: a) general State revenue in proportion to earlier contributions into centralized and non-budgetary funds, b) employers' contributions in proportion to the payroll, and c) employees' contributions.

As an employee's service period during which he/she contributes to the public PAYGO system shrinks, the market share of the public scheme will decrease while the private sector's share will rise.

Full transition will take approximately 40–45 years, i.e. with the final disappearance from the system of retirees who began working in the pre-reform public PAYGO pension scheme. It is possible to speed up the transition by budgeting transfers to private pension funds equivalent to benefits payable to those who retire in a given fiscal year.

Particular care should be taken to develop a legal framework for private pension funds to govern fund management, investment activity, the payment of benefits and inheritance rights.

In general, legislation should include the following basic provisions.

Private pension funds should be established as joint-stock companies, with local authorities holding a controlling stake. Their supervisory boards should include representatives of non-governmental organizations, or parties with voting rights, or factions present in local governments. The requirement for the State to hold a controlling stake may be abandoned once the pension reform is complete and enough experience is gained in operating a modified pension system. The legislation must specify explicitly what type of investments the private pension funds are allowed to make in the domestic financial market (e.g. only in Treasury bonds and bank deposits). No more than 15–20 percent of the total assets should be allowed to be held in bank deposits.

Old-age, disability and 'survivor' benefits may be financed by state-run pension funds, or transferred to social security agencies for the period until the beneficiary retires.

Social security

The role of social security is similar to that of the pension system, since both are designed to provide financial assistance to those who are not involved in producing goods or supplying services, and who have no subsistence income.

The purpose for the social security reform is to ensure transition from the former ('Socialist') system of assistance, which was an integral part of the centralized distribution system, to targeted social support.

It would be difficult to reform the former system because of its extensive coverage and multitude of forms. For instance, government subsidies to keep low retail prices of staple goods (bread, dairy products, sugar etc.) are a form of social assistance provided regardless of the final beneficiaries' income. It would be better to start by drawing a line between the old and new functions of social security. Therefore, the first step should be to stop paying all budget-funded social benefits and identifying groups that need social support.

There are two notable types of social benefits: financial assistance provided in the form of regular allowances, and services provided by various facilities such as hospitals, health resorts, old age homes etc. It is necessary to make sure that financial benefits and services provided by various facilities under social assistance do not duplicate each other.

With these requirements in focus, the key elements of the social security system should primarily be to provide assistance to families that bear high costs of performing what is essentially their seminal social function. In particular, these are large families with more than two children. Assistance should be provided in the form of regular benefits regardless of family income. Assistance may also be provided to large low income families so as to bring their income up to the country's average. Other forms of assistance are possible such as vacations for entire families or the children.

Secondly, assistance should target the non-working population (retirees, disabled persons) who bear the additional cost of health services that may not be borne out of private income. Social security agencies may pay treatment bills for such people, including pharmaceuticals and treatment at health resorts. Social workers may also provide at-home services to those beneficiaries.

Thirdly, social assistance should cater to people who suffered losses or damage due to the State defaulting on its public functions. Claimants may include crime victims, if the perpetrator is not found or is in no position to pay damages. The amount of such assistance depends on the extent of damage and the nature of crime. For instance, social security funds may reimburse crime victims for expenses incurred to recover good health and compensate for a part of damages to victims of burglary.

Fourthly, social assistance may be available to people who find themselves in critical circumstances regardless of cause (homeless or temporarily out of work), and who are not entitled to other benefits. To assist these people, social security agencies should run a network of welfare facilities such as shelters, shops, canteens, where they can obtain accommodation, clothes and food.

To ensure that assistance effectively targets the needy, social security agencies should have an extensive network and operate under strict control of the authorities and public and non-governmental organizations. In areas where real assistance is provided, social workers should form the backbone of a social security network. Local social security agencies are entirely responsible for the allocation of money provided by local governments for social assistance. They should manage all social facilities within their area.

Local authorities, non-governmental organizations and political parties represented in local councils should form boards to supervise and provide guidance to social security agencies. These may be the same boards that supervise the pension system as both have largely the same sources of funds (local revenue), goals (supporting low income people), and beneficiaries (pensioners and disabled persons).

Charities should play a special role in the social security system. Since the authorities may not interfere with their activity, they should seek to establish effective cooperation by creating a legal framework and providing statistics on people in need.

Towards completion of market-oriented economic reforms, charitable organizations may assume some functions of the public social security network in providing assistance beyond the public system's confines.

Housing maintenance and utilities

The housing services sector will be part of the social service sector only for a limited period. The reform aims at ceasing to provide services free of charge, as was the case before. However, the housing and utilities reform implies changes in the social service sector, and should be seen against a broader context of economic reforms.

In the Soviet economy, housing subsidies were part of a universal distribution system based on public ownership of the housing stock, land and infrastructure. Since most of public housing has been privatized, the archaic system of subsidies is in need of changes aimed at establishing adequate economic relations in the housing management sector. Considering inefficiency and high cost of the current housing management system, the reform should be put to work in the shortest possible period, probably two to three years. There is an urgent need to determine how many households will be entitled to housing benefits when utility rates rise.

Services provided by Housing Management Enterprises include electricity, heat, water and gas supply, the cleaning of common areas, garbage disposal, maintenance of sewage mains, water and heat supply systems and elevators.

The first step should be to decide what part of the housing stock should be in private hands vs. run by municipalities. The private sector should include privatized housing, as well as real estate and land owned by companies. Municipalities should manage public housing and other buildings, including land occupied by these buildings.

The second step is to transform the HMEs and similar organizations into public/joint-stock companies. The companies should lease and buy out all municipal property that they need for managing and maintaining housing in the long run. They should become owners of municipal housing units to be rented to tenants.

The third stage consists in transforming utility companies into joint-stock companies.

Tenants and companies should contract services, rates and payment terms with HMEs. The HMEs should contract utility companies and services providers.

Tenants, condominiums and companies should have an opportunity to select HMEs or, alternatively, contract providers directly.

HMEs should provide local authorities with information on the cost of maintenance services and utilities, so that the latter may decide whether tenants in a certain area need some sort of assistance. The authorities may decide to pay a portion of the bill, especially at the early stage of the reform, or offer assistance to certain categories of residents in the form of coupons used to pay housing and utility bills only.

Local authorities should also fix all housing and utility rates, including occupancy rent. For that purpose, regional executive authorities should establish special economic boards to fix local rates as a function of the national average cost of electricity, gas, heat and water, and the average profit margin prevalent in the country's economy. Such pilot economic boards are already operating within regional authorities and have some experience.

The principle of social justice calls for phasing out all public transport subsidies as transport services are not used by all to the same degree. Additional expenses for public transportation may be offset for certain groups of people via higher pensions and benefits, so that consumers will have a choice of taking a public bus, or simply walking.

In short term, local authorities should sell off public transport operators, with the exception of the rail operator whose privatization needs parliamentary approval. The authorities should take a cautious and well-considered approach to privatization of the Belarusian Railroads due to the size of assets and its role in the nation's economy.

The government should encourage competition among transport companies so that they provide better and cheaper services.

It should be noted that Belarus' housing management infrastructure and public transportation services are ready for market-oriented reforms. Many enterprises have already been transformed into joint-stock companies, however still controlled by the State. The main goal is to increase cost recovery from tenants and make housing management enterprises profitable.

Reforms in the social services sector, especially in the healthcare system, by means of privatization will certainly be controversial for the larger part of the general public and some politicians. Therefore, efforts should be taken to communicate reform goals and objectives clearly via the mass media, with support from positive experience gained in pilot projects.

The current government may take steps to reform selected segments of the social services sector, and a future democratic government would have to adjust its program to the resulting circumstances. Deterioration of the economic environment may trigger off more problems for the reformist government.

Review of Proposals, Schemes, Ideas and Concepts for the Educational Reform in Belarus

by Svyatlana Krupnik, Uladzimer Matskevich, Maksim Zhbankou*

4

Stage 1 (1991–1994). Search for approaches, intensive, however non-systemic actions. New scientific, educational and research centers established to replace those in Moscow, which had determined the development of the educational system in our country before 1991 (institutes of education¹, of tertiary education, of vocational training, and of further job training). A new education law. Increased unofficial initiatives in the educational sphere. First private educational institutions, from preschools to tertiary education facilities. New types of educational institutions (*lyceum*² and *gymnasium*³). Belarusification of instruction, although non-systemic, begins. Belarus became involved in international academic exchanges and education programs, and joined key international conventions in the area of education.

Culmination: Managerial seminar on the ‘Development of the System of School Education: Current State and Prospects’, held by the Ministry of Education and the Agency of Human Technologies on October 25, 1994.

After the declaration of independence, Belarus needed urgent reform of its educational system. That was caused by two reasons. Before 1991, the educa-

* Thanks to Mikhail Gusakouski, Alyaksandr Palonnikau and all those who took part in our discussion of the educational reform.

¹ Institutes and universities are both tertiary learning establishments, with universities enjoying higher status (transl.).

² Equivalent of ‘senior high’ (US) or ‘secondary school’ (UK) – ed.

³ Equivalent of ‘junior high’ (US) or ‘middle school’ (UK) – ed.

tional system of the Byelorussian Soviet Socialist Republic (BSSR) had been a regional subdivision of the Soviet educational system, and it was absolutely unsuited in its capacities to the needs of a sovereign country.

As of 1991, the year of the Soviet Union's collapse, the educational system of the USSR and that of the BSSR was in the process of reform, chronically unsuccessful, inconsistent and far from being completed. This means that the new Belarusian state in fact inherited an educational reform from the BSSR.

It became clear almost immediately that Belarus could not continue the Soviet educational reform initiated in 1984, as all bearers of reform's ideas, authors of reform projects and concepts, organizers and managers were in Moscow, and Minsk was a mere implementor. Belarus' national reform makers began to crop up in 1989, but the reform itself had not taken shape before the declaration of independence.

Newly established political organizations also addressed education problems. For instance, the 1989 program of the Belarusian Popular Front 'Adradzhenne' featured educational reform among other issues.

The Supreme Soviet enacted an education law⁴ sponsored by the faction of the Belarusian Popular Front, which set the basis for building a national educational system. The new education law provided for state and public forms of supervising the educational sector, and for establishing non-state educational institutions.

Public activity led to:

- the establishment of associations and NGOs in the sphere of education;
- formation of temporary work teams that embarked on tasks that governmental agencies could not cope with. In particular, they elaborated concepts and programs of education development in the country. At least, three such temporary creative teams should be mentioned:

1. The group led by Uladzimer Parkhomenka and Alyaksandr Kazulin. In 1992, this group developed the 'Concept of Education and Upbringing in Belarus', adopted by the Council of Ministers of Belarus on March 26, 1993⁵. Using that con-

⁴ Закон «Об образовании» Республики Беларусь. Мн. 1991.

⁵ «Адукацыя і выхаванне» 1993, № 10.

cept, the same group elaborated the 'State Comprehensive Program for Developing Education and Upbringing in Belarus until 2000', adopted by the Council of Ministers on November 15, 1993⁶.

The main idea was to transform the educational system in the country into a fully-fledged national system, adjust the educational sector to the needs of Belarus, and overcome the legacy of the Soviet educational system. However lacking a developed theoretical substantiation, the concept declared democratic, liberal and humanistic principles that would form the basis for Belarusian education. Those principles would ensure evolutionary de-Sovietization and Belarusification of schools at all levels.

A strength of the concept lay in its organizational aspect which was in harmony with the slow changes characteristic of all social spheres in the country in that period. The concept could be quite successfully implemented by the-then serving personnel of central government and the educational sector. Developed in a comprehensive action program until 2000, the concept was officially approved for implementation. However, it had many flaws and deficiencies which revealed themselves in 1994 (see: section about the education ministry's managerial seminar).

2. The National School of Belarus. This group was led by Alyaksandr Kazulin (coordinator) and Mikhail Husakouski (scientific director). It authored and released the 'Theoretical Foundations of the National School Concept of the Republic of Belarus'⁷ in 1992 and the 'Concept of the National School of Belarus'⁸ in the following year.

That concept was aimed at supporting trends defined by the authors as:

- establishing national and cultural identity;
- modernization (the incorporation of Belarus as a state and nation into the world community and culture).

The concept gave top priority to pedagogical techniques. Much space was devoted to philosophical and psychological substantiation of existing pedagogi-

⁶ «Адукацыя і выхаванне» 1994, №№ 7–8.

⁷ «Адукацыя і выхаванне» 1992, № 12.

⁸ *Фактары станаўлення і развіцця нацыянальнай школы Беларусі. Матэрыялы навукова-практычнай канферэнцыі 11–13 мая 1994, Мн., ІПК, 1994, с. 104–155.*

cal techniques and those yet to be developed. The concept almost did not touch on the organizational, managerial, financial or legal aspects of the reform.

Therefore, the two concepts complemented each other and, if necessary, could serve a basis for a more holistic approach.

3. The group led by Alyaksandr Rastunou elaborated the 'Concept of Tertiary school Development in the Republic of Belarus in the New Environment'. The group teamed up with other scholars (Valyantsina Badun and others) to devise the 'Concept for Developing Secondary Vocational Education in the Republic of Belarus'. Later, the Rastunau team drew up the 'State Program for Developing Tertiary Education in the Republic of Belarus in a Market Environment'⁹.

The essence of those concepts was to democratize and liberalize higher and secondary vocational education. Top priority was given to the problem of survival, very acute for educational institutions in 1991–1993. The other problem was with academic liberties and freedom of creative activity of scientists and educators. Hence, the most developed parts of the document concerned diversification of sources of finance, and legal and organizational aspects of tertiary education's administration. That concept could not be used in practice as it failed to keep pace with the changes that had occurred by the time it was released. In particular, the concept did not take into consideration the emergence of private institutions of tertiary education and fee-paying students.

Apart from the above-stated concepts, widely covered by the media, those years saw local products such as the 'Educational and Methodological Concept'¹⁰ – a process designed for working on modern school books and didactically-founded means of educational provision, authored by Leanid Frydman, Barys Palcheuski and Barys Tsytovich. Simultaneously, several creative groups in different institutions started developing educational standards.

In October 1994, the new minister of education, Vasil Strazhau, commissioned the Agency of Humanitarian Technologies with the task of organizing

⁹ «Адукацыя і выхаванне» 1994, №№ 9–10.

¹⁰ «Тэхналагічная адукацыя» 1996, №№ 3–6.

a managerial seminar on the 'Development of the System of School Education: Current State and Prospects'. The seminar was conducted in the form of an organizational game. Participating in the game were: 1. a group from the Ministry of Education (minister, deputy ministers, departmental chiefs and senior experts); 2. heads of national institutes of tertiary education, vocational education and further job training; 3. representatives of local governmental agencies (regional, district and city education departments); 4. directors of state and private schools, university rectors; 5. authors of the former two concepts mentioned above; 6. representatives of the pedagogical science; 7. representatives of non-governmental organizations and foundations; 8. journalists.

Given that some of the seminar participants were members of political parties and the trade union of educators, and many were the parents of students, it is safe to say that all the stakeholders interested in the development of education were represented at the seminar.

Five working groups were formed at the seminar.

1. Investment and financial aspects of supervising education;
2. Legal aspects of supervising education;
3. Structural and functional aspects of supervising education;
4. Conceptual and planning aspects of supervising education;
5. Supervision and control of the educational provision quality.

Results of the seminar were set out in a report titled 'On Educational Reform in Belarus, 1994' also known as the 'Green Notebook'¹¹. The Green Notebook was sent out to the president of Belarus, the chair of the Supreme Soviet's standing Committee on Education, Science and Culture, minister of education and science, president of the Academy of Education, chair of the trade union of educators, chair of the independent trade union of teachers, and chair of the Council of Head Teachers.

The conclusion of the report was that nobody in the country had answers to key questions regarding each of the working groups.

¹¹ *О реформе образования в Беларуси образца 1994 года. («Зелёная тетрадь»)*. Агентство гуманитарных технологий. Мн. 1994.

1. Investment and financial aspects of supervising education: how much does Belarusian education cost?
2. Legal aspects of supervising education: how should legal relations be regulated between all the stakeholders in education?
3. Structural and functional aspects of supervising education: what principles should govern interaction and cooperation between various institutions that influence the educational sphere in the country?
4. Conceptual and planning aspects of supervising education: what is the plan of the educational reform? What conceptual approaches should it be based on?
5. Supervision and control of educational provision quality: what are the national criteria, methods and standards for evaluating the quality of the process and product of education?

