



Budget transparency and participation in Belarus: A pilot of the 2017 Open Budget Survey

*September 2018
Minsk*

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Thanks are due to the World Bank Group for their support in this project and the International Budget Partnership for their technical support in using the Open Budget Survey methodology in a pilot form.

Introduction

Public finance systems that are transparent – with effective formal oversight and opportunities for public participation – are essential for the efficient and effective use of scarce public resources.

Governments have a responsibility to be transparent in how they raise and spend public funds, and citizens have the right to participate in making decisions about budgets and monitoring how these decisions are implemented. Public participation in budget processes contributes to decision-making and is critical to accountability. However, public participation cannot replace scrutiny by the legislature and the Supreme Audit Institution, which have formal oversight authority over governments.

a) What is the Open Budget Survey (OBS)?

The OBS assesses the free flow of budgetary information, the oversight practices by legislatures and auditors on the budget and the opportunities for public participation in government decision-making and oversight in the budget sphere. Greater budget transparency is often a pre-condition for prudent fiscal policy, can ensure lower budget deficits and debt accumulation and can generate improved economic performance.

The OBS is the only independent, comparative measure of budget transparency and accountability in the world. It is produced every two years by independent budget experts and coordinated by the *International Budget Partnership* (<https://www.internationalbudget.org/open-budget-survey/>). The OBS methodology is based on international standards, measuring observable facts using 145 scored indicators.

The Open Budget Survey includes 145 questions. The Open Budget Survey includes 109 indicators, which together enable to construct the Open Budget Index (OBI). These 109 indicators assess whether governments publish online and in a timely manner eight key budget documents throughout the budget cycle. **18 questions** examine formal oversight institutions. **18 questions** examine opportunities for public participation in national budget decision-making and oversight.

Two of these documents relate to budget formulation (the Pre-Budget Statement and the Executive Budget Proposal), the Enacted Budget relates to budget approval, three documents relate to budget execution (the In-Year Reports, Mid-Year Review and the Year-End Report) and the Audit report relates to the audit phase of the budget cycle. The eighth document, the Citizen Budget, can relate to any of the budget documents aforementioned but most commonly relates to the Executive Budget Proposal or the Enacted Budget.

b) Background for the OBS pilot and snapshot of results

Belarus was not included in the official 2017 OBS. This pilot was initiated following a request from the Ministry of Finance of Belarus to be included in the forthcoming official Open Budget Surveys. The OBS pilot undertaken aims to provide Belarus with an assessment of budget transparency, participation and oversight ahead of a potential inclusion of Belarus in the official global OBS. Hence, this pilot assessment is based on the OBS questionnaire but does not include a peer review/external review and government review provided by the full OBS process, as coordinated by the International Budget Partnership.

The Belarus OBS pilot was undertaken by local partner and non-governmental organisation SYMPA/BYPART, with the support of the World Bank. In line with the official OBS, the Belarus pilot used the period from the 1st January to 31st December 2017 for its research. Only the

processes in place and the documents produced and published during this period were taken into account for the assessment.

This means that some of the positive efforts undertaken by the Belarusian government since 31st December 2017 are not reflected in the results of the pilot. These include the publication of a Citizen’s Budget for the first time in January 2018 and the publication of monthly bulletins. However, the report speaks to these most recent efforts in its analysis.

Transparency	Public Participation	Oversight
Belarus provides the public with scant budget information.	Belarus provides few opportunities for the public to engage in the budget process.	The legislature and supreme audit institution in Belarus provide weak oversight of the budget.

1. Institutional, legal and public financial management background

a) Geopolitical and economic context

Belarus is a country in Eastern Europe, which shares borders with Poland, Latvia, Lithuania, Russia and Ukraine and with a population of 9.5 million. There are two official languages, Belarusian and Russian and over 80% of the population is ethnically Belarusian, with Ukrainian, Russian and Polish minorities. Following independence from the Soviet Union in 1991, Alexander Lukashenko has served as Belarus’ president since 1994. Belarus is part of the Eurasian Economic Union (Euu) and takes part in the European Neighbourhood Instrument (Eui) with the European Union (Eu) and Eu dialogues such as the Baku Initiative and the Eastern Partnership.

State management of Belarus’ economy is high, with the state, including State Owned Enterprises (SOEs), representing around one-half of overall employment and Gross Domestic Product (GDP)¹. Belarus’ economy relies on Russian oil supplies and subsidies and Russia is Belarus’ first trading partner. The past decade has been marked by relative economic turmoil, first triggered by the 2009 global financial crisis. In 2011, a large current account deficit and high inflation led to devaluation of the Belarusian ruble. High public debt, large quasi-fiscal liabilities² and refinancing needs point to a need for sustained tight fiscal policy. Fiscal discipline along with a stronger emphasis on allocative and operational efficiency of public spending will remain important, pointing to the relevance of pursuing targeted Public Financial Management reforms.

The Government is currently working under a 2016-2020 Plan, which includes pursuit of World Trade Organisation (WTO) membership, more open markets within the EEU, participation in China’s Belt and Road initiative, and economic relations with the EU. In this line, some economic international indicators have shown progress, including the World Bank’s *Doing Business*—rising to 38th position in the most recent ranking of 2018 from 44th position in 2016³.

Over the past decade, Belarus has scored relatively poorly on various international ratings with regards to transparency and accountability in policymaking and governance. According to the ratings, poor performance is linked to Belarus undertaking to various degrees some state control

¹ IMF 2017 Article IV Consultation – Staff report and statement by the executive director for the republic of Belarus, IMF Country Report No. 17/383 (2017).

² <https://www.imf.org/en/News/Articles/2017/11/09/ms110917-belarus-staff-concluding-statement-of-the-2017-article-iv-mission>

³ <http://www.doingbusiness.org/data/exploreeconomies/belarus>

of the media, press, civil society and elections. In 2014, the World Bank's *World Governance Indicators* included Belarus in the last 10th percentile rank on its indicators on voice and accountability. More recently, Belarus fared poorly in the *2017 Transparency Perception Index*, measured by Transparency International, in which the country obtained a score of 44/100, ranking it mid-way amongst 180 countries measured globally⁴. In 2018, Freedom House, which ranks countries according to political, economic and social freedoms, considered Belarus "not free"⁵ and Belarus has for many years been amongst the worst performing countries in the region on the *Democracy Index*, measured by the UK based Economist Intelligence Unit⁶.

It is worth noting in this regard that this report will narrowly discuss transparency and accountability of the budget and participation of the public in the budget process.

b) Institutional characteristics and actors

The institutional and legal background of any given country largely influences budget transparency, budget accountability and public participation in the budget process. The Open Budget Survey, amongst other elements, measures these aspects through several questions in relation to external audit and parliamentary control in particular, but also with regards to the existence of laws on the right of the public to access information for example.

The Constitution of the Republic of Belarus was signed in 1994 and directed towards guaranteeing separation of powers, including principles of the state based on the rule of law and sovereignty of Belarus. The Constitution was twice amended following referendums in 1996 and 2004 to provide no presidential term limits and extended presidential powers. The Constitution does provide citizens with the right to access public information as highlighted in article 34, which cites that "Citizens of the Republic of Belarus are guaranteed the right to receive, store and distribute full, reliable and timely information on the activities of state bodies, public associations, political, economic, cultural and international life, the state of the environment". However, a separate law on the right of the public to access information does not exist.

Further, the Constitution details the rights of citizens to participate in public affairs, as highlighted in article 37: "The direct participation of citizens in the management of the affairs of society and the state is ensured by holding referendums, by discussing draft laws and issues of national and local significance, in other ways determined by law". In addition, *Law of the Republic of Belarus of 10 November 2008 On Information, Informatisation, and Protection of Information*⁷ provides further legal basis on these matters as well as *Decree on measures to improve the use of the national segment of the Internet (2010)*⁸, which specifies for example that state bodies have the obligation to keep information up to date on the internet, post regularly and that information is free. In addition, Article 8 of the Budget Code stipulates that approved budgets and budget execution reports should be published in the media, except information classified as a state secret.

⁴ <https://www.transparency.org/country/BLR>

⁵ <https://freedomhouse.org/report/freedom-world/2018/belarus>

⁶ <https://infographics.economist.com/2018/DemocracyIndex/>

⁷ For an English version of the law: https://www.right2info.org/resources/publications/laws-1/laws_belarus-foi-law

⁸ <http://pravo.by/document/?guid=3871&p0=P31000060>

In addition, article 8 of chapter 3 of the Budget Code stipulates that approved budgets and budget execution reports should be published, except information classified as a state secret. This is a relatively comprehensive coverage of which documents should be published and which organisation is responsible for such (see table 1 below). However timeframes are not specified and the list of documents is not comprehensive.

Table 1. Transparency and participation legal provisions

The Budget code states: “5. The principle of publicity and openness means:

5.1. official publication, promulgation (publication) by other methods in accordance with the procedure established by legislative acts on the republican budget, local budgets and budgets of state extra-budgetary funds for the next fiscal year, on introducing changes and (or) amendments to the law on the republican budget, decisions of local councils of deputies on the budget, legislative acts on the budgets of state extra-budgetary funds for the current fiscal year, on the approval of reports on the execution of the republican budget, local budgets and the budgets of state extra-budgetary funds for the fiscal year;

5.2. openness to society and media: procedures for reviewing draft laws on the republican budget, decisions of local Councils of Deputies on the budget, legislative acts on the budgets of state extra-budgetary funds for the next fiscal year, and the adoption of relevant regulatory legal acts; the draft of the republican budget submitted in the prescribed manner to the House of Representatives of the National Assembly of the Republic of Belarus (hereinafter - the House of Representatives); drafts of local budgets submitted in the established procedure for consideration by local Councils of Deputies; draft budgets of state extra-budgetary funds submitted in the established manner for consideration by the President of the Republic of Belarus, the House of Representatives; information on the implementation of the republican budget, local budgets and budgets of state extra-budgetary funds, the state debt of the Republic of Belarus, the debt of local government and self-government, as well as the debt guaranteed by the Republic of Belarus and local executive and administrative bodies (except for information constituting state secrets, other information, the distribution and (or) the provision of which is limited in accordance with legislative acts); the results of inspections by the State Control Committee of the Republic of Belarus of reports on the execution of the republican budget and budgets of state extra-budgetary funds for the reporting fiscal year, as well as audits of the execution of local budgets conducted by the State Control Committee of the Republic of Belarus and (or) its territorial bodies in the reporting fiscal year other information, the distribution and (or) provision of which is limited in accordance with the laws acts); summary reports on the implementation of state programs (subprogrammes), including an assessment of the effectiveness of their implementation, in accordance with the law (other than information constituting state secrets, other information, distribution and (or) the provision of which is limited in accordance with legislative acts); information on the implementation of budgetary funds by the administrators of the functions assigned to them, including the implementation of state programs, subprograms and activities at the expense of the republican budget, local budgets and budgets of state extra-budgetary funds (except for information constituting state secrets, other information, distribution and (or) the provision of which is limited in accordance with legislative acts).

Openness to society and the media is ensured (including by posting on the official websites of relevant state bodies and organizations) on drafts of normative legal acts and information indicated: in paragraphs two, three and six of part one of this sub-clause, by the Ministry of Finance:...”

Source: <http://etalonline.by/?type=text®num=hk0800412#scrollInto#&Article=8>

Belarus’ Public Financial Management practices (PFM) are principally governed by *the Budget Code of the Republic of Belarus (2008)*. Other legal documents relevant for this assessment include *the Law of State Control Committee of the Republic of Belarus (2010)*⁹ and *the Law of the Republic*

⁹ <http://pravo.by/document/?guid=3871&p0=H11000142>

of Belarus on the National Assembly¹⁰ (2008) and Regulations of the House of Representatives (2015)¹¹.

Parliament

The Belarusian Parliament is bi-cameral including the House of Representatives of the National Assembly of the Republic of Belarus and the Council of the Republic. The Constitution provides the principle of self-organisation of the chambers of Parliament. Each chamber passes its Rules of Procedure, which determine its work (article 105).

The House of Representatives is composed of 110 deputies and holds a four-year term. The Belarusian National Assembly's mandate in relation to the Budget is defined in Article 99 of *the Budget Code*, which cites that "The draft law on the republican budget for the next fiscal year is considered by the Parliament of the Republic of Belarus in accordance with the Constitution of the Republic of Belarus, this Code and the regulations of the chambers of the Parliament of the Republic of Belarus". Parliament is also governed by *The Law of the Republic of Belarus On the National Assembly of the Republic of Belarus*¹². Article 49 states that Parliament shall approve "the republican budget for the next financial year". Exact terms of consideration of the Budget by Parliament are not indicated in the Budget Code, regulations of the chambers of the Parliament and Constitution. However, in practice the legislature approves the budget less than one month in advance of the start of the budget year, but at least by the start of the budget year¹³.