All papers presented at the seminar were non-comprehensive in vision, mutually discordant and sometimes even conflicting. The concepts, plans and programs presented by participants and experts had to be seen as semi-finished products based on incomplete or unreliable information.

Actually, the establishment of the national system of education and educational reform in Belarus had to re-start.

Stage 2 (1995–1996). All initiatives originating from the preceding period were discouraged and blocked at the government level. It marked an end to Belarusification. All innovations were forced into the non-governmental sphere, the third sector. The Belarusian Soros Foundation and other alternative sources of finance appear. The private sector gained strength. A new education law was drafted.

This period ends in the dissolution of the Supreme Soviet.

The 'State Comprehensive Program for Developing Education and Upbringing in Belarus until 2000' was never implemented, however approved by the Council of Ministers of Belarus, along with many others of the kind drafted in late 1980s and early 1990s. The 1991 Education Law, which opened up broad opportunities for development and innovations, failed to respond to the accumulated changes and innovations.

National research institutes established in the first years of independence – those of basic, tertiary and vocational education, and further job training never became real centers on a national scale. Suffice it to look at subjects of dissertations of *kandidat's*¹² and *doctor's*¹³ degrees in those institutes to understand that Belarusian pedagogical analysts did not address real problems of the educational reform. Not a single thesis was presented regarding the educational process at the national level. All the themes were at the level of individual student-and-educator, or individual educational institution. The broadest-themed dissertation dealt with the structure of educational supervision in Minsk.

Since the Belarusian pedagogical science in its institutional forms remained unprepared to face the challenge of the times, subsequent steps toward the educational reform were taken outside of official scientific institutions. The following activities and centers should be pointed to when discussing the period under review:

1. Further work by the group led by Mikhail Husakouski. The work was commissioned by one of the leaders of this group, Alyaksandr Kazulin, who became deputy minister of education and later rector of the Belarusian State University. The work was pursued at the Belarusian Lyceum, National Institute of Education, center of further training for senior education officials, Belarusian State University with the use of their facilities.
2. Work on a new approach to educational reform, which was initiated by Vasil Strazhau, minister of education and science. This work was mainly done by officials. Established on Strazhau's instructions to replace the Coordinating Council for Scientific Studies in Education and founded on June 14, 1993, the Belarusian Academy of Education was deemed inefficient and closed.
3. Work on a new education law initiated by the Supreme Soviet of Belarus. A special working group was formed. It included many former participants of the above-mentioned seminar.

¹² Equivalent to a PhD. degree (ed.)

¹³ Equivalent to PhD. or *doktor habilitowany* (Pl)

4. The Belarusian Soros Foundation's programs. In the framework of one of these, the 'Program of Updating Liberal Education' coordinated by Uladzimir Matskevich¹⁴ worked on the 'Concept of Updating Liberal Education'. By the end of 1996, the scope of this concept was expanded, and it started being regarded as a general concept of a national educational reform.
5. Work on an alternative scheme of educational reform, commissioned by Vasil Strazhau with a group of experts (Uladzimir Matskevich, Barys Palcheuski, Leanid Frydman, Svyatlana Krupnik, and Henadz Pyatrouski) at the end of 1995. 'Organizational Scheme of Educational Reform in the Republic of Belarus'¹⁵.

None of those activities would stand any chance of success if conducted separately. Educational reform could start and end successfully only if supported by both the government and the society. However, such concord was never reached because of both positive and negative factors, with the latter being predominant.

Positive factors:

- Sufficient experience and input had been accumulated in previous years.
- Flaws and deficiencies in what had already been done were known. It was clear how the should be eliminated.
- Most of the experts were in various forms involved in all the above activities. Participants in each of the above-mentioned activities were somehow involved in other activities.

Negative factors:

- The country was experiencing an ideological crisis, which was exacerbating. This resulted in a political upheaval at the end of 1996.
- All concepts based on national priorities, democratic and liberal values were ideologically unacceptable for the new regime, while others did not exist.

¹⁴ Информационно-аналитический бюллетень «Обновление гуманитарного образования» 1997, № 11; гл. таксама: *Всемирная энциклопедия: философия*, Москва «АСТ» – Минск «Харвест», 2000. Статьи: *Образование, Педагогика*.

¹⁵ В. В. Мацкевич, Б. В. Пальчевский, Л. С. Фридман, С. А.Крупник, Г. Н. Петровский, *Оргпроект реформы образования Республики Беларусь*, Мн., 1995.

- A conflict broke out between Education Minister Strazhau, who was supervising some activities, and Deputy Minister Kazulin, who was supporting others. Although this conflict bore no relation to ideology, it considerably impeded all work.
- The conflict between the Supreme Soviet and the president's 'vertically integrated' government administration was gaining momentum. The chairman of the Supreme Soviet's education committee, who shared the administration's stance, in fact sabotaged work on the new education law.

As a result, two more years were lost. With the dissolution of the Supreme Soviet in November 1996, everything was back to square one. The 'Concept of the National School of Belarus' by Husakouski and others and the 'Organizational Plan of Educational Reform in the Republic of Belarus' by Matskevich and others were ultimately rejected. Established in place of the Supreme Soviet, the House of Representatives of the National Assembly rejected the existing version of the new Education Law and started drafting a new law.

The group of Husakouski limited its work to the premises where its members worked officially, and later became a subdivision of the Belarusian State University. The Agency of Human Technologies (led by Matskevich) transformed into the Belarusian Soros Foundation's 'Program of Updating Liberal Education'. Its operation stopped with the closure of the Belarusian Soros Foundation in early 1997.

The only entity that continued to function at the national level was the Ministry of Education. There was no other alternative.

Stage 3 (1997–1999). The government establishes tight control over education. Private education and the third sector still exist.

This was a 'dead season' for educational reform. It had some peculiarities.

The non-state sector was still surviving and even expanding despite the lack of a legal framework, bureaucratic obstacles, fiscal burden, and economic stagnation. There was a rise in demand for non-state education, and the education market responded by expanding the range of provision.

Russian influence on Belarusian education strengthened. This affected the conceptual, organizational and technological aspects of education. Both education standards and school textbooks were borrowed from Russia.

All democratic achievements in public education were reversed. In this period, the government ultimately rejected the principle of state and public control that had been laid down by the 1991 Education Act. Academic liberties were mere declarations. In schools and universities, the authorities started implanting units of the Belarusian Youth Union and the Belarusian Patriotic Youth Union, politicized organizations loyal to the regime, which were immune to the ban on political activity in educational institutions. Orthodoxy acquired the status of government-supported religion. The Russian Orthodox Church started to filter into schools, which was a breach of the Education Act and the Freedom of Religion Act.

This period spawned the Council of Ministers' Directive No. 500 dated April 12, 1999, entitled, 'On the Development Guidelines for the National Educational system'¹⁶. That directive in fact rejected all that had been done since 1991 and revived the ideas of 1984, when the USSR started its failed educational reform.

To clarify the directive's vision, it is enough to cite an excerpt: 'The achievement of the goal of reform envisages:

- preservation and development of the best qualities of the educational system that emerged in the Soviet period;
- the educational system's advancement and adequate reaction to social and cultural transformations;
- formation of an educational and upbringing system that would meet the aims of the new stage of societal development'¹⁷'.

The expressions 'advancement and adequate reaction to social and cultural transformations' and 'new stage of societal development' were not clarified.

Stage 4 (since 2000). The state and unofficial education sectors completely separated. The 'reformed' education sector and the new education law leave no room for private and unofficial education, Belarusification, or real reform.

The current period in education is officially called 'reform'. The Council of Ministers' Development Guidelines for the National Educational system provide for a number of activities and measures to preserve the current state of affairs.

¹⁶ Пастанова Рады Міністраў Рэспублікі Беларусь ад 12 красавіка 1999 г., № 500 *Аб асноўных кірунках развіцця нацыянальнай сістэмы адукацыі.*

¹⁷ Ibid.

Considering that no real reform has taken place, some concepts and ideas proposed in previous years continue to be relevant. Among them are:

The 1993 Concept of the National School of Belarus. It is still the basis of activity for the Center of Education Development Issues at the Belarusian State University, which employs some of the members of the National School of Belarus group.

The 1995 Organizational Scheme of Educational Reform in the Republic of Belarus. This organizational scheme was designed as a basic framework to incorporate all thoughts and ideas concerning the development of the educational sector. It envisages interactions between entities of the civil society in reforming the education and state systems. The National Institute of Education and the Academy of Post-Graduate Training were guided by this scheme in their work. Provisions of the scheme are used in training education managers at the Academy of Post-Graduate Training and the Institute of Vocational Training (IVE), and in training for master's and *kandidat's* degrees. The theme of 'functional literacy' was elaborated in the framework of this scheme – in the IVE laboratory of vocational education methodology since 1997, later in the Education Ministry's department of analytical and legal work, and then in the sociology department of the Academy of Post-Graduate Training that employs experts or trainees of the Academy of Human Technologies, which has been an 'invisible college' rather than an official organization since 1997. A report on 'Functional Literacy in Belarus' was commissioned by UNESCO. The report, presented at the UNESCO annual conference in Warsaw in 2000, included the 'possible scenario of eliminating functional illiteracy in the event of changes of external political and economic factors' as an integral part of the educational reform in the country¹⁸.

The 1996–1997 Concept of Updating Liberal Education. Designed for implementation through the Belarusian Soros Foundation, this concept, after the Foundation's closure, laid the foundation for activities of several NGOs (for instance, the Association for Updating Liberal Education and the Belarusian Associa-

¹⁸ В. В. Мацкевич, С. А. Крупник, *Функциональная грамотность в системе образования Беларуси*, Мн., АПО, 2003.

tion of Innovative Schools). This has been the most radical concept ever proposed in Belarus.

Political parties have been mentioning education in their programs, but none of them elaborated on education issues. Nevertheless, political parties and non-governmental organizations have supported specific projects, in civic education above all. For instance, the Khartiya-97 group provided assistance in setting up the people's university 'Society of Philomats' which teaches courses in all regional and many district cities and towns. Independent and free trade unions also organized courses not only on specific topics, but also on basic subjects such as law, computer training and environment. A number of NGOs specializing in civic education were established with support from the Belarusian Popular Front (BPF), United Civic Party (UCP) and other parties. But, neither political parties nor public movements have a comprehensive concept or a plan of actions in the area.

Educational System Diagnosis

by Maksim Zhbankou,
Alyaksandr Palonnikau

The whole post-Soviet period is associated with various attempts to reform the educational system, which had the following objectives

‘De-ideologization’ aimed to emancipate the education contents from constraints of the Communist ideology. De-ideologization was originally targeted at humanities, but its application turned out to be much wider than originally designed, and affected general upbringing (role models and values) and basic objectives of the Belarusian education as a whole. It is impossible to overlook considerable success of de-ideologization.

‘Depoliticization’ was aimed at purging schools of Communist party political institutions and its branches, such as youth and children’s organizations. The objective was not attained completely, because some relicts of Communist children’s organizations, such as young pioneers, continue to function and even seek to increase their influence.

‘Belorussification’ sought transition to Belarusian-language instruction at all education establishments. Transition was expected to take 10 years. The decade saw attempts to write Belarusian-language books for all levels of education, switch to Belarusian in official documents, and improve teachers’ knowledge of the Belarusian language and culture. These efforts have been ineffective. The authorities abandoned the program.

‘Diversification’ is associated with structural changes in Belarus’ educational system. The effort resulted in the emergence of new types of schools such

as *gymnasiums*, *lyceums*¹⁹, colleges, and education conglomerates (combining vocational schools, technical schools and tertiary establishments), many institutes were transformed into universities and academies, and the curricula changed according to the education level and major subjects. On a mass scale, secondary schools began opening specialized streams for chemists, economists, lawyers, firefighters, musicians etc. The reform gave rise to private commercial establishments and thus impacted the education services market. The structural reform affected all types of schools, including the system of additional and out-of-school education.

‘Computerization’ was aimed at supplying all schools with computers and teaching computer skills to students and teachers alike. Despite considerable efforts, results of the initiative are negligible, especially in rural schools.

The Belarusian educational system could be described as under-reformed, while the reform could be described as stagnant. Superficial administrative innovations did not affect the essence and forms of the education process.

The educational system in any modern society, including Belarusian, is becoming less and less able to perform its fundamental functions. To redress this:

- firstly, education should foster permanent renewal of information resources needed for occupational, social and political activities of individuals and social groups;
- secondly, education should ensure replenishment of human resources in the society. In other words, each individual should find his or her place in a concrete social order and obtain access to training in various social (including occupational) techniques;
- thirdly, the educational system is a natural breeding ground for the national elite, which sets out the priorities and guidelines of the nation’s development;
- fourthly, tertiary education establishments, also referred to as the Higher School, have traditionally been the area for activities of scientific and scholarly communities involved in research, not merely in teaching.

¹⁹ Cf. footnotes on p. 215 (ed.).

The educational system's smooth functioning requires efficient management and self-administration mechanisms capable of ensuring its evolution in a rapidly developing post-Soviet society. The existing system is fundamentally flawed and cannot perform these functions. A thorough analysis of each of the above-mentioned points proves this.

Renewal of information resources

There are three aspects to the issue: informational (the contents of education), methodological (training techniques), and technological (access to information resources).

Practically at all levels, the contents of education is superfluous, curricula are overload with largely outdated information while lacking up-to-date and well-presented information. This seems to be an absolutely natural course of things for the Belarusian society that came to a standstill at the early stage of its 'post-colonial' existence.

In the early 1990s, a whole gamut of content and subjects taught at schools in the previous epoch was deconstructed. The perestroika idealism inspired teachers at local tertiary education establishments to creating new courses and write new textbooks. Paradoxically, the new generation of textbooks was created by 'old school' authors, practically unacquainted with the new trends in humanities, almost completely unaware of the original sources and sticking to quasi-Marxist thinking patterns.

The general inertness of thought, lack of incentives for improving professional skills, non-transparent and clannish allocation of lucrative assignments for writing textbooks and absence of adequate expertise have produced a situation where information presented at schools has turned into 'information noise'. The supply of textbooks nominally satisfies market demand. But in fact, there are no original Belarusian textbooks on a variety of subjects including philosophy, social anthropology and culture. A number of advanced textbooks, on Belarusian history for instance, has not been published due to of opposition from hard-liners. The undemocratic and non-transparent procedure of textbook pre-

paration rules out open competition among groups of authors and their ideas. The country has no textbook writing standards.

Despite a heterogeneous general informational environment, each educational establishment clings to a set of 'its own' textbooks. In general, the country may be said to lack a whole range of necessary new textbooks.

The 'distorted', locally produced information environment creates the necessary prerequisites for Russia's informational expansion: Russian textbooks, often as 'parochial' in contents as most Belarusian ones take center stage in the marketplace with their use of up-to-date scientific terminology and broader range of sources. In result, Belarusian students get 'two in one': a Russian-produced information package stuffed with the ideology of the former 'Big Brother'.

The education technologies were affected by both the education ministry's uniformity policies and chaotic experimentation by private schools of all levels.

The educational system is characterized by alleged plurality of educational technologies: state establishments stick to traditional teaching methods, some enthusiastic teachers invent new techniques, while private schools adopt Western methods.

The above-mentioned approaches are simply inadequate. Copying Soviet or Western methodologies proved absolutely inefficient, but there are still no constructive adoption mechanisms. Patchy educational techniques, conflicting in the teacher's mind and in general practice of educational facilities alike, hamper effective communication and impair education quality. At best, teachers and students have a very vague idea of how to present and learn a subject. At worst, they just 'speak different languages' due to being in parallel communicative dimensions.

The legacy Soviet system for training teachers makes it difficult for them to master advanced teaching techniques. The system openly discriminates against professionals working for private schools because they are required to pay for refresher courses, while teachers working in state establishments can take courses free of charge. Many skilled and experienced teachers quit facilities providing refresher and training courses for teachers because of low pay.

The skills of teachers and students to use information sources do not meet present-day requirements due to the following factors:

- poor knowledge of foreign languages (as well as of the Belarusian mother tongue);
- computer illiteracy;
- limited access to Web resources outside large cities;
- lack of computer hardware at most educational institutions;

The inefficient state system for training the trainers helps little in improving teaching quality, computer skills and access to information databases.

The formerly used centralized system of assigning teachers to refresher courses no longer exists; therefore, administrators of education establishments have no interest in raising the quality of teaching in their institutions. Moreover, teachers are often reluctant to sign up for refresher courses. The contents of such courses are outdated and often biased.