In terms of Parliamentary amendment of the Budget before its approval, this is legally set out in Article 52 of the same law. It cites that "Changes and (or) additions to the draft law are made by the head committee only if the subject of the legislative initiative, who introduced the draft law, or his authorized representative, with the exception of changes and (or) additions that are of a technical nature, is given the consent of the subject. In the event that, as a consequence of the amendments, there may be a reduction in public funds, creation or increase of expenses, such amendments are included in the draft law with the consent of the President of the Republic of Belarus or on his behalf - the Government of the Republic of Belarus, and if the amendment results in a divergence of the draft law with temporary decrees or decrees of the President of the Republic of Belarus, such amendments are included in the draft law only with the consent of the President of the Republic of Belarus". Accordingly, the law sets out that the legislature can propose any changes, but they must be coordinated with the executive or the president¹⁴.

Similarly, the legal basis does not provide the legislature with the power to approve in-year changes. In accordance with Article 111 of the *Budget Code of the Republic of Belarus*, such redistribution is carried out by decrees of the President. Article 11 states: "The increase or decrease in the amount approved by the law on the republican budget for the current fiscal year, revenues of the republican budget, expenditures of the republican budget, deficit of the republican budget and sources of its financing, as well as clarification of other indicators approved by the law on the republican budget for the current financial year in accordance with

<http://www.house.gov.by/ru/zakon-respubliki-belarus-o-natsionalnom-sobranii-respubliki-belarus-ru/3871&p0=H11000142>

¹⁰ <http://www.house.gov.by/ru/zakon-respubliki-belarus-o-natsionalnom-sobranii-respubliki-belarus-ru/3871&p0=H11000142>

¹¹ <http://www.house.gov.by/ru/reglament-palaty-predstavitelej-ru/>

¹² <http://www.house.gov.by/ru/glava-6-porjadok-vnesenija-rassmotrenija-proektov-zakonov-i-prinjatija-zakonov-i-postanovlenij-palatami-natsionalnogo-sobranija-ru/>

¹³ This material is used, amongst others, to provide Belarus with a score of "b" to Q109 of the OBS 2017 pilot.

¹⁴ This material is used, amongst others, to provide Belarus with a score of "c" to Q110 of the OBS 2017 pilot.

Article 89 of this Code, are made by decrees and decrees by the President of the Republic of Belarus"¹⁵.

State Control Committee

The State Control Committee (SCC) is a member of INTOSAI, the International Organisation of Supreme Audit Institutions. However, in many respects the SCC does not operate as an independent Supreme Audit Institution because it is under the subordination of the President, as detailed in Belarus' legal texts. Hence, the SCC's independence is restricted in terms of staffing, financing and mandate.

In terms of staffing, article 84 of *The Constitution* and Chapter 3 (Article 9)¹⁶ of the *Law on the State Control Committee* cites that the "President of the Republic of Belarus [...] approves the number of employees of the bodies of the State Control Committee, including employees of the State Control Committee; appoints and dismisses the Chairman of the State Control Committee, his deputies and heads of departments of the State Control Committee, agrees on appointing and dismissing the chairmen of the state control committees". Accordingly, all important appointments are carried out personally by the president.

In terms of financing, the State Control Committee's Budget is determined in a way that is similar to ministries and agencies. Indeed, the SCC's Budget is established annually at the procedure of the budget approval of the Republic of Belarus. The Law on the State Control Committee further details on Chapter 6, article 24 that "compensation (payment) of costs associated with the conduct of research, testing, technical surveys and expertise, the involvement of experts, specialists, as well as the cost of consumed samples and samples is made in the cases and in the manner determined by the Council of Ministers of the Republic of Belarus." This highlights the fact that there are legal constraints to the financial independence of the State Control Committee.

The State Control Committee benefits from some clarity in its mandate as defined by the legal texts. However, as for financing and staffing, the SCC's mandate remains constrained as it is under direct subordination of the President. Chapter 2, article 8 of the Law on the State Control Committee, states that "implementation of state control over the execution of acts of the President of the Republic of Belarus, the Parliament of the Republic of Belarus, the Government of the Republic of Belarus and other state bodies regulating state property relations, economic, financial and tax relations, as well as on other issues in accordance with laws and decisions of the President of the Republic of Belarus". In practice, the State Control Committee audits the republican budget and public property, as well as practices control over the implementation of Presidents acts.¹⁷

Ministries

There are twenty-four ministries in Belarusian administration. The Ministry of Finance responsibilities include budget policy, tax policy and debt policy, accounting and reporting and the Ministry is responsible for preparing and executing the annual State Budget. The responsibilities of the Ministry of Economy include the development and approval of economic state programmes, including development of indicators in line with programme budgeting. The Ministry of Economy develops and implements state economic policy, including economic forecasting for budget preparation, and coordinates the operation of national state administration agencies and other government agencies.

¹⁵ This material is used, amongst others, to provide Belarus with a score of "d" to Q115, 116 and 117 of the OBS 2017 pilot.

¹⁶ <http://www.pravo.by/document/?guid=3871&p0=H11000142> - This material is used, amongst others, to provide Belarus with a score of "c" to Q119 and 120 of the OBS 2017 pilot.

¹⁷ This material is used, amongst others, to provide Belarus with a score of "" to Q122 of the OBS 2017 pilot.

The National Bank

The National Bank of the Republic of Belarus (NBRB) is also involved in the budget process. The NBRB, before May 1 of the current fiscal year, is expected to submit to the Ministry of Finance a forecast of the parameters of the most important monetary and credit indicators of the Republic of Belarus for the next financial year and planning period.

Civil society and the media

The civil society landscape in Belarus is sparse with only a handful of organisations working on the budget, including transparency, accountability and participation issues. Formally, it is possible to create a non-governmental organisation (NGO) in Belarus. In 2016, a total of 15 political parties, 33 trade unions, 2,695 public associations, 36 unions of public associations, and 7 republican state-public associations were registered in the country¹⁸. In practice, there are restrictions on the ability to form, register, and operate non-governmental groups. These restrictions are mainly linked to legal and financial constraints. For example, compulsory pre-registration of foreign aid is still needed, and criminal penalties for non-compliance with the procedure remain in force. In addition, according to human rights organisations, activists and journalists were fined 415 times for a total of \$148,000 during the year. Belarusian organisations sometimes register abroad or operate without registration due to the unfavourable legal environment. In 2015, about 200 civil society organisations were registered in Lithuania and Poland for example.¹⁹

There is however an extensive sector of organisations associated with the state in Belarus. Government-organised NGOs (GONGOs) receive funding and other support from the government, as well as a significant amount of international aid. Seven organisations formally have the status of “state-public,” but many others nominally operate as independent organisations. The most significant GONGOs are the Belarusian Republican Youth Union, Belaya Rus, the Women’s Union, and the Federation of Trade Unions. The 2015 CSO Sustainability Index, published in 2016, shows that the greatest obstacles for the development of civil society in Belarus are the legal environment and financial viability, to a lesser extent public image, infrastructure, service provision, advocacy, and organisational capacity.

The internet remains the only medium in which non-state news outlets have prevalence over state-owned outlets, this includes websites such as tut.by, naviny.by, Belapan.by, euroradio and radio freedom.

c) Public Financial Management background and reform trajectory

The Belarusian PFM system has many similarities with that of other post-soviet states. In many of these countries, modern public financial management reforms begun in the early 2000s. The Belarus national budget includes the state budget and the sub-national budgets, the latter include the budgets of the city of Minsk, other six regions and local districts and municipalities. The national budget excludes several state funds, including the Social Security Fund of the Ministry of Labour and Social Security, the State Civil Aviation Fund, the Fund of the penal department of the Ministry of Internal Affairs and the State off-budgetary all-Purpose service Fund of the Ministry of Communications and Information Technologies. These four funds together represented 30.2% of total budget expenditures in 2017²⁰, 30% of which is accounted by the Social Security Fund. In addition, budget organisations of the public sector have the right to provide additional services and to charge fees for their service, and these proceeds and expenditures are managed through

¹⁸ <https://freedomhouse.org/report/nations-transit/2017/belarus#sdendnote31sym>

¹⁹ <https://freedomhouse.org/report/nations-transit/2017/belarus#sdendnote31sym>

²⁰ Figures calculated based on budget execution report produced by the Ministry of Finance: http://www.minfin.gov.by/ru/budget_execution/analytical_information/2017/d3d747f602e74efb.html

separate accounts and are not included in the budget execution reports. Hence, there is a significant amount of unreported expenditure in the Belarus PFM system.

In Belarus, PFM improvements undertaken since 2010 focused on strengthening the legislative framework. For example, the *Tax Code* and *Budget Code* were adopted and procurement legislation was introduced. The 2014 Public Expenditure and Financial Accountability (PEFA) assessment found that a lack of multi-year perspective in budgeting, focus on compliance controls rather than performance, and a limited ability to proactively manage cash flows were the main challenges of the Belarusian PFM system, as well as the high proportion of unreported government expenditure.

At the end of 2015, Belarus adopted a PFM Reform Strategy, which aimed to improve budget credibility, policy-based budgeting, comprehensiveness and transparency of the budget and financial control and audit, as well as develop an integrated financial information system. The World Bank supported implementation of the strategy with investments under the PFM Modernisation Project. The project aims to improve policy alignment of the budget, consolidate cash balances, improve budget transparency and lay foundations for implementation of an Integrated Financial Management Information System (FMIS). There are three components to the project:

- i) budget management regulations and procedures, including a medium term budget framework and to link state programs and budgeting process through introduction of program budgeting;
- ii) PFM IT solutions;
- iii) change management and implementation of regulatory and procedural reforms through a program of capacity building and project management activities.

d) Recent assessments of budget transparency and accountability

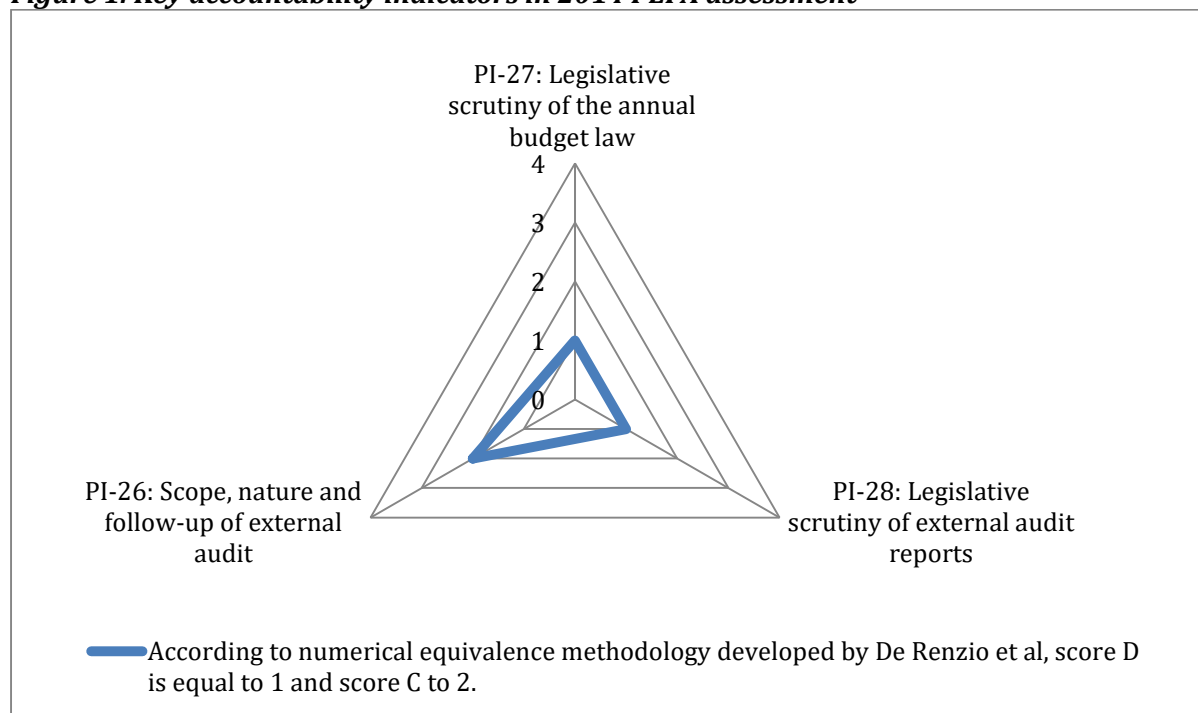
2014 PEFA assessment is the only assessment that looked into budget transparency and accountability in Belarus, covering 2010-2012. It is worth noting that the PEFA framework was updated in 2016, including its indicators related to budget transparency and accountability. In this manner, the 2014 PEFA assessment does not take into account updated international good practices as a benchmark. According to some elements of the 2014 PEFA assessment, budget transparency in Belarus was relatively adequate. For example, the PEFA report gave a score of “B” with regards to indicator PI-10, which measures the extent to which Belarus provided the public with access to the key fiscal information, and a score of “A” for the comprehensiveness of information included in budget documents (PI-6).

Belarus received an “A” score at indicator PI-6 because the indicator assesses the annual budget documentation only as the annual budget, as submitted to the legislature for scrutiny and approval. In the case of Belarus, this particular document, while taken into consideration by the PEFA, is not published and available to the public, which means that the Open Budget Survey (OBS) cannot assess it. On the other hand and encouragingly, the high score obtained on PI-6 suggests that the Executive Budget Proposal is a relatively comprehensive document. Similarly, the methodology of scoring PI-10 considered neither a Mid-Year Review, nor citizen budgets in its benchmark assessment, partly explaining the relatively high score of “B” reached by Belarus for this indicator of the 2014 PEFA assessment.

PEFA indicators PI-24 and PI-25, which scored the quality and timeliness of in-year budget reports and the quality and timeliness of annual financial statements were less encouraging with scores of respectively “C” and “D” obtained. Further, according to PEFA, quantifiable elements of extra-budgetary activity represented more than 10% of central government expenditures in 2012, which marks significant concerns for transparency (PI-7, score of “D”). Another element,

which suggests weak comprehensiveness of information include a low score in multi-year perspective in fiscal planning, expenditure policy and budgeting (PI-12).

Figure 1. Key accountability indicators in 2014 PEFA assessment



As can be seen in the figure 1 above, accountability indicators fared poorly in the 2014 PEFA assessment. With regards to external audit, the report pointed to the scope of external audit being limited, focusing on compliance and control (and not allowing for allocative or effective efficiency and value for money audits) as well as low disclosure of the State Control Committee's audit procedures.

The low score with regards to legislative oversight was primarily driven by insufficient time provided to the legislature to review the draft annual budget law, reallocation of funds without legislative consent during the budget year and low interaction between the State Control Committee and the legislature on budgetary issues.

The OBS is an opportunity to go deeper into an assessment of budget transparency, budget accountability and public participation in the budget process in Belarus, based on an internationally recognised methodology and to inform authorities of the potential areas for improvement.

e) National legislation framing budget transparency and accountability

This section aimed to provide an overview of the Belarusian context directly influencing budget transparency, accountability and participation in the budget process. This section is in no way meant as a comprehensive overview of the legislative texts in place in the country. However, it does point to the need to make certain changes and/or additions to the legal texts relevant to budget transparency, accountability and participation in the budget process. Some of the suggested changes highlighted below would by the same token enable an increased scoring in the Open Budget Survey looking forward. Many of the points below are further discussed in chapters 2 and 3.

Overall, the overview in this section suggests that in a de-jure interpretation, the *Constitution* provides Belarus with a basis to enable budget transparency and participation practices.

However, practice suggests that procedures do not make full use of this overarching legal foundation. In addition, the use of presidential decrees and presidential decisions as outlined in the legal texts restrain budget transparency, external audit and legislative oversight..

Table 1. Transparency, participation and right to information laws in the world

There are various types of transparency, participation or right to information laws. These latter laws are also called freedom of information or access to information acts. These laws or legal provisions may include legislation related to access to information, to planning processes, or to public administration more generally. They can take the form of constitutional provisions, separate laws, acts or regulations. In some countries, budget transparency is covered in laws promoting fiscal responsibility or access to information, rather than in public financial management legislation.

Studies on these laws suggest that there is no direct link between a country having a transparency, participation and/or right to information law and a country's general level of budget transparency or OBI score. However, for countries that do not, historically, have a strong transparency and participation legacy, legislation can support change in the right direction. This has been seen example in South Africa or Liberia. In all instance, legislation can help to clearly define transparency rules in the budget process, for example, by specifying when, where, and how certain budget documents should be published. However, in all cases it is important that these laws are actually implemented, which requires strong leadership and political will, as well effective oversight institutions, training of public officials, and awareness raising activities to inform citizens, civil society and the media on how to exercise their right to know.

Some countries have separate laws defining transparency and outlining the principles of participation. Examples of such include those of Peru and Honduras or India's *Right to Information Act of 2005* (<http://www.iitb.ac.in/legal/RTI-Act.pdf>). A model of how such a law can be structured can be found on <https://www.right2info.org/resources/publications/article-19-model-foi-law>.

In the wider region, separate right to information laws remain rare. Georgia, Russia and especially Ukraine (<https://www.internationalbudget.org/wp-content/uploads/Ukraine-BudgetCode2001-Englsih.pdf>) have relatively comprehensive legal provisions for transparency, participation and/or right to information included in their *Budget Codes*.

Sources: <http://www.right2info.org/laws/constitutional-provisions-laws-and-regulations#section-1>; De Renzio & Kroth, International Budget Partnership Research Notes Transparency and Participation in Public Financial Management: What Do Budget Laws Say? (2011); U4 Expert Answer, Right to information laws: Impact and implementation (2014).

A primary concern is with regards to external audit, independence of staffing is critical and revision of the text could be undertaken to bolster this. Appointment procedures vary greatly across countries, as well as across different types of SAIs. A way to ensure the SAI's independence from the executive would be to allow for example the legislature or judiciary to appoint or approve the appointment of the head of the SAI. This would be in line with international standards on external audit as developed by INTOSAI in the *Lima Declaration* (see chapter II, section 6: "The independence of Supreme Audit Institutions is inseparably linked to the

independence of its members”)²¹. Other institutional changes are required in order to enshrine the State Control Committee as an independent Supreme Audit Institution, in line with international standards. This includes freedom from presidential decrees in terms of the State Control Committee’s scope of work.

A more feasible change in the medium-term would consider that the *Budget Code* provisions for transparency and participation should be revised, expanded and made more specific. For example, the *Budget Code* could specify elements enabling greater budget transparency, accountability and participation. Such additions include details on publication requirements of budget documents, including for the Executive Budget Proposal (the draft state budget law). Such provisions should include timeframes and/or specific deadlines.

Moreover, another recommendation to be considered when it comes to the legal foundations of budget transparency, accountability and participation in Belarus is to develop a law for the right to information. While the *Law Of The Republic Of Belarus "On Information, informatisation and protection of information"* (2008) can be seen as fulfilling this purpose, this law does not cover the full purpose of a right to information law, as it is in place in many countries (see table 2 above)²².

2. Budget transparency in Belarus: a base to build on

a) OBI Pilot: overview of performance

In line with international good practice, the OBI measures countries on the publication of eight key documents to enable public finance transparency: The Pre-Budget Statement, the Executive Budget Proposal, the Enacted Budget, the Citizen Budget, In-Year Reports, the Mid-Year Review, the Year-End Report and the Audit Report. Section 1 of the Open Budget Survey assesses whether and when the documents are produced and published. Section 2 (questions 1-53) assesses the type of information included in the Executive Budget Proposal and section 3 assesses the type of information included in all other seven publications (see table 3 below).

Table 3. Questions per document type

Pre-Budget Statement	Questions 54-58
Executive Budget Proposal	Questions 1-50 (section 2)
Enacted Budget	Question 59-63
Citizens Budget	Question 64-67
In-Year Reports	Questions 68-75
Mid-Year Review	Questions 76-83
Year-End Report	Questions 84-96
Audit Report	Questions 97-102

²¹ <http://www.intosai.org/en/issai-executive-summaries/detail/detail/News/issai-1-the-lima-declaration.html>

²² [https://www.transparency.org/whatwedo/answer/right to information laws impact and implementation](https://www.transparency.org/whatwedo/answer/right%20to%20information%20laws%20impact%20and%20implementation)

According to the 2017 OBI pilot, Belarus' score falls in the bracket of 0-20, which means that Belarus provides scant budget information to the public. Positively, Belarus produces and publishes five of the eight key documents assessed by the OBS.

Belarus does not publish the Executive Budget Proposal (EBP), which negatively impacts the score. Indeed, 50 questions (entire section 2) in the OBS relate to the EBP, reflecting the importance of the document in the budget cycle. While Belarus does not publish the EBP, it does *produce* a comprehensive EBP. Belarus does not produce and publish a Mid-Year Review and in 2017 did not produce and publish a Citizen's Budget (see table 4 below for more details).

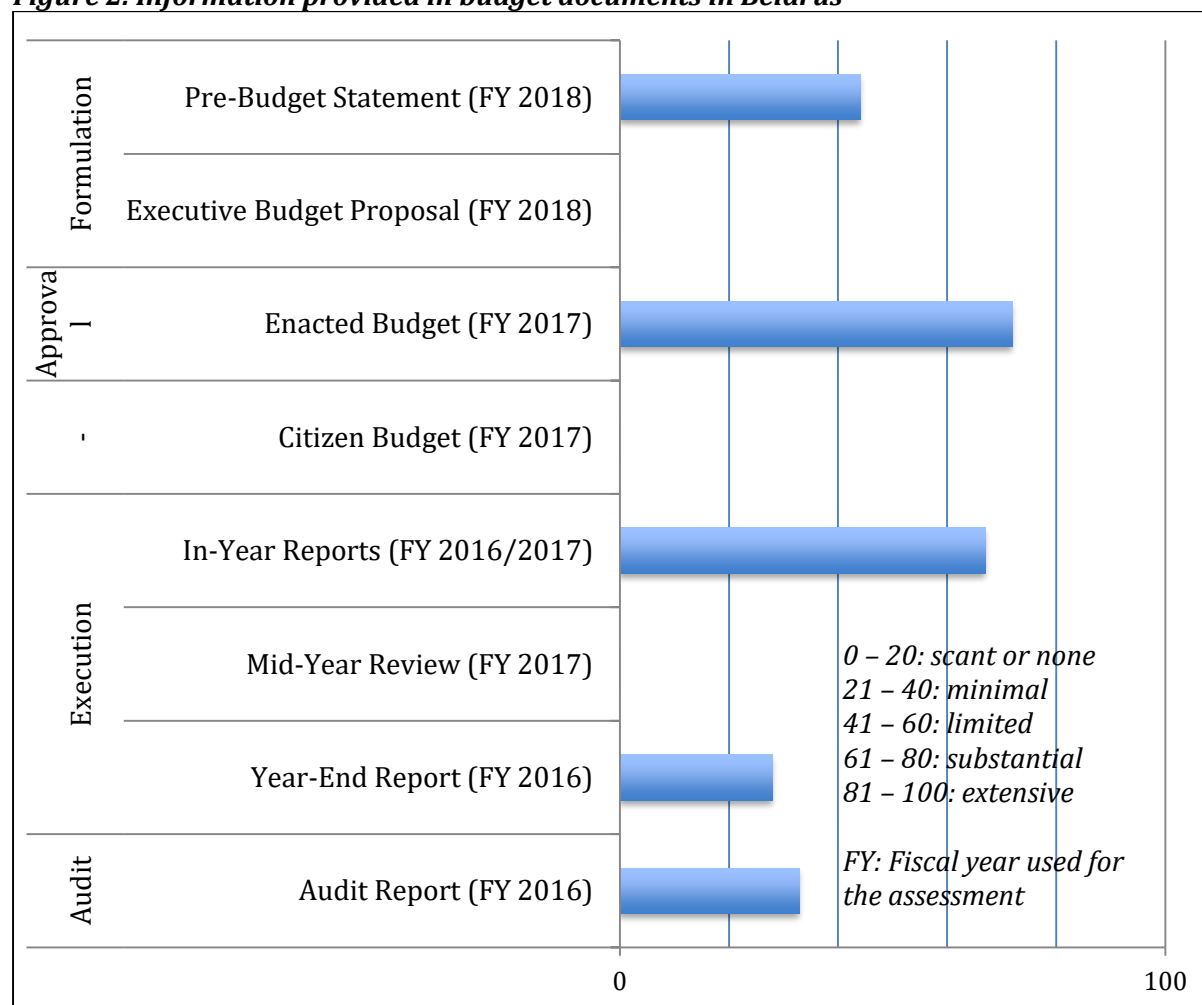
Table 4. Budget documents in Belarus

Pre-Budget Statement (FY 2018)	Budget, Fiscal and Tax Policy Guidelines of the Republic of Belarus for 2018-2020 (Основные направления бюджетно-финансовой и налоговой политики Республики Беларусь на 2018-2020 годы)
Executive Budget Proposal (FY 2018)	Draft Law on the National Budget of the Republic of Belarus for 2017 (Проект Закона Республики Беларусь «О республиканском бюджете на 2018 год»)
Enacted Budget (FY 2017)	Law on the National Budget of the Republic of Belarus for 2017 (Закон Республики Беларусь «О республиканском бюджете на 2017 год»)
Citizen Budget (FY 2017)	Not available for FY2017
In-Year Reports (FY 2017)	Monthly press releases “The Government Sector Budget Implementation (the National Budget, Local Budgets, the State Off-Budgetary Social Security Fund of the Republic of Belarus, the State Off-Budgetary All-Purpose Service Fund of the Ministry of Communications and Information Technologies, the State Off-Budgetary Civil Aviation Fund and the State Off-Budgetary Fund of the Penal Department)” (Пресс-релизы «Исполнение бюджета сектора государственного управления (республиканский бюджет, местные бюджеты, государственный внебюджетный фонд социальной защиты населения Республики Беларусь, государственный внебюджетный фонд универсального обслуживания Министерства связи и информатизации, государственный внебюджетный фонд гражданской авиации и государственный внебюджетный фонд Департамента исполнения наказаний)») Analytical reports “On the Condition of Public Finances of the Republic of Belarus” (Аналитические доклады «О состоянии