Even if innovative programs of retraining and further education are implemented, they conflict with the provincial teacher's real working conditions.

The general conclusion here is that the modern Belarusian school is involved in copying government-authorized standard methods and techniques, or resorts to a chaotic combination of borrowed information and methodological resources. The educational information space is heterogeneous and plagued by internal conflicts. These factors intensify the trend leading to a major crisis of Belarus' educational system.

Replenishment of human resources

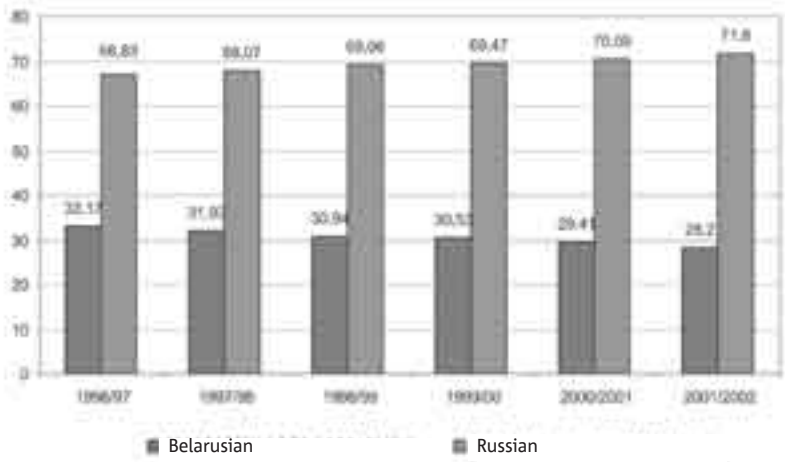
The Belarusian educational system, reliant on administrative tools, is a classical example of a system that produces 'one-dimensional people' (after G. Marukze).

In terms of influence on students and evaluating their performance, Belarusian education retains core features of the Soviet educational system, such as:

- authoritarianism;
- lack of incentives and opportunities for creative work both for students and teachers;

- ideology being an important element of the educational process;
- lack of real opportunities to receive instruction in the native languages for both the Belarusians and ethnic minorities.

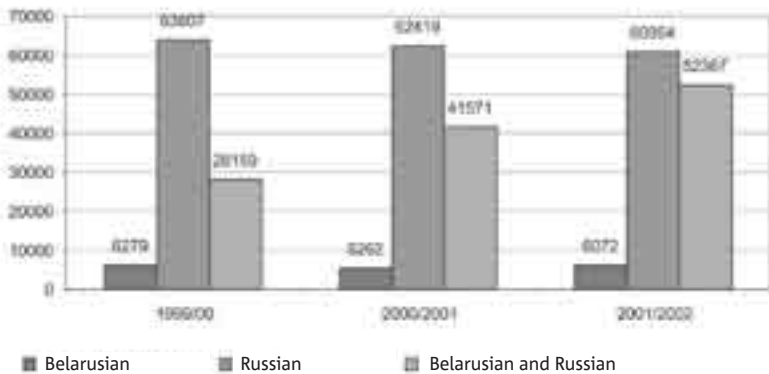
Chart 1: Language of Instruction in General Education Schools (percentage of the total number of students, National Average)



Source: Chief Information and Analytical Center of the Ministry of Education

As far as the content of education is concerned, both state and private schools tend to cram students with as much information as possible, rather than develop their creativity. Use of new sources, including texts in European languages, rearrangement of schooling hours to favor self-instruction were an additional burden on students who have not a slightest notion of what analytical work and analytical writing consist in. Crammed space, cribbing, truancy and other forms of quiet sabotage are widely used as self-defense against educational innovations of the kind.

Chart 2: Language of Instruction in Tertiary Education (thousands students)



In such a system, there is high demand for qualities such as obedience, loyalty, devotion to administrative staff, readiness to 'follow the general party line' rather than independent thinking, critical mind and ethnic identity. In fact, it indicates the retrospective orientation of the educational process: instead of raising free citizens of an independent European state, schools produce timid conformists, new soldiers for a non-existing empire. Mentally, these are the people of the past, completely incapable of living in a post-industrial society.

Absence of distinct national priorities in education policies reveals itself in attempts to tie the Belarusian and Russian systems together by introducing uniform educational standards. In fact, it implies the transformation of the Belarusian educational system into an ideological and informational appendix to Russia's educational institutions. The Belarusian educational establishments produce either potential intellectual émigrés, i.e. labor force for Russia and – to a lesser extent – for Europe, or human resources for preserving the status quo. In both cases, the educational system objectively encourages a 'cleansing' of the Belarusian culture from potential reformers, i.e. those creatively thinking intellectuals who advocate European values.

It is also necessary to mention low prestige of the teacher's profession. A drastic decline in teachers' living standards in mid-1990s caused fragmentation of this once well-off social group, followed by the outflow of most active and enterprising people to private companies and schools. The teachers may be divided into well-off administrators with direct access to financial resources, involuntary workaholics doomed to work hard for multiple educational establishments, and 'serfs', or misfits in terms of either category because of age or character.

On the one hand, spontaneous social divisions affect students' outlook and level of education, and contribute to plurality of lifestyles and behavioral models. On the other, there have been similar divisions among teachers who form various groups as diverse as the administrative elite that combine education with business, and 'intellectual shuttle workers' who rush from one educational institution to another in pursuit of additional income. At the same time, existing uniform models and standards in education are not adjusted to this stratification.

The present forms of education cannot offer adequate training to new generations of Belarusians to make them a competitive labor force in Europe. They cannot teach them to survive in a post-Soviet society or absorb ethnic and cultural identity principles. Thus, a possible conclusion is that the educational system in Belarus in its present state is largely decorative, and cannot supply the Belarusian nation with what is required of modern-day human resources.

Forming a new national elite

The educational system traditionally generates human resources for the national elite. In Belarus, it implies training highly-educated professionals and managers capable of making decisions with due regard for local conditions.

The current situation in the education sector is characterized by tight administrative controls, uniform standards and methods coupled with declining quality, lack of efficient international contacts, and inadequate informational support for the education process. The system is focused on providing knowledge

rather than stimulating thinking; it makes little use of advanced education and information technologies and is under-funded. All these factors prevent it from working efficiently to sustain the national elite.

Also, it should be understood that the whole Belarusian elite is not interested in renewal, primarily because of the traditionally clannish organization of the top strata in the Belarusian society keen to maintain their leading roles. In a society without democratic traditions, the elite of all kinds – from artillery generals to theater managers – ignore people's interests and are guided by the self-preservation instinct only. Belarus has never seen a natural dynamic change in generations of the elite or expanded creation of new jobs, especially in administration, which is unnatural for a growing society. It means that each subsequent generation has a chance to realize their ambitions through conflicts only, i.e. by ousting representatives of the older generation from their positions.

In this sense, important skills are those of scheming, dirty backstage games, bribery, guessing the momentary balance of conflicting forces to curry favors with those at the top, or finding ways to defame perceived competitors, i.e. qualities that have nothing to do with education. The ruling circles in today's Belarus are in great demand of behavioral patterns of a 'provincial charismatic figure' or 'cautious trickster'. Mid-level positions are usually occupied by 'one track ponies' devoted to their bosses.

In current setting, the new elite either keep a low profile (the newly rich Belarusians conceal their profits and assets abroad, new media- and advertising executives etc.) or function within the government system. Emergence of the new elite obviously contradicts interests of the political regime that exercises monopoly over the evolution of society and the inert, Soviet-style mass mentality. New, active minorities have almost no career opportunities and have to sell their intellectual potential abroad, mainly in neighboring countries.

Conclusion: Belarus' national elite does not evolve or revitalize the way it would in an 'open' society (K. Popper). Consequently, the Belarusian society faces a natural identity crisis. The current outmoded elite are neither able to adjust themselves to societal processes nor elaborate and carry out an effective social development scenario.

One of the key factors that keep the society stagnant is the absence of a well-developed system for educating elites that would be capable of supplying top levels of social structures with competent executives.

Academic research

Research is a traditional function the educational system, mainly characteristic of tertiary education facilities. A combination of teaching and research creates a real opportunity for testing new products in the process of teaching.

Belarus' educational system, however, doesn't offer incentives for productive research, especially and chiefly in departments specializing in humanities.

Teachers are burdened by excessive workload and a very complicated reporting system. Besides, they need to pursue additional sources of income. State sector's research assignments, with the exception of those based in ideology, are not funded properly. Most frequently, results of research made on these assignments do not find practical application and are shelved in the form of reports. The so-called research plans are carried out on paper only, while scheduled research themes are replaced with available publications.

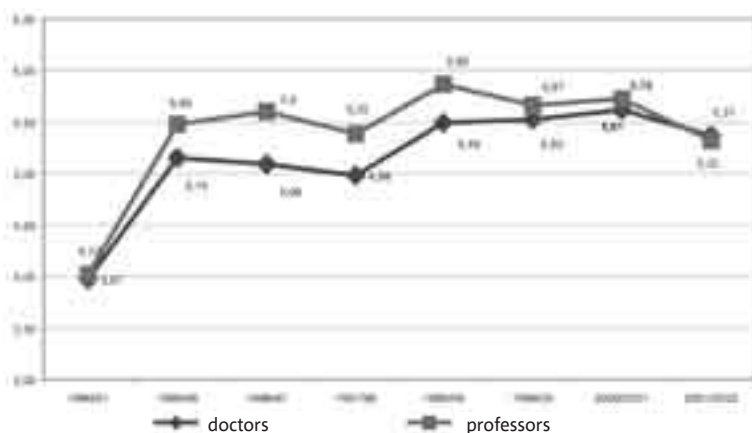
Academic research has been sidelined in result of reduced publishing activity in scientific literature and lessened international contacts, 'window dressing' seminars, readings, and conferences. The State finances science (including tertiary schools) according to the 'residue' principle, where funds are made available when left over from other top priority allocations, with very small percentage of commercial assignments and absence of visible achievements. Academic research programs attract scribblers, aficionados, or academic bureaucrats.

One of the main reasons of the academic crisis is in the lack of equipment and supplies for research work, especially at in-field institutions, irregular renewal of library stock and electronic databases. Research teams have no opportunity to work on commercial basis and use the proceeds to finance further research.

The existing system of awarding scientific degrees and titles also restrains growth of the research potential. The ageing of academicians pursuing doctor's

degrees and shrinking numbers of post-graduate students is linked, to a certain extent, with lack of career and pay prospects. Scholars are reluctant to spend several years on *kandidat* or *doktor's* dissertations²⁰. The reluctance also stems from unfair treatment of researchers by the Supreme Commission of Evaluation, known for its severe criticism of truly innovative and interesting works. Surprisingly, it appears to be much easier to defend a *doktor's* thesis in Moscow or St. Petersburg than Minsk. These problems discourage PhD. and *kandidat* degree holders from working creatively. While older generations abandon academic science on retirement, younger generations prefer business to science. As a result, the instruction and research level has become mediocre.

Chart 3: Doctoral Degree Holders and Professors as Percentage of Tertiary Schools' Core Personnel



Source: Chief Information and Analytical Center of the Ministry of Education of the Republic of Belarus

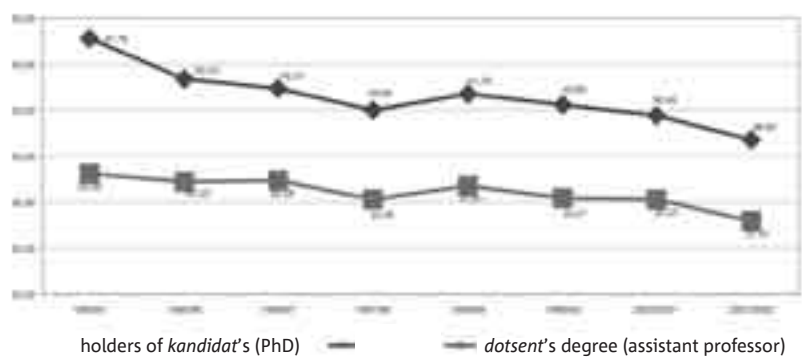
Due to reasons beyond their control, major players in the educational system are old conformists rather than active young scholars. Quite often, these

²⁰ Cf. footnotes on p. 220 (ed.).

are people with an ‘ideological background’, who obtained their degrees for work on ‘scientific Communism’ and Marxist-Leninist philosophy.

The system of academic degrees and titles is at variance with European standards and, unlike in Europe, degree awarding is centralized.

Chart 4: Kandidat (PhD) and Dotsent (Assistant Professor) Degree Holders as Percentage of Tertiary Schools’ Core Personnel



Source: The Main Information and Analytical Center of the Ministry of Education of the Republic of Belarus

Another obstacle to academic research is in the increasing standardization of education and control over the education process. Administrators demand that teachers follow canonic rules at work; their critical and suspicious attitude to innovations and experiments rules out creativity.

Under the existing system of annual evaluation of teachers, their pay and career do not depend on their academic performance. Many active scholars conduct independent research, while passive ones feign creative work, plagiarize and compile others’ ideas. Both types of scholars work outside of the system, and tackle their individual problems within the framework of global educational cycles.

This means that, in the Belarusian educational system, the notion of a ‘scientific community’ can be applied to tertiary schools with certain reservations. In practice, there is a certain corporate unity devoid of sustainable inner motivation for creative development and improvement of research potential. To the external eye, the system seems to offer incentives such as state assignments, bilateral and multilateral programs within the CIS, and Western grants. Creativity has been substituted by accountability, while scientific research has been replaced by the desire to guess the customer’s wish. Consequently, tertiary education establishments, former think tanks and research laboratories have transformed into service providers, with servility being their principal merit.

Administration and self-management²¹

Article 44 of the education law stipulates that the educational system is administered by central and local government. However, regulations regarding local government bodies are adopted by the Ministry of Education, which guarantees total governmental control over local educational authorities.

The Belarusian educational system remains largely centralized and unaccountable to the public. The government has curtailed reforms and programs launched immediately after the country’s declaration of independence. The government’s reform efforts included switchover to 12-year primary and secondary education, 5-day schooling week, 10-grade performance rating system and, at tertiary education establishments, a multi-level teaching system (courses for bachelor’s and master’s degree and subject specialization). These reforms were superficial.

Current legislation on education is anachronistic. New laws replicate the basic principles of command and administrative control of education establishments. A new version of the Education Act contains no article allowing education establishments to pursue provision for a fee. Under the law, the Ministry of Education is not accountable to the parliament. The law is quite vague on academic freedoms in education establishments and hampers real educational reforms.

²¹ Svyatlana Krupnik and Uladzimer Matskevich contributed to this section.

In fact, it has re-established the Soviet-era classification of educational stages (technical secondary education, vocational education etc.), provides no opportunities for extramural studies and lacks precision regarding master's degree studies. Current classification of education establishments is not in line with European standards and does not ensure continuity of education.

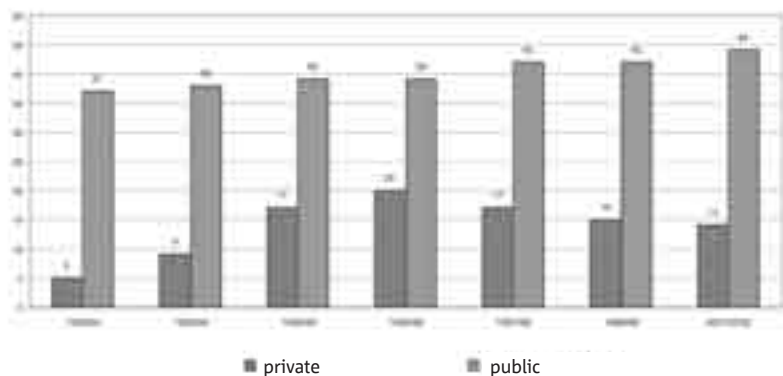
The administration system is similar to Alyaksandr Lukashenka's 'vertically integrated' presidential administration which rules out feedback. Its bulky structure contains elements such as municipal, district and regional Public Education Authorities, which give priority to control and ideology rather than provide expertise and support in methodologies of provision. Also, the existing system doesn't envisage elements of self-management. The notion of academic freedoms still remains a far-off prospect and makes no sense for most education administrators.

Excessive centralization of the educational system, lack of transparency coupled with a sharp fall in teachers' living standards and the emergence of an authoritarian educational elite created conditions for rampant corruption, extortion under the guise of 'payable services' and 'voluntary donations,' and expansion of the shadow sector in education. The practice of taking bribes in exchange for high grades at entrance exams or supporting students in education has become widespread recently, as is the case of administrators redistributing proceeds in their favor. Corruption may be said to have skyrocketed in tertiary schools.