	государственных финансов Республики Беларусь») Reports "The Public Debt as of *date* (Отчеты «Государственный долг на *дату*»)
Mid-Year Review (FY 2016/2017)	Not available for FY2017
Year-End Report (FY 2016)	The Law of the Republic of Belarus "On approval of the report on the execution of the republican budget for 2016" (Закон Республики Беларусь "Об утверждении отчета об исполнении республиканского бюджета за 2016 год")
Audit Report (FY 2016)	Conclusions on the Implementation of the 2016 National Budget (Заключение об исполнении республиканского бюджета за 2016 год)

As illustrated in figure 2 below, the content provided in the Enacted Budget and the In-Year Reports is substantial. The content provided by the Pre-Budget Statement is limited and the content provided by the Audit Report and the Year-End Report is minimal.

Figure 2. Information provided in budget documents in Belarus



b) Global and regional comparisons

The 2017 OBS was the sixth round of the OBS, with earlier assessments occurring in 2006, 2008, 2010, 2012, and 2015. The 2017 OBS covered 115 countries, including Kazakhstan, Kyrgyzstan, Moldova, Poland, Russia and Ukraine. 13 countries were included in the 2017 OBS for the first time. The OBS aims to provide countries with an assessment of budget transparency by independent experts. Countries are selected based on geographic distribution, resources and a local partner. Belarus was not included in the official 2017 OBS along with countries such as Armenia, Estonia, Latvia, Lithuania and Uzbekistan. Participating in the pilot and in future in the OBI helps Belarus to have a baseline assessment of its transparency performance and need for reform.

The average OBI score of the 115 countries surveyed in 2017 is 42 out of 100, suggesting that the global state of transparency is limited. Three in four surveyed countries fail to provide sufficient information to the public on their national budgets and receive scores of 60 or less (out of 100) on the Open Budget Index (OBI), the part of the survey that measures budget transparency.

Twenty-seven of the 115 countries assessed fail to publish the Executive's Budget Proposal, the foundational document that describes the government's proposed budget policies. Only five countries surveyed release extensive budget information. Those top-tier countries are Georgia, New Zealand, Norway, South Africa, and Sweden. There is nothing regionally or culturally determined about budget transparency. The 11 countries that publish all eight key documents are spectacularly diverse, representing all major regions of the world: Brazil, Bulgaria, Georgia, Indonesia, Italy, Jordan, Mexico, New Zealand, Peru, South Africa, and Sweden²³.

As can be seen in figure 3 below, on average ECA (Eastern Europe and Central Asia) countries score 55 out of 100 on the OBI, which is higher than the global average (42) but lower than the OECD average (68).

Figure 3. Average OBI score by region (OBS 2017 Global report)

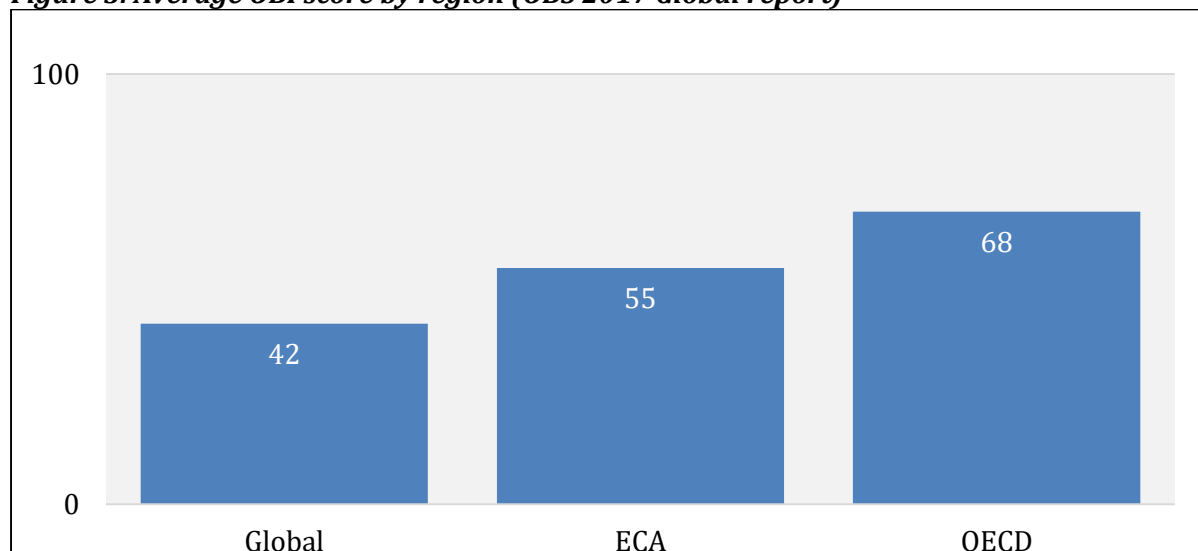
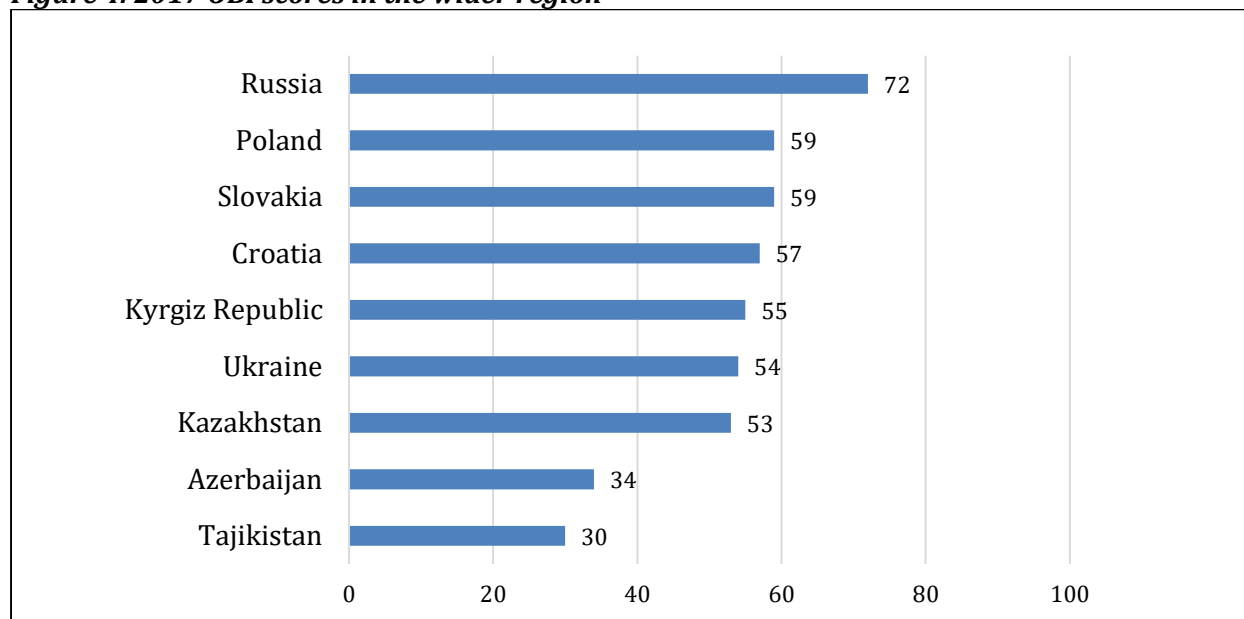


Figure 4 below details 2017 OBI scores in neighbouring countries and the wider region.

²³ International Budget Partnership, *Open Budget Survey 2017*, report (2017) - <https://www.internationalbudget.org/open-budget-survey/downloads/#full-report>

Figure 4. 2017 OBI scores in the wider region



c) Detailed OBI results

Pre-Budget Statement

The Pre-Budget Statement (PBS) is a document that sets out the executive's economic, fiscal and tax policy proposals for the next year. The PBS, in fact, is the basis for the following phases of the budget cycle, including for drafting and approval of the budget. The document should include economic assumptions, on which the future budget will be based, budget and tax policy priorities, spending priorities, as well as revenue and expenditure estimates for the next few years.

In Belarus, the PBS is referred to as the *Budget, Fiscal and Tax Policy Guidelines of the Republic of Belarus for 2018-2020* and in Russian the document is entitled *Основные направления бюджетно-финансовой и налоговой политики Республики Беларусь на 2018-2020 годы*²⁴. The Ministry of Finance made it available on time and in open access on 27 September 2017 on the Ministry of Finance's website (<http://www.minfin.gov.by/>). According to the OBS scoring system, Belarus provides *limited* information in the PBS.

Belarus' PBS includes key macroeconomic indicators for 2018-2020, on which the budget will be based. The indicators include estimated inflation, an estimated rate of GDP growth and the base-refinancing rate – the key reference points for drafting and approving a budget. Apart from that, other key economic indicators are estimated such as the average annual oil price, and the Belarusian ruble's exchange rate to the U.S. dollar and the Russian ruble. On the other hand, the PBS lacks some key economic assumptions, such as nominal GDP and interest rates.

Belarus' PBS outlines the government's spending policy and budget spending priorities, but not in a lot of detail. Besides, it does not offer spending estimates for all of the mentioned areas. The revenue part has similar limitations. The document specifies tax policy guidelines and the sources of revenue, but that information should be more specific, in particular as far as revenues for each of area. The document specifies the total annual revenues and expenditures for 2018-2020.

²⁴ The PBS can be accessed via: <http://www.minfin.gov.by/upload/bp/taxpolitic/27092017.pdf>

Belarus' PBS lacks information on government borrowing; it does not specify the current gross national debt, it does not say how much the government plans to borrow, how the nominal public debt will change and how much the government will spend on servicing its debt in the coming years. Moreover, the data available is not presented in a machine-readable format, meaning that one cannot extract the figures into excel files for example.

The Executive Budget Proposal and supporting documents

The Executive Budget Proposal (EBP) should be a detailed statement of the government's tax and budget policies for the coming fiscal year, and a key element of the budget process. The document should include detailed estimates of revenues, expenditures and debt, macroeconomic substantiation, historical fiscal data and information on the government's social policies. The EBP is traditionally in the spotlight of the public, the media and think tanks, therefore it is very important to make it as transparent, comprehensive and accessible for the broad public as possible.

In Belarus, the EBP is not available in open access, which makes it impossible to distribute and analyse it, and engage the public in the budget process. The EBP's unavailability in open access is one of the key elements driving down budget transparency in Belarus. The EBP's publication would considerably improve the country's budget transparency score.

The pilot research team, however, analysed the paper copy of Belarus' EBP in order to assess potential scope for improvement in future assessments, were it to be published. The draft budget of the executive power branch of the Republic of Belarus is comprehensive. However, in order to meet the highest international standards, the following improvements can be considered.