The government's desire to establish full control over all forms of education reveals itself in discrimination against private schools (refusal to issue licenses, inspections, class-room rent denials etc.). The political regime seeks by all means to limit private schools' influence and to subordinate them to authorities.

Meanwhile, a number of private education projects cropped up in the early 1990s. Projects like the European Humanities University, the Institute of Parliamentarianism and Enterprise, the Institute of Modern Knowledge etc. combined new market-based mechanisms with the interests of the 'revamped' *nomenklatura* of the old educational system. This marked the emergence of an education services market and competition among education institutions. However, the State sector prefers administrative pressure over fair play.

Chart 5: Number of Education Establishments



Source: Chief Information and Analytical Center of the Ministry of Education of the Republic of Belarus, the National Supervisory Center

The under-reformed educational system is characterized by co-existence of educational establishments and methodology research centers of different generations, with Soviet-style vocational and secondary schools on the one hand, and Western-style *gymnasiums*²² and colleges on the other; traditional teacher training colleges and new marketing and management schools, the National Institute of Tertiary Education and independent analytical groups. The educational system is superfluous, overloaded and needs to be cleansed of inefficient components. There is a need to arrange the system so as to ensure its integrity, transparency and proportionality of all forms of education.

The current educational system is not run by specially trained administrators. The notion of 'managing the educational sector' is absent from Belarus as there are no education establishments that train education managers. Also, there is no mechanism for selecting candidates for administrative positions. Administrative positions in education are held by non-professionals: either job-hunters,

²² Cf. footnote on. p. 215 (ed.).

seeking to achieve personal gains regardless of means or end, or people loyal to their superiors, holding no personal opinions, or else individuals from outside of the professional community. At any rate, accidental persons appointed to administrative positions in education are unable to work efficiently.

The educational establishments' growing fee-paying business stems from their administrators' ambitions rather than their actual needs. 'For fee' projects usually have nothing to do with the educational process and do not attract funds. Quite on the contrary, they feed 'parallel budgets.' For example, the Belarusian State University has been involved in a variety of commercial projects, from beauty contests to running the Unistar radio station. Simultaneously, funding for educational activities, support of the educational process with information resources, and lecturers' salaries fall short of the affirmed 'top university' status.

The system of statistical accountability does not provide correct representation of the educational system's actual state.

There are no clear guidelines on teaching workload standards. The current standards (550 academic hours at tertiary education establishments vs. 150 academic hours in the US) are too high for both lecturers and students, and are at variance with European standards. This proves that the Belarusian educational system is costly and pursues inefficient personnel management policies.

Current educational administration is a combination of 'window dressing' bureaucratic activity and improvised authoritarian management style, waste of scarce budget resources and chaotic business experimentation. In fact, the administration of Belarusian education cannot ensure efficiency or stimulate the development of the system. Within strict State policy limits, administrators can hardly manage to keep their institutions afloat, yet they cannot substantially improve quality of education. The educational system appears to be inefficient not only in methods and informational support, but also in administration and business management.

General Conclusions

The Belarusian educational system is in deep crisis. Instead of offering information support, it offers information noise; instead of encouraging creative thinking, it produces either conformists or intellectual émigrés; instead of raising the new elite it replicates bureaucrats. It disperses and socially degrades the teaching personnel. The Belarusian educational system's inefficiency lies not only in low quality of its final product, but also in complete inability of administrators to ensure effective operation of this bulky and outdated system. Mechanisms of education function beyond their service life, therefore they continue creating 'people of the past'.

4

Rationale and Incentives for a Reform

Conservation of the present-day educational system would lead to poorer quality and greater provincialism of education. Inevitably, an unreformed system would have adverse effects on the Belarusian society and its consequences will extend beyond the educational system.

Reform disincentives

The existing stagnant and retrospective educational system coupled with importation of post-Soviet and post-imperial models from Russia would fuel tensions between the ruling ‘colonial’ elite and national culture, as well as between the ruling elite and new generations of the Belarusians. As is, the educational model will destroy the system of cultural reference points and aggravate the ethnic identity crisis. As a result, the Belarusians will lose their historic roots and historic prospects.

The authoritarian educational system produces conformists and hampers the formation of new generations of the national elite and civil society. In the long run, this implies that Belarus may turn in a Third World country, supplier of low-skilled labor force to more developed neighboring countries.

The domination of Russian education theories, techniques, standards and information resources breeds a colonial-type asymmetric culture, thus increasing the country’s informational and ideological dependency on Russia. The educa-

tional system would not be conducive to establishing a national identity and forming civic conscience; it will rather continue to replicate 'aboriginal' mentality of a 'small and imperfect nation' ready to follow orders of representatives of 'big' (meaning 'alien') culture.

Unwillingness or inability to bring the educational system into line with European standards would increase the cultural gap between Belarus and Europe and lead to a decline in the overall level of education and functional skills. In long term, due to potential lack of a real link between education and social success, this might impair the quality of provision and reduce the value of education in the eyes of the Belarusians and the European Community given potential incompatibility of Belarusian tertiary education with foreign opposite numbers, and ultimately lead to ghettoization of Belarusian education.

The authorities' extreme reluctance to accept new-generation education theories and techniques, lack of funds for raising efficiency in education, and disintegration of the postgraduate and retraining system may turn Belarus into a country of incompatible education certificates or into an un-reformable country of no interest to the international community as an economic or cultural partner or political ally.

If the current educational system remains as is, the gap may widen between the society's real life priorities and those taught at school. This condition may be dubbed 'progressive cultural schizophrenia' or loss of national culture and identity. On the one hand, the general public would be encouraged to look for new ideas (some may choose radical and socially dangerous ideas in the end) while, on the other, the distance between real life and the education content will grow, thus leading to a complete mystification of the latter.

If Belarus' educational system will continue copying various European models and practices without due assessment of their advantages and disadvantages, the system may lose its cultural distinction, erode and assimilate.

Therefore, conservation of the present-day educational system would aggravate the cultural crisis and would not contribute to social stability. This represents a real threat to social, political, economic and cultural development of the Belarusian society.

Reform incentives

Interaction of the educational system with European, rather than just Russian practice will intensify cultural identity process and open the society.

More specifically, the educational reform is needed:

- to restore the disrupted link between generations, implant national cultural and historical traditions in the minds of new generations, develop national feelings and civic self-consciousness.
- as a means of integrating Belarusian education facilities into the European educational system. The integration would change the content and methods radically and allow for recognition of Belarusian education certificates, allowing the Belarusians to access the European labor market, with new opportunities open for business and cultural contacts. The education sector would be more appealing for those who seek to realize their potential or pursue a career.
- as a means of helping new generations of Belarusians in tapping into their creative potential. Instead of conformists, the educational system should rear individuals with the energy and will to realize their goals in this country. The reform that may trigger a cultural outbreak that would spur the society towards development.
- to raise young ambitious intellectuals. The reform would enable them to create decent jobs for themselves in Belarus and become major players in the country and impact its future image.
- to set the stage for developing the civil society based on personal responsibility and free personal choice. It would help convert the ‘electorate’ into people who can decide on their own fate.
- to encourage competition of education services and practice, which would help to improve education quality and enable the educational system’s competitiveness on an international scale.

The educational reform should help the Belarusians to overcome their cultural inferiority complex and become equal partners in the European and international communities. An educational system based on national values would dispel the myth of integration [with Russia] rooted in the collective mindset and the political elite.

Ideal Model of the Educational Reform

by Svyatlana Krupnik
and Uladzimer Matskevich

4

Reform purposes and objectives

Education policies based on national ideals of independence and sovereignty, historic and cultural heritage, aimed at achieving high social standards, can rally and inspire the Belarusians to building an effective society.

J. Dewey noted that two major objectives for education are social aptness of the individual and ‘culturization’ (shaping cultural identity). The challenges of modern post-industrial and information society seem to highlight the importance of the former. But, the ethnic and cultural identity problems in Belarus add to the significance of the latter, making it at least as important as the first objective.

A priority of the educational reform in Belarus should be to provide mind-set-forming and information tools for re-establishing ethnic and cultural identity of the nation, and turning it into a driving force in the society.

Basic characteristics of reformed education

International commitments

1. Belarus’ educational system should be placed in the European context and meet international education standards laid down in the following documents and instruments:

- The Lisbon Convention on Recognition of Qualifications Concerning Tertiary Education in the European Region.
- The 1999 Bologna declaration, Magna Charta Universitatum of 1888.
- Programs such as COMET (co-operation between universities and industries), ERASMUS (European Community Action Scheme for the Mobility of University Students), LINGUA (a language reinforcement program), TEMPUS (the trans-European cooperation scheme for tertiary education in the Western Balkans, Eastern Europe and Central Asia), SOCRATES (cooperation in the field of instruction) and LEONARDO (vocational education) or analogous national programs.
- Recommendations of international conferences held in Hamburg in 1997 on adult education and in Dakar in 2000 on education for everyone.
- ISO 9000:2000 standards.
- A credit system analogous and compatible with the ECTS (European Credit Transfer System).

The documents mainly refer to university education in Europe. However, compliance of the tertiary educational system with the above-mentioned agreements would set a certain standard for secondary and primary schools and show the direction for the educational reform.

National and cultural features

All education in the country should be Belarusian in essence, which does not mean that it should be self-contained. That does not imply any form of self-isolation or provincialism, but rather the orientation of objectives and output of education towards strengthening Belarusian sovereignty and establishing Belarus as a new independent state in Europe. Education should promote patriotism, national traditions, historical and cultural heritage in line with the national interests. It should help in consolidating national identity of individuals and facilitate national homogenization within the framework of a civil society.

Social and political features

The educational system alone cannot pave the way for democratic changes in the society. Yet, if education lags behind in the democratic transition, it may slow down the adoption of democratic principles in other areas.

Abandoning the totalitarian past proves to be a very lengthy and painful process. Events of the last decade both in Belarus and in some other countries with a similar historic background prove that expecting instant success in building a civil society and democratic rule of law is wishful thinking. Short-term achievements, at times followed by a relapse into authoritarian and totalitarian practices, do not matter as much as steady progress towards democracy. Slow as it might appear, it is better than an oscillating between totalitarian regime and democracy.

In the least, the educational system should produce independent individuals rather than conservative, apathetic and paternalistically-minded consumers. School and university graduates may not be actively involved in politics, yet they should take responsibility for their own life and be able to tackle their problems themselves.

For this reason, education in Belarus must be available to everyone, whereas professional training should meet labor market requirements. School and university graduates should have a good chance of finding a job (i.e. they need adequate skills and training), or continue their education (i.e. they need sufficient knowledge and competences).

Political parties and governmental institutions should take considerable interest in education. Political party platforms and individual politicians should give prominence to education. Otherwise, education can hardly ever become a matter of primary concern to the general public. When public awareness of education issues is raised, the government's education policies will be overseen by the civil society, and both central and local authorities will make decisions in the interests of Belarusians.

Economic features

Education may be free of charge but this does not mean that it does not entail a certain cost.

Central and local governments should be able to cover education costs. Average income families should be able to afford tuition-based educational services. Every Belarusian should be entitled to his or her share of the public education expenditure regardless of opting for a State-funded or private university. The mechanisms to ensure this right are well-known and diverse.

The government's investment in education should pay off, not necessarily through GDP growth, but rather through reduced expenditure on combating unemployment, poverty, juvenile delinquency, social insecurity, migration, etc.

Individual investment in education should be sound. Generally, time spent on education should be proportionate to the social status that a graduate may achieve, i.e. every additional year spent studying should offer additional economic advantages such as better skills, a pay rise, higher competitiveness in the labor market, social mobility, etc.

Education administration

Administration in general and education administration in particular is always multi-structural. To reform the educational administration network, it is necessary to follow certain principles:

- democracy. It implies administration that would allow for a wide range of possibilities of compromise between the majority and the minority, as well as between different minorities. The principle of democracy is in line with the open society concept. In education, this principle can be effective if the legislative and conceptual framework of education meets the interests of all the stakeholders, rather than just the State.
- a combination of state and public administration. It implies that the two should reasonably share their responsibilities in solving problems of education rather than one prevailing over the other.

Article 44 of the Education Act stipulates that the educational system is administered by central government and local self-management bodies and affinity groups. However, regulations regarding such bodies and groups are passed by the Education Ministry, which diminishes the public's role in administering education and guarantees the government's total control over local education authorities.

An education administration reform should begin by establishing combined state and public administration mechanisms and removing conflicting clauses from laws. Paradoxically enough, the initiative in initiating work on such mechanism is on the government's side, since the government should become interested in establishing public administration. Alternatively, the process may be initiated by the civil society represented by trade unions, associations, various foundations, organizations, etc., which are to express the interests of stakeholders in the educational process and the society. They can ask experts to examine laws or draft new legislation. They should be entitled to initiating changes in the law. A nationwide State and public evaluation of the education quality provision could be the top priority in order to put such a combined State and public mechanism into action.

The evaluation should cover areas such as graduates' academic standards and professional skills, teaching and learning techniques, as well as human and moral aspects of education. The State and the civil society should work together to produce the Education Memorandum and the Education Doctrine for the reform period.

The new education administration network will have to cope with a number of complicated tasks of the transition period, such as:

- adopting a new legislative framework for the educational reform;
- combining educational developments with the system's functioning;
- transition to basically innovative syllabi and curricula, new teaching theories and techniques, and new structures and types of educational establishments;
- establishing a mechanism to enforce education standards;
- providing resources for education in transition from a State-controlled system to an education market.

Education in transition requires a much more complicated administration network because new temporary authorities in charge of the educational reform and development would have to be established and will function alongside permanent education authorities. The latter should gradually take over functions of the former. This is to say that during reform, the administration network should be infrastructural and horizontal, rather than vertically structured.

An authoritative expert opinion network is an important part of the education administration. Experts (philosophers, experts on methodology and specific aspects of education) in possession of the most advanced knowledge on educational reform and contemporary education provide their services to education administrations in the capacity of consultants, analysts, project designers, experts, etc. During the reform, these experts do not necessarily have to be employed by the Ministry of Education, but they should have some weight, such as to impact the education market.

It is desirable to outline clearly the education administrations' functions and powers. In particular, it is necessary to determine who should commission the reform, who should perform these assignments and who should be in charge of the reform. The government represented by the president, the Parliament or the Cabinet should mandate the undertaking. A general executive agency should translate the reform into a succession of defined tasks and carry them out. The general executive agency could be (an) organization(s) established with the sole purpose of preparing and implementing reform projects and programs. Forming such (an) organization(s) could be within the Parliament's remit. For the time being, the structure of a general executive agency may be described as follows:

1. The Steering Committee, which should include the chair of the parliamentary commission for education, education minister, president of the Academy of Sciences, and author of the educational Reform concept (or know-how owner).
2. A team of civil servants and NGO representatives working to prepare the Declaration and Memorandum on Educational Reform.

3. A team of education professionals to develop the reform concept, a business plan including a budget, and a new education law.
4. A team for planning the structural outline of the educational system.
5. A team in charge of education standards and qualification assessment.
6. A temporary resource center to offer teachers adequate training and possibilities to improve their skills during the reform. In addition, the center should offer advice to academic research and development institutions, teacher training colleges and universities, etc.

While working according to their own plans, all the teams should closely cooperate with each other at every stage of the reform. Their cooperation is coordinated by the Steering Committee.

With the Steering Committee established and the Declaration and Memorandum on Educational Reform adopted along with the initial concept outline, the preparatory stage will take approximately a year. There will be ca. one thousand staff involved in the preparatory stage. In addition to work on the reform plan and the other documents mentioned above, the preparatory stage includes organizational measures, consultations, and coordinating procedures, not to mention efforts to clarify the reform's aims and objectives. The efforts will include seminars, consultative meetings, adoption of new regulations, and teachers' resource books, as well as lobbying, coordinating and obtaining official approvals for the reform. It will be impossible to coordinate and administer all this complicated work unless the process is highly focused. It may sound reasonable to introduce an interim, two-three year position of minister in charge of the educational reform.