- Update economic and functional classification of budget expenditures to the latest international standards;
- Include detailed information for at least two years after the fiscal year, including estimates of different sources of revenue and spending;
- Supplement the document with an analysis of budget sensitivity to the effects of various macroeconomic assumptions, in particular, inflation, real GDP growth and interest rates;
- Describe in detail how new policy decisions in the fiscal year will affect budget revenue and expenditure;
- Add information on budget expenditure in previous years according to the economic and administrative classification;
- Supplement the document with information on current public debt for the current fiscal year and previous fiscal year, including interest payments on debt, interest rates on debt instruments and maturities of debt;
- Supplement the document with information on state guarantees and insurance programmes;
- Supplement the document with information on revenue and expenditure of extra-budgetary funds;
- Provide an budget presentation based on gender, age, income level or region to illustrate the impact of fiscal policy on different targeted groups;
- Supplement the document with information on government obligations and sustainable development of public finances in the long term (not less than 10 years);
- Supplement document with information about reserved income;

Enacted Budget

The Enacted Budget (EB) is a document passed, as a law, by the legislature following discussions of the Executive Budget Proposal. In this regard, the Enacted Budget differs from the EBP, therefore it is very important to make both documents available in open access. This allows for instance citizens and the public to know what changes have been made to the EBP after debate

by the legislature and legislative committees, as well as any changes that would have been made following direct participation of the public through open budget hearings or expert meetings for example.

The survey assessed the *Law on the National Budget of the Republic of Belarus for 2017 as the country's Enacted Budget*, which in Russian is entitled *ЗАКОН РЕСПУБЛИКИ БЕЛАРУСЬ О республиканском бюджете на 2017 год*²⁵. The document was published in October 2017 on the website of the Ministry of Finance. The Enacted Budget is the most comprehensive document of the available budget documents in Belarus. According to the OBI scoring system, it provides information that is *substantial*.

The EB specifies budget expenditures for the coming year based on functional and administrative classifications. However, it lacks information on budget expenditures based on an economic classification. The EB includes information on expenditures on state programs, but that information covers only one third of all spending.

The document outlines the key sources of budget revenue, including tax and non-tax revenues. However, some sources are aggregated. For instance, information on national budget revenues includes items such as “Other taxes, levies (duties) and other tax revenues,” “Other non-tax revenues” etc and their size is relatively high. For this reason, information on revenues is incomplete. Moreover, the data available is not presented in a machine-readable format.

Citizen Budget

The Citizen Budget is a document outlining budget-related information in a simplest possible way to ensure everyone can comprehend it. Its purpose is to inform the broad public of government finances. The Citizen Budget makes public discussions of fiscal policy much easier, therefore it is important to disseminate it as much as possible. Citizen budgets have traditionally been produced based on either the EBP or the EB, but simplified versions of all budget documents can be produced and published.

Belarus did not draft and publish a Citizen Budget for 2017 and the previous years hence it could not be considered for the purpose of the OBI 2017 pilot.

²⁵ The document can be accessed via: http://minfin.gov.by/upload/bp/act/zakon_181016_431z.pdf

A positive development looking forward is that The Ministry of Finance released a citizen's version of the Enacted Budget for the first time in January 2018 (see table 5 below). That was a welcome move that would raise Belarus' transparency scores in potential future surveys.

Table 5. A Citizen's Budget published for the first time in 2018

The Ministry of Finance published a Citizen's Budget of the Enacted Budget in January 2018. The document can be accessed via: <http://minfin.gov.by/upload/bp/budjet2018.pdf>.

The citizen's budget is examined in the OBS questionnaire through questions 64, 65 and 66. The questions look into the information provided in the citizen budget and in particular if it includes expenditure and revenue totals; the main policy initiatives in the budget; the macroeconomic forecast upon which the budget is based; and contact information for follow-up by citizens. The questions also look into the means by which the document is disseminated and whether the executive established mechanisms to identify the public's requirements for budget information prior to publishing the Citizens Budget

Belarus' first citizen budget includes a lot of important data about the budget and the budget process. Based on the above questions and best practice, and in order to improve the document, Belarus can consider the following recommendations:

- The citizen budget should include the macroeconomic assumptions on which the budget is based;
- It is important to describe in detail the main political initiatives that influenced budget indicators;
- It would be good to leave contact details for citizens to provide their feedback and ask questions. Moreover, the work on preparing the citizen budget should include a needs assessment of the citizens regarding budgetary information;
- The communication of the citizen budget should be more active, it could be published not only through state bodies' websites, but also electronic and print mass media, radio and TV, billboards etc.

In-Year Reports

The ministries of finance release In-Year Reports (IYR) throughout the fiscal year to show progress towards budget targets. To make the budget process as transparent as possible, IYR should include detailed information on sources of revenue and expenditures based on functional, economic and administrative classifications.

Belarus releases several types of in-year reports and the pilot survey covered three types of reports:

1. *Monthly press releases* entitled, *The Government Sector Budget Implementation (the National Budget, Local Budgets, the State Off-Budgetary Social Security Fund of the Republic of Belarus, the State Off-Budgetary All-Purpose Service Fund of the Ministry of Communications and Information Technologies, the State Off-Budgetary Civil Aviation Fund and the State Off-Budgetary Fund of the Penal Department)* for a Period referred to hereafter as *Press releases*
2. *Quarterly analytical reports* entitled, *On the Condition of Public Finances of the Republic of Belarus* referred to hereafter as *Analytical reports*.
3. *Monthly reports* entitled, *The Public Debt as of (...)* referred to hereafter as *Public debt reports*

According to OBI methodology, the information provided by these reports, as a package of IYR is substantial, making it one of the most comprehensive set of documents amongst the currently available budget documentation.

The analytical reports outline budget expenditures based on functional and economic classifications. However, not a single IYR published by the Ministry of Finance contains information on expenditures based on an administrative classification. Moreover, IYR do not provide information on public funds spent on state programs.

IYR feature information on budget revenues that make it possible to estimate tax and non-tax revenues. However, some items are aggregated, therefore information is not comprehensive. Budget expenditures and revenues are compared year-on-year against the same period in *Analytical reports*. *The press releases* help understand the Government's progress in implementing the approved budget.

Public debt reports feature information on Government debt. The Ministry of Finance reports on new loans and the total outstanding debt on a monthly basis but the reports do not contain information on interest rate payments. Concise information on interest rate payments can be found in *Analytical reports*. Apart from that, the IYR do not specify interest rates on loans.

The above listed reports provide relatively comprehensive information on the budget execution, but fragmentation of these documents as well as their dispersion across the MoF's website render it challenging for experts and citizens to understand comprehensively and engage in budgetary issues at this point of the budget process. There is a need to consolidate this information in one monthly or quarterly report.

Positively, there are some efforts to make the IYR more accessible to citizens through the production of the *Budget execution bulletins*, which could qualify as an attempt of a citizen version of IYR²⁶.

Mid-Year Review

The Mid-Year Review (MYR) is a document outlining the results of a comprehensive budget implementation review for the first six months of a budget year. According to the OBS methodology, this review should assess the state of the economy relative to the initial macroeconomic forecast and update the economic projections for the remainder of the year. The MYR should also provide updated estimates of expenditure, revenue, and debt, reflecting the impact of actual experience to date and revised projections for the full fiscal year. Revised estimates in the MYR should reflect both economic and technical changes as well as new policy proposals, including the reallocation of funds between administrative units, with a comprehensive explanation of any estimate adjustments. Issues such as cost increases due to inflation or any unexpected events should be identified and appropriate counter measures should be proposed. The public release of a Mid-Year Review is intended to promote accountability and sound management. In many countries, a MYR is part of a formal reporting procedure to the legislature and in some countries may require a vote from the legislature (see table 6 below for more information).

²⁶ http://www.minfin.gov.by/ru/budgetary_policy/bulletin/

Table 6. The Mid-Year Review in the wider region

According to the 2017 global OBS, the Mid-Year Review (MYR) is the publication which is the least produced and published amongst Belarus' neighbouring countries and countries in the wider region. In 2017, Croatia, Ukraine, Tajikistan, Slovakia, and the Kyrgyz Republic for example did not publish a MYR. Poland produces a MYR, but only published a paper copy. In contrast Russia, Kazakhstan and Georgia produced and published a MYR in 2017.

In Russia, in 2017, the MYR was published in 2017. It was entitled *Explanatory note to the Report on the Federal budget execution for the first half of 2016 year*. The document can be accessed via:

https://www.minfin.ru/ru/document/?id_4=116061&area_id=4&page_id=2104&popup=Y.

Russia's MYR is comprehensive, the information contained in the document is useful and extensive. The document contains expenditure and revenue estimates, which have been updated, and an explanation of all of the differences between the original and updated estimates is provided. The document contains administrative, functional and economic classifications, presents estimates for some programmes, and includes tax and non-tax revenue estimates, as well as individual sources of revenue. Government borrowing and debt have been updated, and information on some of the differences between the original and updated estimates is presented.

It is important to distinguish the MYR from the In-Year Report covering the first half of a budget year²⁷. This In-Year Report does not constitute a MYR because it does reassess the budget based on reviewed economic and fiscal assumptions, nor does it explain how budget execution to date will affect the estimates of full-year expenditure - the analytical report from January to July only states actual revenues and expenditures over the period under review.

Hence, according to the OBI methodology, Belarus does not produce, nor publish the MYR in open access. The Belarusian Government revises its budget estimates throughout the budget year, but the practice cannot be regarded as a fully-fledged MYR, amongst several reasons because it does not imply a clearly set periodicity, accountability process and changes are not consolidated in a document.

Year-End Report

The Year-End Report (YER) is the key report made by the executive after the end of a fiscal year. The report should include detailed information on budget revenues and expenditures during the year under review, explain the difference between initial estimates and final results and review macroeconomic and other factors that had an impact on budget implementation during the year under review. This report should also review non-financial performance information.

In Belarus, the YER is entitled *The law of the Republic of Belarus "On approval of the report on the execution of the republican budget for 2016"* and in Russian *Закон Республики Беларусь "Об утверждении отчета об исполнении республиканского бюджета за 2016 год*. The document was published in July 2017 covering the 2016 fiscal year, adopted by the House of Representatives, and approved by the Council of the Republic. The document²⁸ was produced by the Ministry of Finance, adopted by the House of Representatives, approved by the Council of the Republic and published on the National legal internet portal,

²⁷ The analytical report can be found via:

<http://www.minfin.gov.by/upload/bp/doklad/2017/yj2017.pdf>

²⁸ The document can be accessed via:

<http://pravo.by/document/?guid=12551&p0=H11700049&p1=1&p5=0>

"<http://www.pravo.by>"www.pravo.by. Following the OBI methodology, the YER is the least comprehensive document of the budgetary documents currently being published by Belarus; it provides minimal information to citizens.

The YER includes information on budget revenues, including tax and non-tax income, but some items are aggregated and not informative enough, for instance "other levies and revenues from foreign economic activities," "other taxes levies (duties) and other tax revenues," and "other non-tax revenues." The document provides information on expenditures based on a functional classification but lacks information on expenditures based on economic and administrative classifications. Moreover, the YER does not provide detailed information on public funds spent for state programs.

While the YER provides information on internal and external debt, it does not include information on total debt, nor the amount of net new borrowing required during the budget year. It lacks information on off-budgetary funds and state support for the most vulnerable groups. The YER does not contain an explanation of the differences between originally estimated and actual macroeconomic parameters and other factors that could have had an effect on the budget. The report only makes it possible to compare actual budget indicators with the initial and revised

Table 7. Off-budgetary funds

budget estimates. Most importantly, a narrative explaining the figures and a financial statement is not provided.

Belarus has four operating off-budgetary funds:

- The State Civil Aviation Off-Budgetary Fund
- The State Fund of the Penal Department of the Ministry of Internal Affairs
- The State All-Purpose Service Fund of the Ministry of Communications and Information Technologies
- The Social Security Fund of the Ministry of Labour and Social Security

The former three do not accumulate considerable funds accounting for just 0.1 to 0.2 percent of the funds distributed by the Government. However, the Social Security Fund (SSF) of the Ministry of Labour and Social Security is a big fund that accounts for up to 30 percent of government sector revenues.

The SSF forms the basis of the Government's social policy. It pays pensions, benefits, allowances, sick leaves and other social transfers. The SSF accumulates contributions by working Belarusians. Therefore, information on SSF revenues is of great importance, but it can be found only in certain types of in-year reports. In particular, information on SSF revenues and expenditures can be found in press releases and analytical reports on public finances. Neither the Enacted Budget, nor the Year-End Report, nor the Audit Report include any information on revenues and expenditures of the off-budgetary funds. Hence, at a minimum making more information available with regards to the off-budgetary funds is a priority in order to enhance public finance transparency in the Republic of Belarus. For example, it is essential that information on extra-budgetary funds is included in the Executive Budget Proposal. This information should contain a statement of purpose or policy rationale for the extra-budgetary fund; and complete income, expenditure, and financing data on a gross basis.

A single comprehensive budget may enable greater budget transparency, accountability and participation in the budget process, but also more effective policy-making and greater value for money. The purpose of having extra-budgetary funds should be coherent and politically explained.

Audit Report

The Audit Report is a document released by the Supreme Audit Institution (SAI) as a result of the annual audit undertaken by that institution based on annual financial statements. The report should include a compliance and financial audit, identifying any possible irregularities. Many countries increasingly undertake performance audits.

The SAI of the Republic of Belarus, the State Control Committee (SCC), in 2017 prepared and published *Conclusion on the Implementation of the 2016 National Budget*²⁹, which in Russian is entitled *Заключение об исполнении республиканского бюджета за 2016 год*. According to OBI methodology, the content provided by the Audit Report is minimal.

The report focuses on a financial audit and a budget implementation (compliance) audit but does not include a performance audit. In line with its mandate, the SCC audited a considerable part of budget expenditures. However, the audit does not cover 100% of public finances because the SCC's conclusions lack information on off-budgetary funds (see table 7 above).

The Conclusions on the Implementation of the 2016 National Budget is a substantial document. It contains 132 pages of printed text, which makes it relatively difficult to study and analyse. The document does not include a summary with key conclusions from the audit. Besides, the public has no access to information as to what steps the executive has taken based on the results of the audit and how it fulfilled the SCC's recommendations.

d) Conclusions and recommendations

According to the pilot OBI, for the 2017 fiscal year, Belarus made public five of eight key documents crucial for public finance transparency: The Pre-Budget Statement, the Enacted Budget, the In-Year Reports, the Year-End Report and the Audit Report.

The OBI pilot noted that the Government did not publish The Executive Budget Proposal, the Citizen Budget and the Mid-Year Review. It released its first Citizen Budget in January 2018. The Citizen Budget is one of eight key documents that ensure public finance transparency, and its publication is an important step towards making budget information accessible to the public. The publication of the Citizen Budget on a regular basis will by the same token help Belarus score more points in future surveys.

The published documents cover many aspects of the system of public finances, but they are not comprehensive. The Enacted Budget lacks information on budget expenditures based on an economic classification, the In-Year Reports lack information on expenditures based on an administrative classification, while the Year-End Report lacks information on budget expenditures based on economic and administrative classifications.

Most types of reports include aggregated revenue items, which makes information incomplete. In addition, all the types of budget documents mentioned above, except for the In-Year Reports, lack information on the revenues and expenditures of the off-budgetary funds, including the Social Security Fund that distributes up to 30 percent of government sector finances. The published reports lack updates to economic assumptions and other factors that could have an effect on the budget, such information is missing in the Year-End Report. Apart from that, the published budget documents do not contain sufficient information on public debt.

²⁹ <http://kgk.gov.by/uploads/files/zakluchenie2016.doc>

Belarus should pay first and foremost attention to the following measures to improve budget transparency:

1. **Publish the Executive Budget Proposal online before its approval by parliament.** Making the document available in open access will help Belarus to close the gap on its neighbours and score an average number of points for its region. This is particularly important because approximately half of the country's performance in the OBI ranking depends on the timely publication of the EBP. The 2017 practice proved that the document can be published before October.
2. **Prepare and publish a fully-fledged Mid-Year Review** that includes a comprehensive review of budget implementation for the first six month of the budget year. The review should be published no later than September 30 and include an update of economic assumptions, a comprehensive identification and explanation of deviations in budget spending and revenues and state macroeconomic prospects until the end of the year under review, as well as revised budget revenues and expenditures.
3. **The Year-End Report should include a narrative**, which would cover all of the major items included in the budget, explaining differences between the original estimates (as amended by the legislature during the year) and the actual outcomes for expenditure, revenue, debt, and the macroeconomic assumptions. These reports should also review non-financial performance information and other important policy areas.
4. Include the revenues and expenditures of the off-budgetary funds, in particular the **Social Security Fund** of the Ministry of Labour and Social Security of the Republic of Belarus, in the Enacted Budget and the Year-End Report.
5. Include budget expenditures based on **economic and administrative classifications** in the Year-End Report.
6. Include budget expenditures based on an **economic classification** in the Enacted Budget.
7. Include budget expenditures based on an **administrative classification** in the In-Year Reports.
8. Include spending on state programs in the In-Year Reports and the Year-End Report.
9. Include comprehensive information on **government borrowing and debt** in the Enacted Budget, the In-Year Reports and the Year-End Report.
10. Update the economic and functional classifications of budget expenditures in line with international standards, and minimise the use of the aggregated revenue items in all types of reports.

3. Budget accountability by formal oversight institutions

As part of the Open Budget Survey, the role that legislatures and supreme audit institutions play in the budget process and the extent to which they are able to provide effective oversight of the budget is examined. These institutions play a critical role in planning budgets and overseeing their implementation, their mandates ordinarily enshrined in national constitutional texts and/or additional legal texts.

In Belarus, and as measured by the Open Budget Survey, oversight of the budget is provided by the House of Representatives and the State Control Committee (SCC). While the oversight

provided by the former is weaker than that provided by the latter, overall budget oversight provided by these institutions is weak.

a) Parliamentary control: some checks and balances

Under the OBS methodology, the role of parliamentary oversight is assessed in section 4 through questions 107-117. The questions measure whether enabling conditions are in place for parliamentary oversight to be effective. Overall, parliamentary oversight in Belarus is weak. Parliamentary oversight during the execution and audit phases of the budget is weaker than that during formulation and approval.

Budget preparation

The main barriers to effective legislative oversight during budget preparation are that:

- i) a pre-budget debate by the legislature does not take place (question 107);
- ii) the legislature receives the Executive's Budget Proposal less than one month before the start of the budget year³⁰ (question 108);
- iii) legislative committees do not publish reports on their analyses of the Executive's Budget Proposal online (questions 112 and 113);
- iv) the budget calendar in Belarus is condensed in the run up to the approval of the Budget and not sufficiently specified; and
- v) proposed parliamentary amendments of the Executive Budget Proposal are limited by law and practice.

Firstly, prior to discussing the Executive's Budget Proposal (EBP) for the coming year, in general the legislature should have an opportunity to review the government's broad budget priorities and fiscal parameters. Often times this information is laid out in a Pre-Budget Statement (PBS), which the executive presents to the legislature for debate, although a PBS is not required for such a debate to take place. In Belarus, the PBS should be produced by June 1, as detailed in the Budget Code³¹. However, in practice, the *Budget, Fiscal and Tax Policy Guidelines of the Republic of Belarus for 2018-2020* was produced and published in September 2017, but the House of Representatives did not use the document to debate budget policies prior to the formulation of the draft state budget law. Such a practice could hence potentially be added to the House of Representatives' functions and calendar. In the medium-term, such a practice could take place in October or before allowing the Executive to consider the legislature's review before the draft state budget law is finalised and presented to the House of representatives.

Secondly, international good practice recommends that the EBP should be submitted to the legislature far enough in advance in order to allow the legislature time to review it comprehensively. Best practice suggests that this delay should be at least three months prior to the start of the fiscal year.

In Belarus, and as assessed for the 2017 OBS pilot, the draft state Budget law was received by the House of Representatives on December 14, 2017. Accordingly, the legislature receives the EBP less than one month before the start of the budget year, which strongly restricts the legislature's budget oversight powers. Moreover, on that particular year, the Budget was adopted by the House of representatives on December 19, 2017, which is five days after the House received the draft state Budget, a delay which significantly restricts the House's ability to examine and debate the document. This is due in that particular year to the EBP being submitted to the legislature with delay. However, formally, the legal basis for this procedure is described in Article 98 of the Budget

³⁰ As measured in FY2017

³¹ <http://etalonline.by/?type=text®num=hk0800412#scrollInto#&Article=8>

code, which defines that “the draft law on the republican budget for the next financial year shall be submitted to the House of Representatives no later than November 1 of the year preceding the next financial year”.

Third, effective committee involvement is an essential condition for legislative participation in the budget process. Specialised committees provide opportunities for budgets and policy to be examined in depth. The involvement of committees differs across countries; some legislatures have separate committees to examine spending and tax proposals, while others have a single finance committee. Not all legislatures have a specialised budget or finance committee to examine the budget. In addition, there can be differences in the time available for the committee’s analysis of the budget. A report with the committee’s findings and recommendations is intended to inform the debate in the full legislature, therefore it must be published before the legislature has adopted the budget. Sectoral committees proceed in a similar manner but consider specific sectors, such as health, education or defence. According to the Open Budget Survey methodology, parliamentary committees should ideally have at least one month to examine the EBP.

In Belarus, there is a Budget and Finance Commission³², which is competent for budget legislation, tax legislation, declaration of income and property, legislation on financial activities, banking legislation, currency legislation, legislation on insurance, securities, leasing activity and state statistics. While the Budget and Finance commission examined the Draft State Budget Law, it did not share reports or documentation on this analysis. In addition, Belarus has twelve parliamentary sectoral commissions (see box 1 below for details). However, there is little evidence that the sectoral commissions analyse, debate and publish analysis with regards to the draft State Budget Law, nor with regards to the relevant policies and allocations affected to their sectors.

Fourth, the above suggests that in practice, the budget calendar in Belarus is condensed in the run-up to the approval of the Budget (see table 8 below). In Belarus, a budget calendar is not produced and published every year. The timeframes that are defined by law are the production of the Pre-Budget Statement by 1 June, the submission of the draft State Budget Law and the production of the Audit report by 15 May. The deadline for the approval of the Budget Law by the House of Representatives is not specified by law. Indeed, article 99 of the Budget Code states that “the draft law on the republican budget for the next fiscal year is considered by the Parliament of the Republic of Belarus in accordance with the Constitution of the Republic of Belarus, this Code and the regulations of the chambers of the Parliament of the Republic of Belarus. Article 49 of *The Law of the Republic of Belarus “On the National Assembly of the Republic of Belarus”* states that “the chambers of the National Assembly shall be subject to the following draft laws: (...) the republican budget for the next financial year”. Hence, exact times of consideration are not indicated in the Budget Code, regulations of the chambers of the Parliament and Constitution.

Table 8. Parliamentary sectoral committees in Belarus

³² <http://www.house.gov.by/ru/deputies-ru/viewCommittee/komissija-po-bjudzhetu-i-finansam-73/>

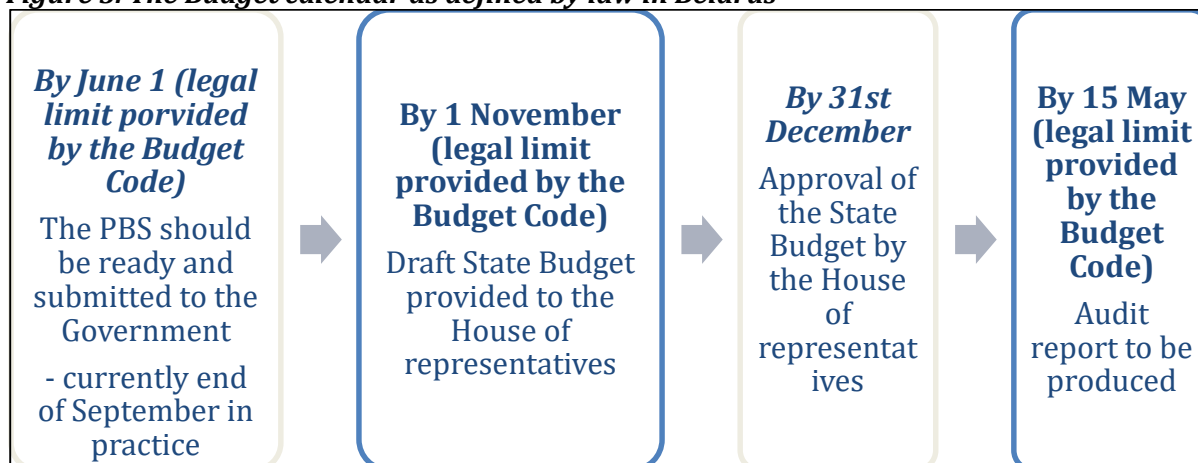
According to OBS methodology, the legislature should be provided with three months to examine

- Commission on Labour and Social Affairs
- Commission on State Construction, Local Self-Government and Rules
- Commission of Health, Physical Culture, Family and Youth Policy
- Commission on Industry, Fuel and Energy Complex, Transport and Communications
- Commission on Agrarian Policy
- International Affairs Commission
- Commission on Education, Culture and Science
- Commission on Human Rights, National Relations and the Media
- Commission on Ecology, Nature Management and Chernobyl Catastrophe
- National Security Commission
- Commission on Economic Policy
- Commission on Housing Policy and Construction

the draft State Budget Law. This means that the *Budget, Fiscal and Tax Policy Guidelines of the Republic of Belarus for 2018-2020* should be produced and published earlier on in the year. Indeed, in some countries, the PBS is sometimes combined with mid-term evaluation of the previous year.. International standards consider that the PBS should be published at least one month before the publication of the EBP. Currently, in Belarus the Budget code specifies in Article 85 that the *Budget, Fiscal and Tax Policy Guidelines of the Republic of Belarus for 2018-2020* should be prepared no later than the June 1. In practice, the PBS was published in September. Hence, greater efforts should be taken to improve the practice. A production and publication by the end of August in practice would already be an improvement, as it would leave one month for the House of Representatives to consider a pre-budget debate. The draft State Budget Law could then be provided to the House of representatives earlier on in the year, ideally by the end of September.