Also, education authorities must be reorganized. The Ministry of Education should be transformed into the Ministry of Education and Research entitled to standardize and license education establishments. The Ministry of Education's personnel should be screened to assess knowledge and skills. It is necessary to strip the new Ministry of Education and Research of its function of tight administration and control of the education sector. Instead, the ministry should enforce educational standards as stated in the education law and other acts. The ministry should likewise develop mechanisms and procedures to put the law into effect. Schools that provide compulsory education should remain directly

accountable to the Ministry of Education while occupational/professional training colleges, universities, and research and development institutions should be granted academic freedoms. The government, represented by the Ministry of Education, should act in accordance with market principles. It can commission or set up education establishments, etc., but it should follow the principles of market economy. The ministry should not impose its will or dictate conditions to the education establishments. Local authorities should play a greater role in education administration than they do now. They should be entitled to found, finance and run local education establishments.

The existing district, city, and regional education authorities should be abolished or restructured, i.e. they should no longer perform controlling or ideological functions. Regional inspectorates should be established to administer, consult, provide information, and audit schools. The restructuring of regional education administration bodies should run in parallel with territorial and administrative reform in Belarus.

The government should stop restricting and interfering with the work of private education establishments. Legislation should provide for diverse forms of education, including religious, secular, business, adult and continuous education.

The Ministry of Education should classify education establishments and establish a framework for the nomination, re-nomination and licensing of various types of schools. The classification principles have been formulated by the research team of Uladzimer Matskievich. These principles may be used to distinguish instruction from education, teaching from upbringing and providing a basic standard of literacy. The principles will help in making a distinction between different types of education establishments, such as tertiary education institutes and universities, colleges and technical schools, comprehensive schools, *gymnasiums* and *lyceums*²³. It also helps to establish the basic framework and criteria for syllabi and curricula at various education establishments. In a market environment, the main principle to be applied by education administration bodies is that of diversity of educational services.

²³ Cf. footnote on p. 215 (ed.).

Research institutes together with teachers' training universities obtain special status during the reform. Teacher training colleges should be reformed the same way as the whole educational system. Consequently, subjects of research during the reform should change.

Training education managers according to new administration principles becomes one of the key points in the administration infrastructure. The Post-graduate Education Academy, the Belarusian State University, teacher training colleges, private universities, etc., working closely with interim and permanent education authorities and leading experts should be able to breed a new generation of education managers.

At present, Belarus has several curricula to prepare education managers. Despite different approaches and technologies, they would enable implanting new ways of thinking among managerial staff.

To launch market principles in education, a major change in its subsidizing patterns is necessary. The market-oriented model conflicts with the rigid command-cum-administrative system.

Firstly, education sector financing should undergo radical changes. The national budget should have separate expenditure items for educational system maintenance and educational reform. Part of the budget should be spent directly on maintaining education establishments, while another part should be distributed among students in the form of vouchers. Students will be free to invest their vouchers in a school of their choice. As a result, the latter will be financed from various sources, i.e. by the government and by students.

It is also necessary to establish an education lending system. Loans should be available both to educational establishments and students or their parents. Local budgets should be relatively independent from the central level, so that regional governments will be able to spend in accordance with the requirements of regional legislation.

Education content

The Bologna declaration established the framework for changing education content in Europe. Meanwhile, every national educational system has its own

specific features. Taking European standards as a benchmark, Belarus has to find solutions to legacy problems of the Soviet educational system.

The educational reform's essence in Belarus is in its transition from knowledge-oriented to activity- and thinking-oriented paradigms. Belarusian educators inherited a stereotype whereby knowledge teaches one to think and one can be taught to act through knowledge only. Combined with the rigid system of class sessions and curricula structured into separate disciplines, for a long time the knowledge-oriented pattern allowed for bringing up 'young builders of Communism'. They did not have to think as they had the Communist Party and the government to think for them, but they had to know the instructions and follow them strictly. Consequently, by the early 1990s most Belarusians were unprepared to accept changes in the society or adjust their lives to new circumstances. Despite having a wealth of knowledge, Belarusians are unable to make decisions or adjust to changes. They could not communicate in a correct and civilized way and, for a long time, had no access to the greater part of global culture.

Due to the knowledge-oriented paradigm, Belarusian teachers do not see the difference between a variety of education objectives and processes. The notions of teaching and upbringing, educating and training, and literacy mean the same to them. Meanwhile, 'education content' denotes the bulk of material in the curricula and textbooks; 'activity' is restricted to skills, whereas 'education theory and techniques' stand for teaching methods. Such a narrow-minded approach to education content complicates reforms at the grass-root level of each school and student, of curricula and syllabi, and education theories and techniques.

Thus, the first step to reforming the education content is to retrain all teachers and education managers. The step can be called 'enlightening teachers' or 'dispelling myths'.

However, before the reform starts, it is necessary to change the content of pedagogy (education theories) and other disciplines such as philosophy, methodology, and psychology. It is necessary to introduce epistemology, hermeneutics, logic, social science, semantics, semiology, rhetoric and other subjects in teachers' training programs.

Thus, before the whole of the education content is changed, the content of teacher's education needs revamping.

Instituting the activity-oriented paradigm means that acting and thinking rather than knowledge should become the target of education.

The reform of the education content in Belarus should include the following stages:

1. Revision of teachers' and post-graduate training in terms of its content, theories and techniques.
2. Reform of research and methodology departments within the educational system, shifting from the knowledge-oriented to activity-oriented paradigm.
3. Developing a new standards, textbooks and courses.
4. Preparing criteria for a new education content and establishing analysis, licensing, inspection, and accreditation departments and an education quality monitoring network.
5. Gradually creating the education market.

Pedagogy

It is for Belarusian scholars to address problems of the Belarusian educational system. Textbooks for Belarusian schools are to be written by Belarusian authors. Reform and development of the educational system should become subjects of research at national research centers. Its outcome should be reflected in the curricula of universities and teacher training colleges. Current research in Belarusian pedagogy is limited to problems of isolated lessons, courses or schools. Education management on the national or even regional level, and the educational reform have been overlooked by Belarusian researchers. However, this being a complex discipline, pedagogy should provide foundation for the development of all areas of education. Sadly enough, at present it is restricted to didactics (techniques of teaching provision), school studies, and psychology. Legislative, social, cultural, anthropological aspects, as well as problems of marketing and management in education have not been studied properly, yet.

There should be a constant exchange of ideas, people, knowledge and skills among R&D institutions and universities. University faculties and researchers should enjoy a higher degree of social, professional and geographic mobility. Belarusian researchers and university faculty representatives should be given an opportunity to work and be trained in Europe, as well as move freely within the country, working at different universities and research centers.

Human aspects (family values, personal interests, and the children's rights)

For the past 20 years since the last educational reform in the USSR, a lot has been said about the human approach and the rights of the child, but nothing has been done, yet. Democracy can guarantee respect for the freedom of individuals and the rights of the child. A democratic educational system should be well-organized and function properly. It is impossible to guarantee respect for the interests of the individual, or the child in particular unless children and their representatives (parents in the first place) can influence decision-making in education. This is one of the goals of the educational reform.

Ways of reforming the educational system

Reform priorities

Although it is widely thought that education is in cause-and-effect relations with other public sectors, the real relationship is much more complex. The cause-and-effect relations are often used as ideological substantiation for the educational reform or, conversely, as an argument against such reform.

There are two widespread and conflicting opinions on the link between education and the economy:

- good education propels economic development;
- sound economy allows the public to afford a good educational system.

Advocates of the former opinion insist on an immediate educational reform regardless of the country's economic condition. Those in favor of the latter sug-

gest postponing the reform and insist that education should end the list of financing priorities.

Developing a perfect and, by consequence, efficient model of educational reform requires achieving public consent as to the goals and fundamental principles of education in the first place. A perfect model is not a panacea suitable for any country in any circumstances, but a compromise in outlining general priorities of the nation's development. For this reason, a concept of educational reform should include a strategy for reaching such compromise. The strategy presupposes mechanisms of at least three types:

- Democratic mechanisms include broad public discussion, compliance with the law in decision-making both on the national and local levels, equal rights in accessing education, where education is exposed to criticism and public control, and attributing political weight to educational issues.
- Market mechanisms include a balance of supply and demand in educational services, investments in education as viable business initiatives (both for the society and the individual: one should see benefits of education, i.e. 'the more you study, the more you earn', but not vice versa), and enabling national education to compete in the world market of skills, qualifications and educational services.
- Professional mechanisms include the state of pedagogy as a discipline, teachers and education managers' competences and qualifications, policy makers' competences in the educational field, and raising national education standards to European or international levels.

Problems and obstacles

Simultaneous operation of the three mechanisms may come up against various obstacles. Market mechanisms are frequently associated with unpopular methods, thus breeding opposition of both democratic and undemocratic majorities. Democratic mechanisms cause resistance on the part of the professionals who may find themselves incompetent or functionally illiterate as conditions change. Yet, they should be involved in the democratic decisions-making process.

All this has led to a paradoxical situation where most education professionals and the public realize the need for reforms, yet this majority may not share reform objectives and ideals or even stick to conflicting views on reform, and do not share the reformers' principles.

Let us recall the four educational reform plans mentioned above:

1. The Council of Ministers' Resolution N500 'On Priorities of National Educational System Development' dated April 12, 1999, officially declared as school reform.

2. 'The Concept of Education and Upbringing in Belarus', adopted by the Council of Ministers of Belarus on March 26, 1993, and 'The State Comprehensive Program for Developing Education and Upbringing in Belarus until 2000', adopted by the Council of Ministers on November 15, 1993.

3. 'Theoretical Basis of the Concept of National School of the Republic of Belarus', and 'The Concept of National School of Belarus' 1993.

4. 'The Organizational Project of Educational Reform in the Republic of Belarus', 'The Concept of Renewing Humanitarian Education', and various complements to these programs such as 'The Concept of Occupational Educational Reform', and 'The Possible Scenario of Liquidating Functional Illiteracy in the Event of Change in the External Political and Economic Setting'.

Not only are the three latter concepts little known to the general public and professionals, but they also differ substantially in implementation mechanisms, philosophical and theoretical substantiation, goals, values and principles.

Each concept has its supporters and opponents, and there is a certain group of interests behind these proposals. Therefore, none can be used in reforming the educational system immediately, without discussion, assessment or further improvements that would produce several guiding documents for the reform.

Documents outlining objectives

1. An education doctrine is to state the values, models, fundamental principles, and ideals of a renovated and reformed education, as well as European and international standards it is to be oriented towards. Seemingly un-

Table 13. Reform Principles, Hindrances and Fundamental Documents on Educational Reform

	Basic principles for implementing the educational reform	Some hindrances in implementing the principles
1.	Democratize education	The professional community's corporate isolation, reluctance to admit 'non-professionals' to solving educational problems, illiteracy in terms of legislation.
2.	Decentralize administration of the education	Unwillingness to share power, combined with the inability to exercise authority, fear of unemployment among some mid-level officials, education managers' incompetence.
3.	Academic freedoms and autonomy	The same hindrances as in democratizing education in general; fear of competition; expectations of paternalism at the universities; university administrations' incompetence.
4.	Politics-free education	Illiteracy in terms of legislation.
5.	Secularization	The vacuum of ideologies and values is being filled with religious ideology, with different denominations starting to compete for influence on education.
6.	Establishing Belarusian-oriented education so as to mould Belarusian cultural identity	Tendencies to impose Russian culture; bias and conventions, linguistic illiteracy, loss of competence.
7.	Diversifying the syllabi (introducing alternative course books and curricula)	Resistance to competition, some teachers' incompetence and low qualifications; unpreparedness to design new curricula and course books on a large scale; habit of following conventional models.
8.	Competition in the education market	Anti-market and socialist tendencies and ideas, inability to compete.
9.	System changes	Incompetence and functional illiteracy, corporate interests.
10.	Making the syllabi and curricula open and compatible with those adopted in Europe	Conservatism, orientation towards Soviet education standards, functional illiteracy.

complicated and brief, such a document is bound to trigger off heated debate, with agreement on all issues being extremely difficult to achieve.

2. A reform concept is to provide theoretical grounds for new content in reformed education, and its structural and organizational network. It is to describe units, links and relations within the system and outline basic processes and functions. The Concept of Reform marks the cornerstone for training teachers and upgrading teaching qualifications during the reform.
3. A memorandum on educational reform is to guarantee that the reformed education and the reform itself meet the requirements and expectations of all social groups without infringing anyone's interests. It is to set the basic principles and limits that shall not be overstepped in implementing the reform, as well as outline duties and responsibilities of reform participants.

Mid-term reform priorities

Once the government has identified the objectives and elaborated the Reform Concept in the first place, it should then devise state Education Standards outlining quality requirements for new education, and proceed to drawing up an Organizational Plan detailing the structure, functioning and administration principles for the reformed educational system.

Theoretical foundations, a national education philosophy, and key points and propositions of the concept formulated for the system as a whole should also be specified for each level of education and all types of schools, regions, authors of textbooks and curricula.

This work will be time and effort-consuming and calls for involving highly skilled specialists, researchers and teachers. It may be successful only after all teachers' training facilities and methodological centers adopt the Education Doctrine, the Reform Concept and endorse the Memorandum on Educational Reform. All these establishments will need to bring their research themes and methodological documents in line with these instruments. It will be

necessary to conduct special courses for teachers, specialists, and university lecturers.

1. Education Standards may guarantee irreversibility of the educational reform. The standards should be compatible with European education standards. The point is not that standards should be better or worse. The goal of standardization is to ensure the educational system's compatibility with other systems. Current standards differ very much from those applied in Europe and are based on the Soviet content and principles of education. Therefore, efforts should aim at adjusting European standards to the national environment and available resources.
2. The Organizational Plan should be based on the know-how adopted for the reform.

Program of transition from old to new educational system (reform program)

The program should include documents that determine:

1. the structure of interim education authorities during the reform (see Reform of Education Administration);
2. functions, powers and responsibilities of all entities implementing the reform;
3. action plan;
4. the reform timetable;
5. principles, means and mechanisms for supervising and guiding the reform.

These working documents will add to concept feasibility. The public should be involved in drafting these documents in line with the Doctrine, Concept and Memorandum. The papers should help thousands of specialists in switching to new methods.

Belarus' educational system is characterized by traditionally weak administrators at all levels, from head teachers to education authorities, including the Ministry of Education. Especially incompetent and low-skilled are mid-level ad-

ministrators at regional, district and city education authorities, research and methodological institutions and centers. Administrators have poor access to information, are not used to using analytical skills and making decisions.

Incompetence may create paradoxical situations. For instance, Belarusian schools switched from 5- to 10-point performance grading scale on September 1, 2002. Yet, schools received instructions on how to apply the 10-point system only one month into the school year.

Prepared in haste, the instructions were of little help to teachers and students. Likewise, methodologists were not ready for adopting the 10-point scale. Schools were in chaos for half a year. Some schools were forced to cancel all grading for six months.

Schools are often told to introduce new subjects, with relevant textbooks still unpublished or even unwritten, and no teachers trained. Such administration can undermine any reform and discredit any concept, however brilliant. Unsurprisingly, a poll of late 2002 indicated that ca. 80 percent of Belarusians opposed the educational reform.

Comparative qualification requirements

The reformers and all employees of the reformed educational system should meet qualification requirements that have yet to be developed.

The paramount requirement for the reformers is that they must know and act in line with reform concepts and programs. The requirement applies, above all, to administrators, officials and politicians (elected officials and the minister of education).

It was stressed above that education administrators are poorly trained for the job, while the reform will require efforts of thousands of specialists. It will be easy to find several dozen professionals to run interim education authorities, but it will be absolutely impossible to replace thousands of education ministry employees, managers of all levels and methodologists. Shortage of competent personnel will seriously threaten the reform's success.

Table 14.

Reform principles	Official reform	Education concept	National school concept	Humanitarian education renewal concept
Democratization	No mention	Contains limited measures	Calls for democratization	
Decentralization of education administration	On the contrary, suggests greater centralization	Does not stress decentralization		Calls for decentralization
Academic autonomy and freedom	Limited	Call for academic autonomy and freedom		
De-politicization	Measures declared, but not taken	Calls for de-politicization	Does not stress de-politicization	
Secularization	Declared, but steps are being taken in opposite direction	Does not stress secularization		Calls for secularization
Belarusification (establishment of Belarusian cultural identity)	No steps proposed	Moderate steps	Active measures	
Diversification of the education content (alternative textbooks and curricula)	Limited	Envisages measures to this end		
Competition of education services and products	None	Call for competition		
Systemization (analysis required)	Views on systemization differ			
Openness and compatibility of education curricula of all levels with European standards				
Various concepts declare steps in this direction albeit of little difference				

Personnel will need intensive and fast training. They will need theoretical and methodological assistance in the form of methodological booklets, instructions and visual aids. The material could be prepared rapidly only upon specification of qualification requirements. Qualification requirements for all education workers represent, in fact, national standards in education and in the training of trainers.

Draft budget for the educational reform

The process of drafting a budget for education has not changed since the Soviet era, although the economics of education has changed radically under market influence. Principles for drafting national and regional education budgets should be adjusted to the economic reality. Modern forms of education financing (vouchers and education loans) should be used.

Costs and capital expenditure on reform

Educational reform cannot last forever. The government should not include reform expenditure in the general education budget. It should approve a separate reform allocation. Therefore, it is necessary to estimate the cost of reform. Drafting concepts and plans is the cheapest part of the reform. Measures set out in the Organizational Plan and the Reform Program will account for the greater part of the expenditure. It will be possible to assess the costs once all measures and the timetable have been finalized.

On the other hand, available public funds and investment will determine the scope of the reform.

Cost estimates will add to feasibility of the Reform Concept. Without cost estimates, any concept is merely of academic interest.

Draft education law

The 1991 Education Act opened up great opportunities for changing the educational system. The 2002 Education Act, on the contrary, limited these opportunities. It is designed to keep the system 'as is'.

There are two options: a new law can be adopted before the reform to set the stage for evolution and regulate the reform. It may be passed after the reform to 'certify' the changes.

Both options have advantages and disadvantages. In the first case, the law can be detached from the Reform Concept and the Reform Program, and encourage the system to evolve and change. The problem is that if the evolution is fact-paced, the law may become obsolete and slow down the reform. It would take much time and effort to draft and pass the law after the reform. In that case, the legislation will be closely linked with the Reform Concept and the Reform Program, and its adoption will depend on the reform's assessment. Nevertheless, the latter option seems to be more reasonable. If the law crowns the reform, it could specify how the system will evolve in the future.

A decision whether a new education law should be adopted before or after the reform should be made with due account taken of the educational system's condition at the reform's outset, and will depend on the education model available, if any.

Long-term prospect

The reform should bring the system to a normal state of operation. In its result, the system should self-regulate, adapt and evolve in tune with global processes.

The Belarusian educational system has been in reform for 20 years already; alas, without any positive results. Education is one of the most conservative social institutions. Respect for traditions, stability and reliability are signs of a good educational system and good education establishments. Education traditions in Belarus have not yet been rooted. Although the history of education spans about 1,000 years, the oldest tertiary and secondary education schools were set up just about 80 years ago. There are no schools that can be regarded as successors to the Vilnya (Vilnius) University, the Polatsk Collegium or other ancient education establishments. The Horki Agricultural Academy was completely restructured three times. The oldest secondary and tertiary scho-

ols were set up by Soviet authorities and are based on Soviet rather than national traditions.

Resources for the educational reform

‘Resources’ are not a fixed notion, as the same object or property can serve as a resource for achieving one objective, but is of no use for another. Therefore, a well-substantiated definition of an objective is the basis for identifying resources. This is especially true for preparing a plan and program for transforming the system.

In general, resources should include the following:

- people ready to devote their time and effort;
- clear understanding by these people of goals and purposes of the educational reform;
- the people must be educated and qualified to fulfil their tasks;
- expertise in how, according to which plan and principles the reform will be carried out;
- sufficient funds to turn potential reserves into resources.

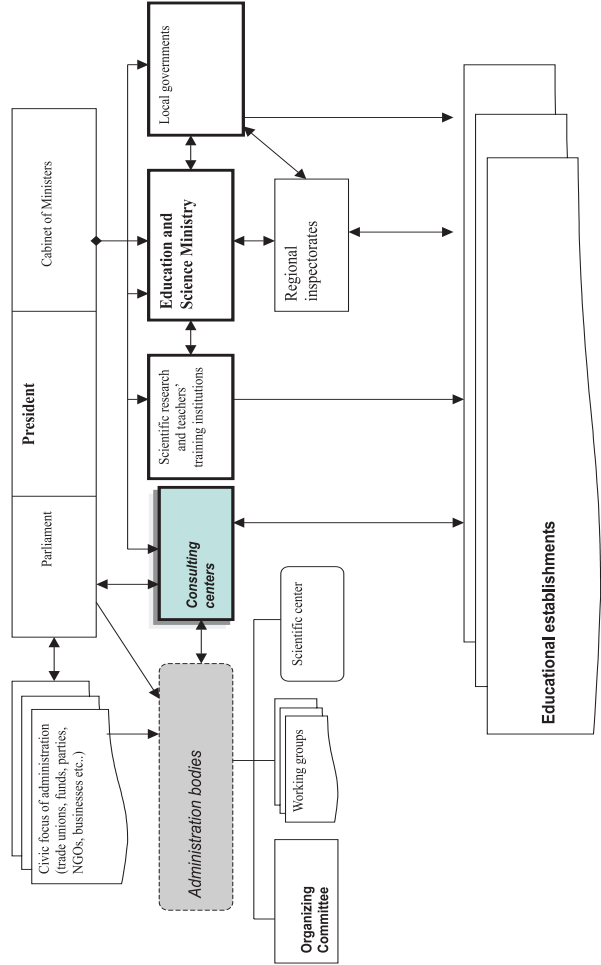
None of the above represents a stand-alone resource. The elements turn into resources only when combined in the same place and time for the same task. Belarus has enough reserves to embark on the reform.

Launching reform

A real reform can only start with radical changes having been made to education administration – the system that makes decisions and draws up programs and plans. An education administration reform was described in detail in Section 4.

Below is the diagram of the administration system.

Education administration during reform



An administration like this would launch a reform involving a wide range of civil society stakeholders. The administration would coordinate efforts of institutions, the government, political parties, experts, local authorities and all parties concerned.

See the table below for the sequence of steps and stages of the reform.

Table 15. Sequence of Reform Steps and Stages

Objectives	How to achieve the objectives	Results Documents that should be adopted	
Stage 1: Identifying purpose, needs and priorities of reform. Reaching civic consent as regards education reform.			
			Needs
			Framework
	Setting the goal	Doctrine	Ideals
			Orientation of education reform to standards
	Democratization	Memorandum	Achieving civic accord and adopting Doctrine and Concept in a democratic environment
			Theoretical substantiation
	Theorization	Concept	Structure of new education content
			Organization of education
			Education basics for reform period
Stage 2: Systemic planning and programming of reform. Personnel support for reform.			

Characteristics, properties and qualities of new education	Standardization	Standards	Standards, patterns, approaches that ensure convertibility of diplomas and integration into world education system
	Making plans	Draft reform plant	Implemented Concept (Structure and content of new education)
work			Structure of temporary administration bodies
	Programming	Reform program	Functions, rights, powers of reformers
			Scheme of reform
Stage 3: Retraining trainers, managers and other education specialists. Teaching them key skills necessary for reforming the educational system and acting within the reformed system.			
Qualification of reformers			Qualification requirements for reformers
			Trained specialists and professionals who carry our reform
	Retraining	Education reformers	Characteristic of skills of education workers
			Teachers in a reformed educational system
Stage 4: Resources and financing of reform.			

	Budgeting	Draft budget	Composition and structure of education budget provisions
	Calculations	Cost estimates	Amount of capital expenditure on reform less expenses on system's operation
Stage 5: Legislation for a reformed educational system.			
Legislative support	Drafting laws	Draft education law	Establishing legal framework for reformed education
Stage 6: Consistent implementation of plan and program of reform. Management, monitoring, adjustment.			

It should be born in mind that these steps and stages may coincide in time.

Prospects for European Integration of Belarus

5

Introduction

The project known as the ‘Western Choice for Belarus’ reflects our vision of the country’s future as a democratic state integrated into the European political, legal, and cultural space. Belarus in Europe is not just a dream of a handful of intellectuals. We believe it is a goal to guide the whole logic of future democratic transformation, and for a reason. In Central and Eastern European countries (CEEC), political and economic reforms and the European integration were interrelated parts of a coherent strategy that determined the context and the substance of post-Communist transformation. ‘Return to Europe’ was a successful political slogan that captured the gist of the reforms. The prospect of joining the European Union was a driver of radical changes. It allowed for maintaining the pace and depth of reforms at a time when their political and social costs proved to be prohibitive for societies and national elites, while the reforms were coming under political attack.

European standards in political and economic systems, principles of state-society relations and solutions for ethnic conflicts provided the reformist elites with answers as to which goals they had to reach, for what reason, and what should be the final destination of transition. Meanwhile, on top of justifying painful and unpopular reforms, efforts to join the EU also guaranteed irreversibility of the rule of law, complete break-up with the Communist past, and upro-

oting fear. 'Europe' is the fundamental factor that can largely explain differences in the dynamics and final outcomes of transition in those post-Communist countries where reforms were carried out, respectively, within and outside the context of European integration. This has important implications for Belarus, the only East European country that has yet to determine its trajectory of democratic and market reforms.

The obstacles on Belarus' path towards Europe may seem to be insurmountable. The first is indisputably inherent to the country. To what extent do Belarusians see themselves as part of the European civilization, of its political and cultural tradition? Nowadays, return to Europe is a dream cherished only by those, including (dissident) elites, who take the country's historical belonging to the European civilization for granted. However, nowadays those in question are a sizeable albeit not dominant societal segment, and have no role in strategic decision-making that affects the country's long-term future. For other Belarusians, Europe is a terra incognita that they still have to fully discover, if they wish so, that is. The second obstacle is attributable to Europe or, more precisely, the EU which, by and large, not so much fails to recognize Belarus as a part of Europe's political and cultural space as lacks elementary awareness of the country and nation. Still, as Belarus and the EU are becoming direct neighbors, they are bound to develop new mechanisms and rules in relations. It is noteworthy that the new neighborhood will be built in the context of a profound political, economic, and social transformation of Belarus which will proceed regardless of how much longer the country will remain in the present-day authoritarian setting. The EU can assist democratic changes in Belarus to the extent to which the Belarusian society will be capable of taking advantage of the opportunities opened by co-operation with the EU in order to ensure an irreversible course of reforms that will start sooner or later irreversible.

European future of the new neighbors: the EU position

Prospects for a European future of Belarus and other newly independent states in Eastern Europe largely depend upon the degree of EU openness for such integration. Now, that the EU turned from a mere international organization into a complex system that significantly defines Europe as an entity, it dictates the rules of the game and sets the framework for the window of opportunities open to its neighbors.

The current vision of Europe beyond the EU has been formulated in 'Wider Europe: Neighborhood: A New Framework for Relations with our Eastern and Southern Neighbors'¹, a document that determines the strategy of EU relations with new neighbors in Eastern Europe and Southern Mediterranean regions who will border the Union after its enlargement in 2004–2007. The document acknowledges the Union's responsibility not only before its members, but also before the new neighbors in securing social stability and economic dynamism. The EU recognizes its interest in fostering relations with neighbors on the basis of common values, adherence to policies that would prevent new division lines in Europe from, and promote stability and prosperity inside and beyond the new EU borders. In exchange for demonstrating a credible commitment to European values, the new neighbors are promised a role in the European common market along with gradual liberalization of the movement of goods, services, capital, and labor (the four freedoms). This includes the prospect of trade liberalization, a softening – and possibly lifting – of the visa regime, closer cooperation in science, education, and security, etc. The document insists that, in future, the new neighbors may be as closely related with the EU as EU non-members can possibly be. Also, the document asserts that a new neighborhood policy is developed for countries that will not be EU members in medium-term, not to mention short-term. EU membership has already been ruled out for countries of the Southern Mediterranean. As for the four East European countries (including Belarus),

¹ *Wider Europe-Neighborhood: A New Framework for Relations with Our Eastern and Southern Members. Commission of the European Communities, Brussels, 11 March 2003.*

the provision of the Treaty Establishing the European Union allowing for each European country to apply for EU membership, and stipulating their compliance with the Copenhagen criteria (democracy, functioning market economy, respect for human and minority rights, and ability to meet all the obligations under EU membership, including adoption of the European law) is still valid for them. At the same time, accession talks cannot be started with those countries until the EU itself resolves the issue of its ultimate geographic frontiers. Since the new members are to take full part in this debate, the issue will only be considered within several years.

In our opinion, the document is by all means relevant in emphasizing that integration of new neighbors may only proceed on the basis of common values and institutional framework, and in maximum approximation, which would provide for practical realization of these values. In other words, the internal Europeanization of new members is a pre-requisite for their European integration. Optimistically, the EU expresses its commitment to pursue rapprochement with new neighbors in practice. In other words, new neighbors (especially East European countries that bear theoretical chances for joining the EU in future) are offered a completely reasonable alternative: either 'become European' from within or lose chances for integration. Beside, the document sets out a broad range of advantages for new neighbors on the condition that their internal institutions are approximated to European standards. Nowadays, however, the prospects are written down with no mention of benchmarks or deadlines, which can possibly be done in forthcoming, more detailed documents of the EU.

It is regrettable, however, that the document does not discern European and non-European EU members, which automatically casts a shadow of pessimism onto a European future for Ukraine, Moldova, and Belarus. Moreover, in spite of the document's positive rhetoric, statements of some European leaders lead one to conclude that Europe's enlargement eastward of the Bug river is seen by them as unfeasible and unnecessary. (Examples include a recent statement by Romano Prodi: 'It makes no difference for me that Ukrainians or Armenians feel European, because New Zealanders feel Europeans as well'). Here, one can immediately refer to the contradictions between the goals of a new neighborhood

policy and the instruments suggested for its implementation. The internal choice in favor of Europe may not be made by the new neighbors once they are denied the prospect of membership in the EU. Thus, the very prospect of a negative answer may have the worst possible impact on their further development. This would raise the stakes of those forces inside these countries which build their strategies on the premise that 'no one waits for us in Europe' and pursue authoritarian or semi-authoritarian political projects and strive for a bureaucratized economy that works exclusively to benefit oligarchic groupings.

This is why prospects for a democratic future of new neighbors in the Western CIS including Belarus will be boosted once the new neighborhood policy recognizes their being part of Europe. Thus, the optimal form of relations in short and medium term would be to develop the Eastern Dimension in the EU foreign policy². This implies a higher level of engagement and, correspondingly, a higher threshold of conditions for the new neighbors to comply with. Unquestionably, relations with each country should be built case by case, but this implies not so much specific goals or ultimate levels of integration as specific means that would take into account the difference in starting points from which each of the countries begins its rapprochement with Europe. For Belarus, the specificity is naturally contextualized by the necessity to pursue democratic transformation before prospects for joining the EU open.

Why, however, should the EU be concerned with closer integration with the new European neighbors, including Belarus? Firstly, such policy would be in the interest of the EU itself, which publicly declared its commitment to avoiding new division lines in Europe and promoting prosperity beyond the borders of the Union by means of policies aimed at promoting reforms, sustainable development and trade. Achievement of such policy goal as securing stability, prosperity, and economic drive in new neighboring countries will create additional pre-requisites for strengthening Europe itself. This cannot be achieved without active efforts on both sides. The lack of interest or clear signals of com-

² For more details on the suggested Eastern Dimension, see C. Guicherd, *The EU and Belarus: From Zero to a Positive Sum Game* [in:] *EU and Belarus: Between Moscow and Brussels*, London: The Federal Trust, 2002. p. 317–336.

mitment, or investments on behalf of the EU, however, makes it unlikely for the new neighbors to be enthusiastic about building a 'belt' of good neighborhood on their part. This is why doing nothing is not an alternative for new neighbors. The issue is only whether the efforts will be invested in their democratic future or in constructing new *cordons sanitaires*.

Belarus is an important link in the chain of new neighbors and, importantly, a direct European neighbor of the EU which will soon have a nearly 1,000 kilometer-long border with the Union. In these circumstances, lack of interest in closer relations may be justifiable on the EU only with the presumption that Belarus will forever remain what it is now: a politically unacceptable albeit not particularly troubling neighbor. It would be naïve to consider, however, that Lukashenka's regime will preserve tranquility and stability on EU's Eastern border. Belarus is bound to change, and it is in Europe's interests that it changes for better. Otherwise, if political change processes take place in political turmoil and economic crisis, one may expect deterioration of all the accompanying conditions (such as intensified illegal migration, drug trafficking, trade in humans, etc.), which will have an undeniably negative impact on the EU.

Besides, the historic, cultural, economic, and human ties of Belarus with the new member states elicit a particular interest on the part of Poland, Lithuania, or Latvia in continuing close ties with Belarus and vice versa. While not part of European political structures, Belarus will be economically drawn into the process of EU enlargement, and this will open new opportunities for increasing EU influence in Belarus. It goes without saying that issues of mutual interest, such as transport, environmental protection, combating crime and illegal migration will push the sides towards rapprochement.