Moreover, the other date specified by law is the production of the Audit Report by the State Control Committee (see figure 5 below). According to Article 115 of the Budget Code: "The State Control Committee of the Republic of Belarus verifies the report on the execution of the republican budget for the reporting fiscal year, prepares an appropriate report on the execution of the republican budget for the fiscal year, using the materials and results of the audits, and no later than May 15 of the year following the financial year sends it for consideration by the President of the Republic of Belarus, and also sends it to the Government of the Republic of Belarus."

Figure 5. The Budget calendar as defined by law in Belarus



Lastly, under the law, parliament has the authority to amend the draft state budget law, but this authority is limited and there is little evidence in practice that amendments proposed by parliament are adopted (question 110 and 111). Article 52 of the *Law of the Republic of Belarus on the National Assembly of the Republic of Belarus* states that “changes and (or) additions to the draft law are made by the head committee only if the subject of the legislative initiative, who introduced the draft law, or his authorized representative, with the exception of changes and (or) additions that are of a technical nature, is given the consent of the subject. In the event that, as a consequence of the amendments, there may be a reduction in public funds, creation or increase of expenses, such amendments are included in the draft law with the consent of the President of the Republic of Belarus or on his behalf - the Government of the Republic of Belarus, and if the amendment results in a divergence of the draft law with temporary decrees or decrees of the President of the Republic of Belarus, such amendments are included in the draft law only with the consent of the President of the Republic of Belarus”. This means that amendments, which change the deficit or surplus or increase or decrease funding and revenue levels must first be approved by the executive.

Budget implementation

During the phase of budget execution and auditing, the main barriers to effective legislative oversight are that:

- i) Legislative committees do not examine in-year budget implementation (question 114);
- ii) In-year changes to the Enacted Budget do not require parliamentary approval (questions 115-117).

One of the main barriers to adequate accountability is the fact that the legislative committees do not examine in-year budget implementation and hence do not publish reports on in-year budget implementation. According to the OBS methodology, best practice would specify that a committee must have examined in-year implementation of the Enacted Budget (EB) at least three times during the course of the relevant budget year and published reports with findings and recommendations (question 114). In Belarus, and as seen in chapter 2, the Ministry of Finance produces a set of in-year reports, both monthly and quarterly. These reports enable parliamentary oversight of the budget during budget implementation.

In Belarus, the second main barrier to effective legislative oversight during budget implementation regards in-year changes to the budget. According to the OBS methodology, the conditions under which the executive may exercise its discretion to shift funds should be clearly defined in publicly available regulations or law. In addition, the amount of funds that the executive is allowed to transfer between administrative units should not be so excessive as to undermine the accountability of the executive to the legislature. Similarly, good practice requires the legislature to approve changes in revenue or expenditure relative to the EB. For example, if additional revenue is collected unexpectedly during the year and it was not accounted for in the EB, there should be a procedure in place to ensure that the legislature approves any proposed use of these “new” funds. If such requirements are not in place, the executive might deliberately underestimate revenue in the budget proposal it submits to the legislature, in order to have additional resources to spend at the executive’s discretion, with no legislative control.

Equally, if less revenue is collected unexpectedly during the year, the legislature should approve or reject any proposed reductions in expenditures that are implemented as a result. If such requirements are not in place, the executive might substantially change the composition of the budget at the executive’s discretion, with no legislative control. Typically, legislative approval of proposals to reduce spending below the levels reflected in the EB and for additional spending beyond what was reflected in the EB would occur as part of the supplemental budget.

In Belarus, approval by the House of Representatives is not sought prior to in-year changes in the State Budget Law (question 115). There is no law or regulation requiring the executive to obtain approval from the legislature prior to shifting funds between administrative units, and in practice the executive shifts funds between administrative units before obtaining approval from the legislature. The same can be said for decisions prior to spending excess revenues, as well reducing spending or below the levels in the State Budget Law in response to revenue shortfalls (that is, revenues lower than originally anticipated) or other reasons during the budget execution period (questions 116 and 117). This significantly constrains the ability of the House of Representatives to undertake its oversight function during budget implementation.

b) External audit control: pathways to independence?

Under the OBS methodology, the role of the Supreme Audit Institution (SAI) is assessed in section 4 through questions 118-124. The questions measure whether enabling conditions are in place for budget oversight, such as whether SAIs are independent of government influence and have sufficient funding to execute their responsibilities. The OBS relies on the *Lima Declaration of Guidelines on Auditing Precepts* (<http://internationalbudget.org/wp-content/uploads/LimaDeclaration.pdf>) to define the appropriate scope of a SAI's legal mandate and jurisdiction. According to the 2017 OBS pilot, the Supreme Audit Institution (SAI) of Belarus provides weak budget oversight.

The State Control Committee (SCC) was the body examined for the 2017 OBS pilot to the extent that it undertakes many of the functions of an independent SAI, including principally that of producing and publishing the Audit report. The SCC is also a member of INTOSAI (the International Organisation of Supreme Audit Institutions). The 2014 PEFA assessment also considered the SCC as the external audit body in its assessment, as the SCC exercises control over the use of budget funds and state property, and also verifies annual budget execution reports. However, it is recognised that the SCC is subordinated to the President of Belarus, as its Chairman is a member of the Presidium of the Council of Ministers and is appointed by the President.

According to the OBS pilot, the main important barriers for possible effective oversight by the SCC in Belarus is the fact that:

- i) the appointment and dismissal of the head of the SCC is directly under control of the Executive (questions 119 and 120);
- ii) there are some limitations to the SCC's independence to select its programme of work (question 122); and
- iii) there is no review of the SCC audit procedures (question 123).

Firstly, appointment procedures vary greatly across countries, as well as across different types of SAIs. Moreover, conventions and informal practices can greatly affect the de-facto independence of the head of the SAI. While these factors make it difficult to devise a single metric against which all SAIs can be assessed with regard to this particular aspect, the OBS focuses on whether the legislature or judiciary must appoint or approve the appointment of the head of the SAI as a way to ensure the SAI's independence from the executive. However, if the appointment is carried out in another way that nonetheless ensures the independence of the SAI head, then that approach could be also considered.

In Belarus, under the law, the manner in which the head of the SCC is selected and dismissed, means that the institution is not sufficiently independent in order for it to fully function as an effective external audit body. Article 84 of *The Constitution of Belarus* states that "the president

(...) appoint and dismiss the Chairman of the State Control Committee". Chapter 3 (Article 9)³³ of the *Law on the State Control Committee* cites that the "President of the Republic of Belarus [...] approves the number of employees of the bodies of the State Control Committee, including employees of the State Control Committee; appoints and dismisses the Chairman of the State Control Committee, his deputies and heads of departments of the State Control Committee, agrees on appointing and dismissing the chairmen of the state control committees". Accordingly, all important appointments and dismissals are carried out personally by the president.

Secondly, SAIs can be restricted in their accountability functions by limitations. Internationally, there are numerous examples of limitations to the scope of work of SAIs. For instance, some SAIs are not permitted by their legal mandate to audit joint ventures or other public-private arrangements. Others are only allowed to undertake financial audits, precluded from conducting performance or value-for-money audits. SAIs in some countries do not have the legal mandate to review arrangements involving oil or stabilization funds, or other types of special or extra-budgetary funds. The SAI may also not have the ability to audit commercial projects involving the public and private sector.

In Belarus, under the law, the SCC has a certain discretion to undertake the audits that it chooses to. The SCC benefits from clarity in its mandate as defined by the legal texts. However, there are some indirect constraints as cited in chapter 2, article 8 of the *Law on the State Control Committee*, under which "implementation of state control over the execution of acts of the President of the Republic of Belarus, the Parliament of the Republic of Belarus, the Government of the Republic of Belarus and other state bodies regulating state property relations, economic, financial and tax relations, as well as on other issues in accordance with laws and decisions of the President of the Republic of Belarus". Hence, the State Control Committee's mandate is limited to audits of the republican budget and public property, as well as control over implementation of Presidents acts.³⁴

In practice, the SCC mainly undertakes compliance audits. While the SCC's inspections can cover all the republican government bodies, extra-budgetary funds, as well as all the SNGs, the scope of work is limited³⁵. There is no disclosure of SCC's audit procedures other than the Performance Audit guidelines, which have been developed according to INTOSAI, EUROSAI and ASOSAI standards. There is good follow up to SCC recommendations, which are accepted and implemented by the Government. However neither the recommendations, nor their discharge are published.

A positive point is that the SCC is provided with sufficient resources to fulfill its mandate. The SCC's Budget is determined in a way that is similar to ministries and agencies. *The Law on the State Control Committee* further details on Chapter 6, article 24 that "compensation (payment) of costs associated with the conduct of research, testing, technical surveys and expertise, the involvement of experts, specialists, as well as the cost of consumed samples and samples is made in the cases and in the manner determined by the Council of Ministers of the Republic of Belarus." This does however suggest that there are some indirect legal constraints to the financial independence of the SCC.

³³ <http://www.pravo.by/document/?guid=3871&p0=H11000142> - This material is used, amongst others, to provide Belarus with a score of "c" to Q119 and 120 of the OBS 2017 pilot.

³⁴ This material is used, amongst others, to provide Belarus with a score of "B" to Q122 of the OBS 2017 pilot.

³⁵ The 2014 PEFA assessment stated that 54% of republican budget expenditures were audited in FY 2012

Increasingly, globally SAIs' processes are reviewed by external agencies. The latter could be a peer SAI, an international organisation, an academic institution with relevant expertise, or an independent domestic agency with quality assurance functions in the area of financial reporting. In Belarus, the SCC's audit processes are not reviewed by an independent agency (question 123).

c) Global and regional comparisons

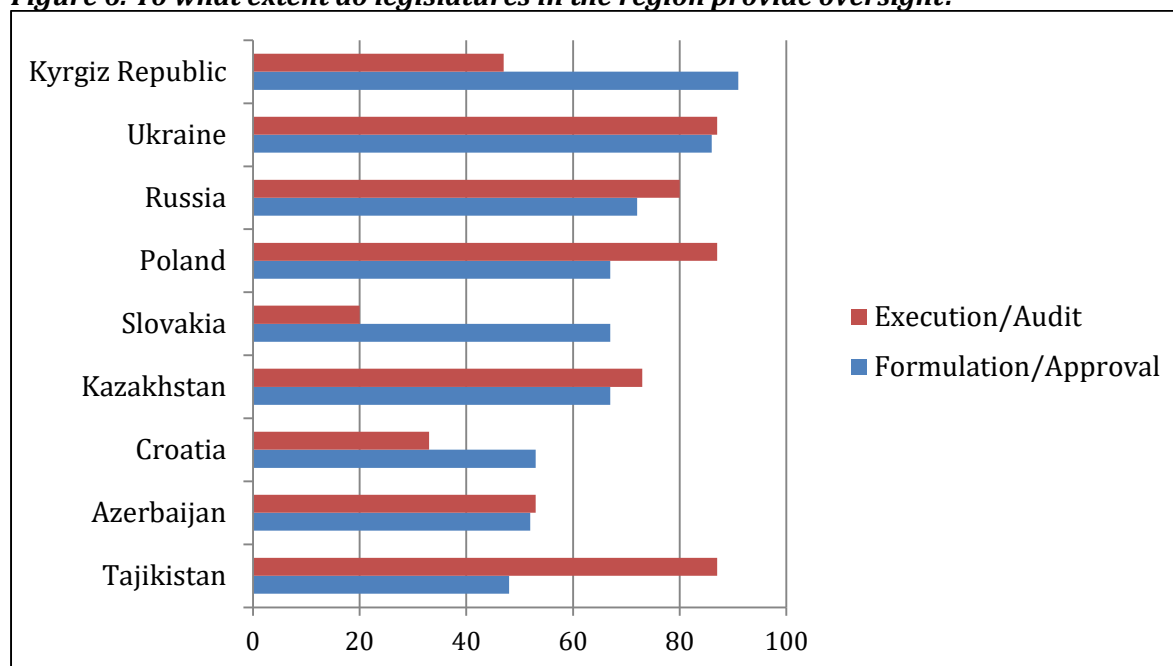
For the 2017 global OBS, the average overall score of the 115 countries measured for the role and effectiveness of budget oversight institutions was 53, which means that globally budget oversight provided is limited. In Belarus, the budget oversight provided by the legislature and SCC, as measured by the 2017 OBS pilot is weak (included in the bracket between 0 and 40), and hence below the global average.