Finally, engagement with new neighbors is not a charitable act. Multiple increase in trade with CEECs in the process of their European integration has created pre-requisites for a more dynamic growth in the EU itself. Undoubtedly, if Belarus executes political and economic reforms, it may become both a sales market for European corporations and a destination for their investment.

Thus, promotion of the European integration of new neighbors is the only way in which the EU can create a 'belt' of prosperity and stability on its Eastern

borders. This would not be a charitable act to the new neighbors. Rather, this will be an investment in EU's own future.

Belarus: positive and negative pre-requisites in European integration

Political Regime

Is it reasonable today to speak about Belarus' place in Europe and its prospects for its European integration at all? No other country in Europe today is as far from complying with any of the Copenhagen criteria as Belarus. The problem mainly stems from the nature of its political regime, particularly from the concentration of absolute authority in the presidency, window dressing nature of representative institutions, lack of free and fair elections, censorship of mass media and blatant disregard for human rights. Since Alexander Lukashenka's re-election in 2001, the political regime has tightened repressive policies, clearly tending towards 'sultanization' (strengthening of the ruler's arbitrary rule and his entrenchment in a power system based on loyalty to the leading person). This tendency may be illustrated by facts of repression against the independent media and non-governmental organizations, discrimination against non-orthodox religious communities, establishment of political control in the tertiary education system and attempts to reintroduce ideological control over the society. All this severely limits opportunities for self-organization of the civic society and narrows down areas of autonomy from the regime's political hegemony. It should be noted that the politics of self-isolation from Western and European communities is an integral part of Belarusian authorities' strategy to maintain authoritarian control in the country.

A change of regime and transition towards democracy is a pre-requisite for renewing and normalizing EU-Belarus relations. Only then can one talk about Belarus' European integration. However improbable the prospect for democratization may seem in the nearest future, it may not be ruled out altogether. Along the political developments that broaden the gap between Belarus and

the rest of Europe, internal processes of social, economic and cultural change may breed the necessary pre-requisites (discussed below) for democratization within short time, at least if judged by the standards of history. This should be taken into account in developing a strategy of relations with Belarus, and the existing political regime cannot be regarded as a constant. Authoritarianism is a stage of political development through which most European countries have passed on their way from traditional to a civic society, many in more repressive forms than the one currently existing in Belarus. This path was always smooth and problem-free. Authoritarian rule collapsed under internal processes of political and social change as well as owing to solidarity and commitment of the democratic world. In this sense, the experience of Belarus is not unique for Europe, although – in its political momentum – it lags even behind neighbors with a similar historic fate. Among factors that make political transition in Belarus unavoidable are the transformation of political culture and social structure of the Belarusian society, and gradual economic system failure, international context changes (extinction of the Cold War mentality due to which Alyaksandr Lukashenka was capable of preserving his image of the last stronghold against NATO expansion in the minds of Russian elites). Meanwhile, Belarus has a chance unparalleled by its neighbors in the Western part of the former USSR (such as Ukraine or Moldova). Since, it has yet to begin its political and economic reforms, there is an opportunity to build their philosophy and strategy on principles compatible with the goal of European integration. It is the comparative advantage of backwardness: the laggard is better informed about the frontrunners' experience and is aware of consequences of alternative policy choices, as well as the balance of their benefits and losses. For example, future reformers may be free from the delusions of their predecessors as to the virtue of gradual reforms, and thus avoid mistakes in determining the future political and economic system of the country. This may be helpful in avoiding the institutional inertia, when imperfect institutions are taken over by interest groups that hamper future reforms and push the country towards a grey/shadow zone between democracy, market, and Europe on the one hand and authoritarianism, bureaucratized oligarchic system, and 'post-Soviet space' on the other. Thus, re-

forms are a chance for the Europeanization of Belarus, and this should be understood both in Belarus and Europe.

Economic model

The inability to set up a functioning market economy is another major obstacle on Belarus' course towards Europe. Rejection of market reforms brought the Belarusian economy to a condition that somewhat reminds of Soviet-style system' realities confined by the Russia-Belarus union. Belarus has almost completely preserved the old Soviet industrial base predominantly oriented towards the Russian market. The EU is a far less important trade partner, and its importance is further reduced if netted of processing and re-exports of Russian raw materials. The situation, however, considerably changes once new EU members are included.

Table 16. Belarus Trade with Current and New EU Members (1st half of 2002)

	Total % of trade volume	Exports, % of total volume	Imports, % of total volume
Current EU members*	15.8	16.8	15.3
Current and new EU members combined**	28.0	34.6	21.7

*Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Ireland, Netherlands, Spain, United Kingdom. No data for Luxembourg, Portugal, and Sweden.

** Including Bulgaria, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia. Data not available for Cyprus and Malta.

Source: Ministry of Foreign Affairs of the Republic of Belarus.

To some extent, the structure of Belarus' trade with Europe resembles a classic example of a Third World country that exports raw materials and light industry products³. Importantly, these industries are most liable to EU anti-dumping

³ Interestingly enough, this was a general pattern in CEECs' foreign trade in the Communist period. The situation changed dramatically with the systemic change: e.g., nearly a half of Hungary's exports consists of high technology products, up from just several percent two decades ago.

rules, and CEECs' accession may jeopardize Belarus exports to these countries. European investments in Belarus are conspicuous for their virtual absence, itself the consequence of anti-market policies of the Belarusian authorities who block FDIs in principle. Thus, as of today, Belarus is targeted by economic interests of Europe only as a transit corridor for Russian oil and gas. Such a situation was not always the case. In the early 1990s, Belarus trade links were almost equally balanced between Europe and Russia. European companies did express interest in investing in Belarus, and several projects of pan-European corporations (IKEA, Philips, or Volkswagen) have recently failed due to Belarusian authorities' anti-market policies. Thus, considerable time will be needed to close the economic gulf separating Belarus from Europe. The first step to this end should be to pursue economic reforms in Belarus itself. Only once the Belarusian economy is restructured according to market principles, will it be possible to envisage approximation of the economic model, legislation, etc., towards European standards.

The Belarusian economy is destined for reform, regardless of whether the ruling elites understand the call. Reforms are unavoidable due to un-sustainability of the present-day economic model in the long run and rapidly changing external setting. In the latter aspect, of most importance is the changing context of Belarus-Russia relations which wipes out prospects for a continuous smooth functioning of an unreformed economy merely by supplying cheap raw materials and maintaining other forms of subsidies. Another important factor is in growing competitive pressures on domestic and foreign markets and challenges spurred by EU enlargement and future WTO accession of neighboring countries along with Belarus itself. Belarus will thus have to face the choice similar to one made earlier by CCEEs. The choice is between liberal Western-style and the oriental 'Byzantine' market model. The political and civilizational future of Belarus will largely depend upon which choice is made. EU support for future reforms in Belarus will be helpful in enforcing its European course of development.

Transformation of the political culture and mass consciousness in the Belarusian society

The failure of initial attempts at democratic transition in Belarus in the early 1990s was largely pre-destined by the lack of social acceptance of changes and resistance to change in customary lifestyle, including the traditional relations between the State and society. The last decade was a period of a most profound social evolution, the revisiting of old dogmas, a painful yet inevitable eradication of Soviet-era lifestyle, and learning about the consequences of the society's sovereign choice made in July 1994. The Belarusian society is gradually dropping its anti-market stereotypes, recognizes the importance of democratic institutions, changes its ideas about the role of the State, and becomes more accepting of income inequality and more tolerant towards differences of opinion. These processes have accelerated over the last few years. This can be portrayed by changes in political orientations that have cropped up in less than two years since the presidential elections of 2001. As shown, the Belarusian society is changing its value orientations against the pressure of the authoritarian system that underlines its current state.

Table 17. Change in Political Orientations Between the Presidential Elections of 2001 and Local Elections of 2003

	Prefer a future president to be (summer 2001)	Prefer a local councilor to be (Fall 2002)
A supporter of market economy	54.0	67.3
A supporter of command economy	24.1	23
A supporter of division of powers	41.1	54.2
A supporter power concentrated in one hand	34.0	38.5
A supporter of independence	37.5	40.9
A supporter of union with Russia	44.7	51.5
A supporter of policies carried out by President Lukashenka	32.6	9.7
A supporter of radical departure from the policies of President Lukashenka	49.0	83

Source: Independent Institute for Socio-Economic and Political Studies

Transformation in the collective mind takes place owing to and – simultaneously – in spite of the authoritarian regime. ‘In spite’ because citizens face the State propaganda machinery making every effort to freeze the society in conditions that enabled the authoritarian rule. An, ‘owing to’ because Belarusians could learn about alternatives to democracy from their own experience and compare their initial expectations to the reality in which they have been forced to live.

Democratization of the political culture is an indispensable pre-requisite for political democratization and Europeanization of Belarus. The ongoing processes of social and cultural change give ground to moderate optimism in spite of the general gloomy picture of political developments in the country. These processes, however, have not reached a critical point of no return beyond which the perceived necessity of changes may spur citizens to act so as to completely achieve them. Firstly, the social foundation of authoritarianism, albeit shrinking, is still sizeable (according to the polls, it is still as much as 20–30% of the society). Secondly, adherence to market and democracy, however declared by majority, still represents wishful thinking, a ‘yes’ for an appealing image of a prosperous and civilized European life, rather than their acceptance as fundamental values for which a price should be paid. Thus, a large part of the society, while declaring positive attitudes towards free market, still wants the State to regulate prices. Likewise, for many Belarusians, acceptance of democracy coexists with a desire for a strong leader capable of executing the necessary reforms single-handedly and changing their lives for the better. This ‘split mind’ may be easily accounted for given that social change processes can only be gradual and incremental in nature. Undeniably, however, these processes are unfolding in Belarus.

This social evolution was largely enabled by the fact that, throughout all these years, Belarus was not separated by an iron curtain from European and global developments. Thus, as official statistics claim, at least one in three Belarusians travels abroad each year. Ca. 40% of Belarusians traveled outside of the CIS in the last decade. Even though for many foreign travel was limited to a short shopping trip to Poland, this alone made an impact on the collective consciousness. The new experience spawned a more critical view of the official propaganda and its

staunch efforts to portray a gloomy picture of failed reforms in neighboring countries, and support for political and economic alternatives to the regime. This is particularly true for the younger generation that is largely free from totalitarian dogmas and supports the European-bound course of development in Belarus. Opportunities to travel, work and study abroad and communicate with friends and partners over the internet have played an important role even if in short supply vis-à-vis the peers from Ukraine or Russia. A new 'paper curtain' between Belarus and the EU upon the introduction of a visa regime with new member states may slow down or even reverse those essential processes.

National and European identification

Democracy cannot exist without a *demos*. This being said, the feeling of common destiny and solidarity, a foundation of national identity are a necessary pre-condition for aspirations to emerge towards building democratic institutions in a society. The Belarusian society suffers not so much from the lack of recognition as a nation and a people as the lack of common understanding of what Belarus and the Belarusian people are. National identity is a developing and consolidating process currently underway in Belarus, even in spite of the official politics of denationalization. The situation, however, is far from being certain, and processes of formation of national self-identification can still take different forms depending upon societal and elite choices. Belarusian national ideology, as developed by the national-democratic counter-elite, is rooted in the belief that Belarus is historically part of the European civilization. Meanwhile, alternative schemes of self-identification based on the ideas of pan-Slavism and Soviet conservatism not only question the existence of the Belarusian nation as such, but also sternly deny it being part of Europe. That is why Belarus's choice 'for' or 'against' Europe by and large depends on an even more important choice for the Belarusian society: one 'in favor' of its own statehood and national identity, or assimilation through integration with Russia.

The controversial condition of the Belarusian society is best characterized by a deep cleavage, as roughly equal parts of it perceive themselves either as

a separate nation or as part of an East-Slavic tri-unity (49% and 42%, respectively, according to a 1999 poll)⁴. Also, pro-Russian sentiments are very strong in Belarus (about half of the population are in favor of a union with Russia despite most preferring a loose confederation). Meanwhile, only a quarter would concur to surrender national independence in favor of the union with Russia, and more than two thirds are in favor of preserving the independent state of Belarus. Overall, the Belarusian society at the same time supports mutually exclusive projects concerning its future. On the one hand, this reflects the strength of stereotypes enforced by the ruling elites (such as that one can simultaneously preserve independence and integrate with a union state). On the other hand, the society demonstrates lack of the necessary will to make a tough choice: support for any project fails once the price to be paid for its implementation is quoted.

The same characterizes public attitudes towards European integration. The general public is strongly positive about the EU. Ca. 60% of the population would support Belarus membership in the Union (only 11% were against in 2003). This is more than public support for integration with Russia. Germany and Poland top the list of countries whose political and economic models Belarusians would wish to emulate (Russia is not even present on the list). This, however, seems to be akin to the initially unswerving support for EU membership in CCEEs in the beginning of their integration process. The EU was perceived there (as is now in Belarus) as an area of prosperity and stability. Public enthusiasm, however, fell considerably once the real-life costs of integration became obvious to the societies whose countries were front-runners in the accession race. As a result, the EU membership referenda in many CCEEs showed a remarkably low voter turnout, which partly reflected public disillusionment with the idea. It is highly questionable whether Belarusians would maintain their optimism about the EU once they encounter difficulties of the integration process in real life. But, pro-European attitudes may be expected to strengthen over time once the processes of social and generation change develop. Nowadays, Belarus is entering a period of competition between ideas and visions of the future. This competition can still be

⁴ A. Vardamatski, *Belarus i svet* [in:] „Belaruskaja Perspektyva” no. 9 (2000), p.7.

won by advocates of European integration. Forces inside and outside the country interested in such outcome have the potential to enforce such victory.

The civilization choice of the Belarusian society will also greatly depend upon the elite's choice and its ability to build consensus around the mainstream direction of the country. Nowadays, the Belarusian elite, including its official and counter-elite segments, is too deeply divided to find such consensus. The official elite is under complete control of the presidential authority, whereas the counter-elite is forced to retreat to a 'parallel' society. The elite's preferences, however, are an important factor on the premise that they would impact political processes in the event of a possible democratic transition in Belarus. Pro-European orientation is dominant among the counter-elites and is accepted by a part of the ruling elites (which still have to obey the official politics in their daily decision making).

Pro-Russian sentiments, however, have strengthened among the elites since the appointment of Vladimir Putin as new president of Russia. Putin's rapprochement with the West is seen by many as a chance for Belarus to break out of the autarchy and isolation with the help of the Eastern neighbor. Consequently, the catchphrase 'Towards Europe with Russia' is being actively publicized in Belarus along with the idea that integration with Russia may solve all Belarus' problems, including the deficit of democracy and international isolation. This proposition is strengthened by surveys that show public acceptance of the idea that Belarus's route to the West leads via Moscow (thus, the number of those wanting to integrate with Russia and the EU simultaneously is on the rise together with the growing popularity of Putin in Belarus). Public opinion stereotypes (such as the claim that it is possible to join Russia and EU), however, may not substitute objective reality which exists regardless of whether the society likes it or not. It is true that, nowadays, Russia is much closer to Europe than Belarus in the political or economic sense. At the same time, Russia undeniably and steadily approaches its limit beyond which further institutionalization of its EU relations is not possible even in the long run. Thus, the prospect of EU accession has been ruled out by EU leadership itself. Russia's hypothetical membership in the Union would transform it from European into a 'Eurasian' Union

at least in the political, if not economic sense, and there is little evidence that the EU itself would ever be ready for such transformation. One should not forget that Russia's recent rapprochement with the EU was enabled not so much by its progress in democratization and enforcement of human rights, as by the fact that the West chose to ignore some of the most obvious problems in these areas out of consideration for political rationality. The transfer of Russia's 'guided democracy' model to Belarus does not guarantee that democratic institutions would take roots in the latter even to the extent in which they are developed in Russia. Russia's own experience showed that, within its overall political model, there are a sufficient number of pockets of bureaucratic feudalism ruled by local petty dictators, and Belarus may well turn into one more of these. Besides, in the past several years Russia has not shown interest in inducing Belarus to accept even this deficient model of democracy. There are even fewer reasons to think that it will push Belarus towards integrating with Europe. Hence, Belarus's route to Europe via Russia would be very short, and it will effectively deny its chance for a European future. Unification with the Eastern neighbor within the Russia-Belarus union will strike the issue off the agenda, as it will be solved exclusively in the context of Russia-EU relations of restricted scope due to Russia's Eurasian status. Despite Russia's recent rapprochement with the EU being a very positive development, it should be used as an opportunity for European integration of Belarus rather than as an excuse for a final and irreversible eradication of its statehood. A deep crisis in the Russia-Belarus union triggered off by incompatibility of the two countries' political and economic systems opens new opportunities for Belarus. Excluding the loss of political sovereignty it preserves its chances to become part of Europe one day. The Belarus-Russia integration has not developed so far as to completely deny such an opportunity. For example, the volume of Russia's investments in Belarus is over three times less than in Lithuania, a country about to become an EU member. Moreover, it has become obvious by the end of 2003 that all meaningful integration initiatives within the Russia-Belarus union (such as a common currency, privatization, or adoption of a joint constitution) have failed. Thus, Belarus has not made its ultimate geopolitical choice, and it can still be made in favor of the EU.

Variable geometry

To sum up the discussion of pre-requisites for Belarus's European integration, a paradoxical conclusion may be drawn. The pre-requisites are shattered by policies of the authorities, yet re-created in the long run by the logic of social change that cannot be reversed by political resistance. Positive pre-requisites do exist inside the society that has become more accepting of the democratic values, and shows interest in moving towards Europe, and among a large part of the pro-European elites. Uncertainty of the country's political future is the main negative factor other than its current condition. However, uncertainty has to do not with the prospect of political change per se, but rather its direction. Once again, if the declared goals of the new EU neighborhood policy are taken seriously, they can only be fulfilled once new neighbors are being closely engaged and integrated.

Europe and Belarus: from past to future

A brief overview of relations

Suggestions for the EU strategy towards Belarus should be preceded by the analysis of the current state of relations. The development of Belarus' relations with the EU, and in a broader sense with European supranational institutions, has been determined by Belarus' internal political developments of the last decade. Proclamation of independence in 1991 and the following brief period of political democratization and openness established a favorable environment for building ties between Belarus and the European institutions. Within a short period of time, the country became member of the Organization for Security and Co-operation in Europe (OSCE), and was granted observer status in the Council of Europe (CoE). Signing the Partnership and Co-operation Agreement with the EU in 1994, and a trade agreement in 1995 promoted political and economic ties between Belarus and the EU. Overall, however, the mutual lack of interest in closer relations kept a fairly low profile for Belarus-EU relations, which did not de-

velop sufficiently to allow the Union to become a dominant foreign player that could affect the internal political and economic processes in Belarus.

Soon afterwards, relations froze to the point of non-existence. Belarus's slide into authoritarianism, beginning with the election of Alyaksandr Lukashenka to president in 1994, put the contacts on hold in virtually every aspect. Belarus found itself in international isolation. To some extent, this has been purposefully sought by Minsk officials. Belarus was denied entry into CoE in 1995 due to undemocratic parliamentary elections that took place that year. Deterioration of human rights practice caused partnership and trade agreements to freeze in 1996. After the dismantling of democratic institutions and establishment of a personal presidential autocracy in the 1996 constitutional referendum, Belarus lost its observer status in CoE in 1997. Belarus-EU relations were effectively frozen. The EU policy towards Belarus in 1997–1999 generally followed the strategy of selective engagement pursued by the United States. This policy foresaw isolation of the 'official' Minsk and developing contacts with the civic society. The policy of isolation was unsuccessful and, to a large extent, served to consolidate the authoritarian system in Belarus, whose authorities which saw trade, cultural, and human ties with the West as potentially subversive for the existing political system. This is why a policy of self-isolation was actively pursued by the authorities themselves, as exemplified by the 'sewage war' in 1998, when Western diplomats were scandalously evicted from their residences, following which bilateral ties were frozen for almost a year. A narrow window for contacts was preserved through the OSCE Advisory and Monitoring Group (AMG) opened in 1997 following unprecedented political pressure on Minsk. AMG activities, however, were sabotaged under the excuse of the opposition interfering with domestic political affairs. As a result, the group was ousted from the country in 2001–2002. A new mission was admitted in 2003 with a severely restricted mandate. Curtailed political relations hampered the development of contacts with the Belarusian society as well. Thus, the TACIS program was suspended in 2002 due to withdrawal of tax-free status of funds allocated for its purposes. A consistent refusal to reconsider the issue leads one to conclude that this is being done on purpose.

The practice of implementing TACIS programs and their practical impact deserve particular attention. Between 1991 and 1999, 56 million Euros were granted to

Belarus in this form of assistance. Out of this, 51 million was allocated before 1996. Only Kyrgyzstan, Tajikistan, and Turkmenistan received less financing. Additional 5 million Euros were committed in 2000 under the civic society support program⁵. Thus, a paltry 10 million Euros was expensed after Belarus' retreat to authoritarianism, in the time when it was most needed. Remarkably, even those programs had considerable impact and helped to build bridges between Belarus and Europe. Successful projects included the Belarus Economic Trends project that allowed to create an intellectual community of market-oriented economists; the Center for European Documentation in Minsk that promoted European studies in Belarus; the launch of MBA programs at the Belarusian State University and the Institute for Privatization and Management; institutional twinning programs between Belarusian and Western universities. In a rather absurd fashion, such programs are being curtailed as part of the strategy to pressurize the Belarusian authorities.

The political vacuum in Belarus-EU relations is exacerbated by the lack of conceptual approaches and strategies that could allow a change in the situation for better. Nowadays, the EU implements a step-by-step strategy that foresees enhancement of ties with Belarus in response to practical steps of the Belarusian authorities towards political liberalization and improvement of the human rights climate. This strategy is slightly different from the selective engagement policy that completely isolates the 'official' Minsk and limits contacts with the civic society and the opposition, which still epitomizes the US strategy. Both approaches, however, have been equally unsuccessful to date. Paradoxically, they are built on the same logic. The first foresees denial of advantages and privileges to the official authorities that they supposedly sought to obtain. The second offers these privileges on certain conditions. Both, however, overestimate the actual value of this advantages and privileges for the Belarus government. An important difference between the two strategies is only in the fact that the first one sees its major partner in political opposition while the second offers some room for cooperation with the authorities. The selected engagement strategy, however, worked to motivate the retreat of the opposition to the parallel society and created little motivation for it

⁵ See: K. Charman, *Belarus: The Foreign Aid Dilemma* [in:] *EU and Belarus: Between Moscow and Brussels*. London: The Federal Trust, 2002, p. 387–406.

to seek broader appeal and receive support from the society at large. As for the step-by-step approach, all that the official Minsk has to do in order to sabotage this policy and reduce EU influence to a minimum is to do nothing. Moreover, as the Belarusian authorities are the only ones to take steps in the opposite direction, the EU reduces its presence in Belarus; hence, this policy becomes counterproductive and contributes to strengthening authoritarian tendencies in Belarus. Thus, curtailing technical assistance programs automatically narrows down the circle of intellectual and business contacts of the civic society, forward-looking representatives of the state apparatus and business and academic communities. This caused damage not to the authorities who lost several hundred thousand Euros in hypothetical tax revenue, but to the reform-minded circles in Belarus. Here, worthy of mention are the usual comments of Western policy-makers who declare that progress in relations with Belarus is impossible as far as Belarus isolates itself. One can agree with such approach only if 'Belarus' is understood as a couple of dozens of protagonists of the political regime, or it is taken for granted that their policies reflect the will of all citizens of the country. Since such an approach is profoundly mistaken, the policy of 'isolation because of self-isolation' reflects the lack of interest and solidarity with those in Belarus who work for a democratic and European future of the country.

In conclusion, both strategies foresaw partnership and engagement only with selected parts of the Belarusian society (either the opposition or the authorities). No strategy, however, can be implemented without active engagement of the Belarusian society at large. That is why, so long as external players such as the EU do not pursue direct interference with Belarusian domestic politics on the part of any political force, the most fruitful form of engaging Belarus would be to work towards building pre-requisites for political, economic, and social change. The logic of such approach is simple: helping to change the world view and way of life of ordinary Belarusians, helping them to discover Europe and to develop European identification would work towards stimulating societal demand for changes. Interpreting this as a sign of lenience towards the political regime and its legitimization would be by all means irrelevant only because the implementation of such a strategy would require developing contacts with government.

An important element of such approach is to intensify non-politicized economic, social, cultural and educational programs beyond the usual coupling of 'government vs. the opposition'. It is hard to imagine that the EU or any other external player would be able to come up with the financial and logistic capacity to reach out to every citizen of Belarus. What is suggested instead is a system of capacity building projects aimed at developing the expertise, the intellectual and business potential of professionals, academics, journalists, businessmen, and economic policy makers at the mid-level, i.e. all those who would become future policy- and opinion-makers and become leaders of a future democratic transformation. The potential return on such investments may be of enormous importance for the future of Belarus.

Rapprochement strategy: a preview

As mentioned above, it would be completely short-sighted to presume that the Belarus' transition to democracy is impossible in the foreseeable prospect; hence, the current state of EU-Belarus relations would be frozen for indefinite time. Can the EU support processes of democratization and Europeanization of Belarus, and if so, how? In answering this question, a cautiously optimistic scenario may be accepted that presumes that a political change occurs in Belarus within the current decade. If European integration of Belarus is the ultimate goal of the rapprochement strategy, it is possible to foresee three periods of its implementation. The first would span from now until the moment of democratic transition, during which efforts should focus on establishing the pre-requisites for democratic changes in Belarus. The second period would continue from the moment of transition until the time when political and economic changes are consolidated. Assistance to reforms would then be aimed to bring Belarus to compliance with the Copenhagen criteria. Finally, the third period is integration per se.

Until democratic institutions are fully restored in Belarus, the best way the EU can help is to support the ongoing social trends that would make democratization irreversible in future. Furthermore, it is important to maintain those currently existing business, human, civic society and intellectual contacts, as well

as trade links and cross-border co-operation that could be endangered in the course of EU enlargement.

Contacts with the official Minsk should be based on a pragmatic approach that would avoid further antagonism and isolation of Belarus. Political discrepancies should not be an obstacle for cooperation in areas of mutual interest, such as security, combating crime, drug and human trafficking, etc.

Meanwhile, the development of human, educational, cultural and scientific ties is hardly possible without some degree of cooperation or even involvement of the Belarusian authorities. Since the potential impact of broadening such contacts may be highly beneficial, compromises may be acceptable. Otherwise, when such attempts are straightforwardly resisted, some projects may be implemented in neighboring countries. Notably, a number of non-governmental organizations in Poland, the Czech Republic and other CCEs have already been actively working in this direction. Their support would be an important element of the EU-Belarus policy.

Broadening contacts with Belarusian elites through capacity building projects involving mid-level government officials and relatively autonomous segments within the state (such as independent parliamentarians or local councils) may be another promising avenue to pursue. Such contacts may be implemented through educational programs, study visits, discussion forums or professional development programs.

The development of economic ties between the EU and Belarus is a key factor that can involve Belarus more closely in pan-European processes and increase the mutual interest in integration. Trade relations may be greatly enhanced once Belarus accession in the WTO is supported, as it will remove a number of problems in bilateral relations, such as anti-dumping disputes. Another important element of economic co-operation is the support for small and medium-sized enterprises in Belarus, assistance for Belarusian businesses in networking with European partners, and assistance to European business penetration into Belarus (for example, through existing free economic zones).

Rapprochement of Belarus with Europe would be impossible unless human ties, cultural contacts, and information exchange are fostered. Given that the

Belarusian authorities make every effort to limit citizens' contacts with the outside world and restrict access to information, it is essential to continue developing educational programs, courses, support libraries and information and research centers, support pro-European civic initiatives, broaden their cooperation with educational and intellectual communities in the West.

Cross-border cooperation, including the development of Euro-regions, is another important facet of the human dimension of the European strategy towards Belarus. Liberalization of visa and migration regimes in border regions would help to preserve longstanding human ties. It would be reasonable to introduce experimental mechanisms of temporary employment in cross-border regions in order to minimize the problem of illegal migration. Development of transport and tourist infrastructure in cross-border regions may be a promising trend in regional co-operation.

The last, but not least important element of the short-term strategy is the support for the civic society in Belarus and its cooperation with the European NGO sector, as well as support for independent media, especially in publicizing the EU. Implementation of such projects would require renewed and enhanced of otherwise curtailed technical assistance and civic society development programs within TACIS, even if required some compromises such as payment of taxes. Some opportunities may also be offered via the European Democracy and Human Rights Institute, TEMPUS program, other European institutions, such as the OSCE, governmental and non-governmental foundations, bilateral assistance, etc.

Further stages of rapprochement may only be considered assuming a certain timing of the democratic transformation in Belarus. Here, we accept once again a cautiously optimistic scenario, where radical political changes can occur in this decade. The democratic transition in Belarus would create opportunities for a new beginning and new horizons in EU-Belarus relations. The experience of transition in the regions shows that the regime change per se does not guarantee sustainable and irreversible progress towards a civilized and democratic society. This being said, Belarus would face a choice of direction in both external and foreign policy, between models of democracy and the market. It

will be a choice between a Western-style liberal democracy or the 'guided democracy' similar to those existing in new neighbor countries. Belarus may finally lose its chance for a European future if processes of its transition develop according to a pessimistic scenario.

The EU will be capable of offering priceless support to Belarus by helping to develop sustainable democratic and market institutions that would ensure approximation of its political and economic systems to EU standards. This can be implemented by means of technical assistance in political and economic reforms. Of particular importance will be the expert assistance in the constitutional reform, developing new legislation regulating government activities and State-society relations (such as legislation on civil service, access to information, civilian control over law enforcement bodies, etc.) Given the legacy of the authoritarian rule, particular attention should be paid to the judicial and local government reform. Sharing the experience of CCEs that experienced similar challenges in the past will be of particular value for Belarus. Assistance to the economic reform can be of technical (expert advice in preparing privatization and sector-specific reform programs, legislative reform, etc.) and financial nature (granting safety mechanisms in the initial stage of reforms through stabilization funds, credit lines, capex loans, etc.) EU assistance would thus move Belarus closer to aligning its institutions and policy-making practices with those inside the Union.

Future Belarusian reforms should be granted political rather than mere technical support. A new perspective in strategic relations will be essential for stimulating the Belarusian society and its elites to engage in deeper and more dynamic reforms. A most vivid expression of EU support in the short run would be in liberalizing the trade and visa regime. This would help to boost public support for European integration. In longer term, this would involve determining conditions and time horizons for concluding an association agreement between Belarus and the EU. In this case, transition may be made from technical assistance programs (such as the one carried out by TACIS and international financial institutions) to programs tailored for candidate countries (such as PHARE or CARDS supporting stabilization and association agreements in the Balkans).

Finally, the third stage would lead towards institutionalizing new Belarus-EU relations and incorporating the *acquis communautaire* by Belarus. It is hard to presume now that the ultimate destination of this process will be one of Belarus' EU membership. Talk about the European integration of Belarus may be no less relevant today than contemplation of similar prospects for Central European countries fifteen years ago. However, time shifts the limits of what is feasible.

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Abbreviations and acronyms

CARDS – Community Assistance for Reconstruction, Development and Stabilisation

CBC – Cross-Border Co-operation

CES – Common Economic Space

CFSP – Common Foreign and Security Policy

CIS – Commonwealth of Independent States

EBRD – European Bank for Reconstruction and Development

EEA – European Economic Area

EFC – European Foundation Centre

EFTA – European Free Trade Association

EIB – European Investment Bank

EIDHR – European Initiative for Democracy and Human Rights

ESDP – European Security and Defence Policy

FATF – Financial Action Task Force on Money Laundering

FDI – foreign direct investment

IFIs – international financial institutions

IMF – International Monetary Fund

INOGATE – Interstate Oil and Gas Transport

ISPA – Instrument for Structural Policies for Pre-Accession

IVF – International Visegrad Fund

JHA – Justice and Home Affairs

KFOR – Kosovo Force

LITPOLBAT – Polish-Lithuanian battalion

NBU – National Bank of Ukraine

NGO – non-governmental organisation

OSCE – Organization for Security and Co-operation in Europe

OSI – Open Society Institutes

PCA – Partnership and Co-operation Agreement

Phare – Poland and Hungary: Action for the Restructuring the Economy (assistance programme for Central and East European countries)

REC – Regional Environmental Centres

SAPARD – Special Accession Programme for Agriculture and Rural Development

SIS – Schengen Information System

Tacis – Technical assistance Programme for the Commonwealth of Independent States

TRACECA — Transport Corridor Europe Caucasus Asia

UKRPOLBAT – Polish-Ukrainian battalion

WNIS – Western Newly Independent States

WTO – World Trade Organisation

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