The average score of the 115 countries measured as part of the 2017 OBS for budget oversight provided by the legislatures was weaker than that provided by the external audit body, of respectively 48 and 63. This is a similar trend to that currently in place in Belarus, as measured by the 2017 OBS pilot.

Parliamentary oversight in the wider region

As is the case for the Open Budget Index scores, Belarus fares less well than its neighbours in the wider region when it comes to the assessment of the legislature by the OBS, both in terms of i) formulation/approval and ii) execution/audit. Indeed, Belarus' score for the role of the legislature is in the lowest bracket (scoring between 0 and 40), while countries in the region generally fall in the two upper brackets (see figure 6 below), with the exception of Slovakia and Croatia.

Figure 6. To what extent do legislatures in the region provide oversight?

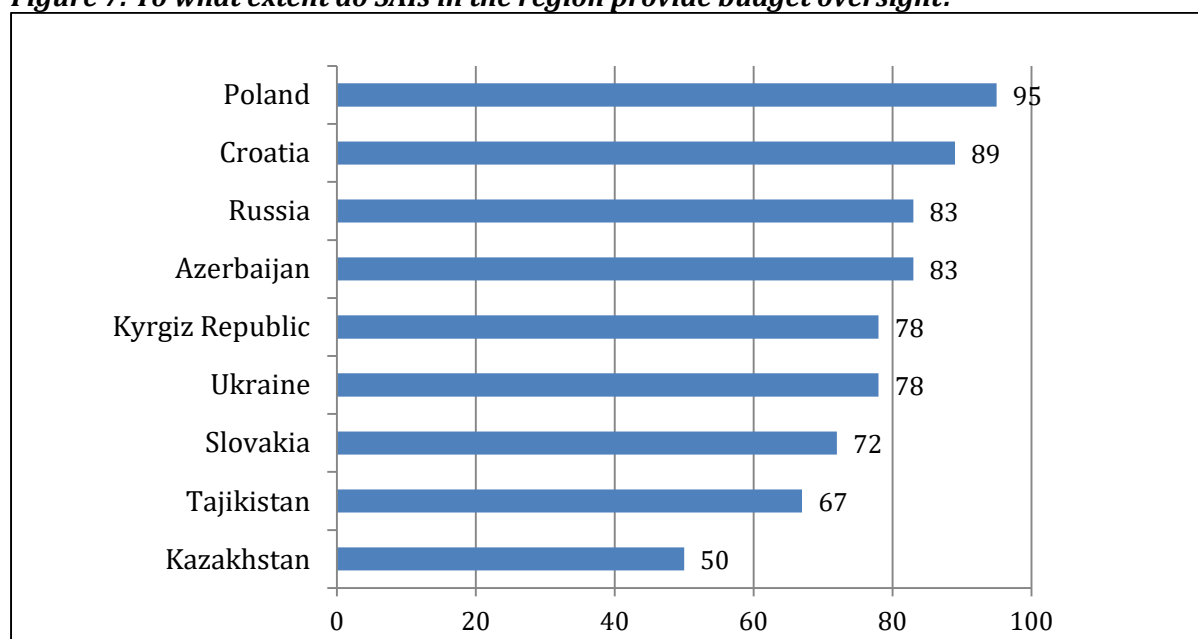


The bracket "weak" corresponds to scores of 0-40, the bracket "limited" corresponds to scores of 41-60 and the bracket "adequate" corresponds to scores of 61-100.

External audit in the wider region

As is the case for the Open Budget Index scores, Belarus fares less well than its neighbours in the wider region when it comes to the assessment of the SAI by the OBS. Indeed, Belarus' score for the role of the SAI is in the lowest bracket (scoring between 0 and 40), while countries in the region generally fall in the two upper brackets (see figure 7 below).

Figure 7. To what extent do SAIs in the region provide budget oversight?



The bracket “weak” corresponds to scores of 0-40, the bracket “limited” corresponds to scores of 41-60 and the bracket “adequate” corresponds to scores of 61-100.

d) Towards an accountability eco-system?

Accountability is a vast term, with several interpretations. A traditional assessment of accountability is horizontal accountability, which is considered as “the checks and balances of executive, legislative and judicial branches of government, and through specific government oversight bodies, such as anti-corruption agencies and supreme audit commissions”.³⁶

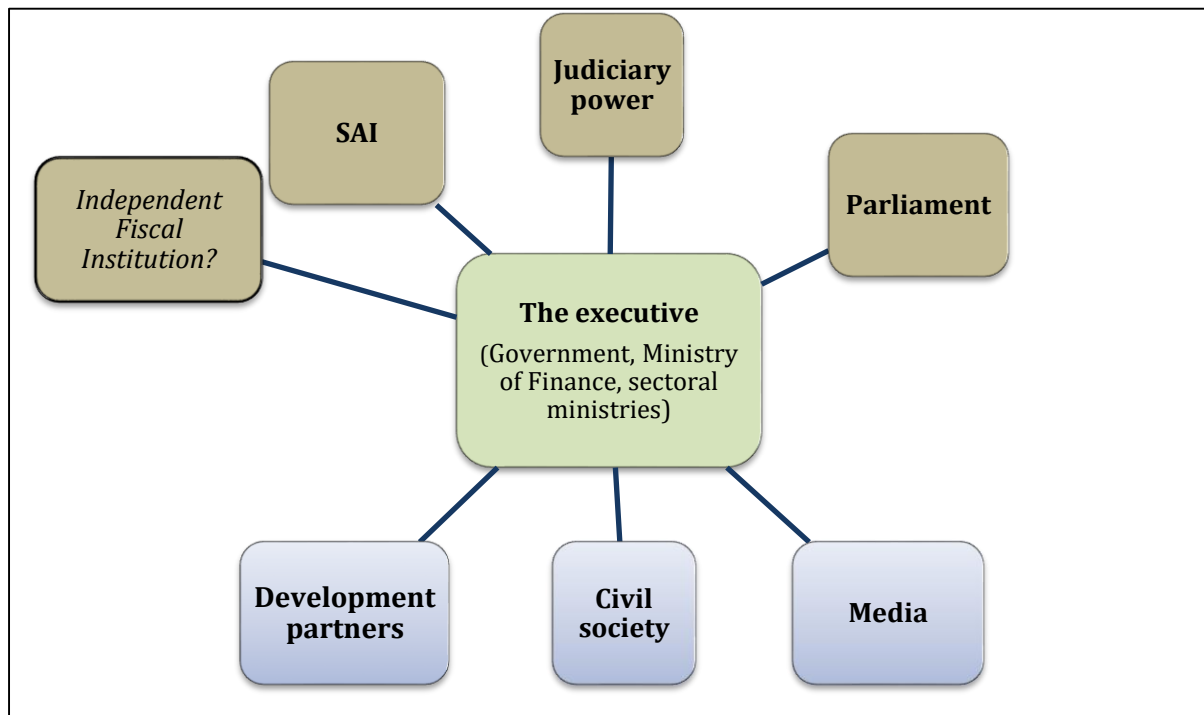
Increasingly however, a term coined “accountability eco-system” is being used, to speak of the “actors, processes and contextual factors, and the relationships between these elements that constitute and influence government accountability, both positively and negatively”³⁷. In this interpretation of accountability, not only do state bodies (judiciary power, SAI, parliament and potential independent fiscal institutions) undertake oversight and control with regards to the executive, but non-state actors, including development partners, civil society and the media (see figure 8 below) also undertake an oversight function over the executive.

Hence, all of these bodies function in direct relationship with the executive but also have relationships with all of the other bodies of the eco-system. Such mutual oversight strengthens the accountability eco-system as a whole. International good practice points to the needs of the SAI engaging directly with parliament on the audit stage of the budget process. Equally the media can engage with parliament directly at various stages of the budget process, including discussion of audit findings. The media and civil society can engage each other at various stages of the budget process, etc. The OBS mainly examines the relationship with the SAI and the legislature, as well as that of civil society with SAI, the executive and the legislature. The former will be discussed in chapter 4.

³⁶ Halloran, Brendan (2015), *Strengthening accountability ecosystems: a discussion paper*, Transparency and Accountability initiative, can be accessed via: <http://www.transparency-initiative.org/archive/wp-content/uploads/2015/11/Strengthening-Accountability-Ecosystems.pdf>

³⁷ Halloran, Brendan (2015)

Figure 8. The accountability eco-system



In Belarus, as measured by the 2017 OBS pilot, there is little interaction between the two state oversight bodies; that is between the SCC and the House of Representatives. The interaction that exists is not documented, nor does it lead to the publication of minutes or reports easily accessible to the public. For example, in Belarus, there is little evidence pointing to the Audit report being formally shared with parliament. Equally, there is little evidence that the Audit report is the focus of a parliamentary debate (question 118). Similarly, despite the SCC sharing with the OBI pilot research team that exchange occurs, there is little evidence suggesting that the head or a senior staff member of the SCC takes part and testifies in hearings of a committee of the legislature (see question 124) at any point during the fiscal year. It is worth noting that article 199 of the *Procedural Rules of the House of Representatives* prescribes that when the draft YER is considered, the SCC should present the conclusions of the Audit report.

These elements point to the need to implement greater mutual communication between the two main oversight bodies in Belarus, or at least start documenting and disseminating the outcome of any existing interaction. According to international good practice, a legislative committee should examine the annual Audit Report within three months of it being released by the SAI, and the legislative committee is then to publish a report (or reports) with findings and recommendations based on this assessment.

Furthermore, many countries have established independent fiscal institutions, an additional independent body to the “accountability eco-system”. While IFIs are not yet widespread globally, they are increasingly recognised as an important source of independent, non-partisan information on the macroeconomic and fiscal basis of budgetary policy (see table 9 below for more information on IFIs in the wider region). Their role can also include an external value for money and impact assessment of selected government policies. IFIs take a variety of different institutional forms. Common examples include parliamentary budget offices and fiscal councils³⁸. The OBS measures whether countries have an IFI and how it functions through questions 103 to 106 of section 4. As assessed by the 2017 OBS pilot, Belarus does not have an IFI.

e) Key recommendations

Table 9. Independent Fiscal Institutions (IFIs) in the wider region

IFIs are not widespread in the wider region. Azerbaijan, Kazakhstan, the Kyrgyz Republic, Poland, Russia, Tajikistan do not have IFIs. IFIs exist in Croatia, Georgia, Lithuania, Latvia, Bulgaria, Romania and Slovakia. Many of these state bodies were set up following the fiscal crisis of 2008/9. Croatia, Latvia, Romania, Bulgaria, Lithuania, Latvia and Slovakia have a fiscal council, while Georgia has a parliamentary budget office.

For example, Georgia’s independent fiscal institution is called the Budget Office of the Parliament. It was originally set up in 1997 and was made accountable to the parliamentary finance and budget commission in 2005. Its independence is set in law, and it reports to the legislature. It publishes its own macroeconomic and fiscal forecasts, as well as its own cost estimates of some new policy proposals. Another example is Slovakia’s independent fiscal institution (IFI), which is called the Council for Budget Responsibility and was created in 2012. Its independence is set in constitutional law. It publishes its own macroeconomic and fiscal forecasts and its own cost estimates of some new policy proposals. Croatia’s Fiscal Policy Commission serves as its IFI and was created in 2011. The Commission is independent of both the legislature and the executive, and its independence is set in law. It publishes an assessment of the official fiscal forecasts produced by the executive. Other IFIs in the wider region include the national audit office of Lithuania, the fiscal discipline council of Latvia and the Romanian and Bulgarian fiscal councils.

In light of the above, Belarus can take the following steps in order to improve the effectiveness of budget oversight by state institutions. Some of the recommendations are relatively easy to put in place and others are more challenging or will take more time.

In order of priority, Belarus could consider the following recommendations for the functioning of the legislative and external audit oversight of the budget.

1. Parliamentary committees should produce and publish minutes/reports on their analysis of the draft state budget law.
2. Legislative committees should examine in-year budget implementation and produce and publish minutes/reports on their analysis.
3. The House of Representatives and the Finance commission should debate budget policy prior to the tabling of the draft state budget law. The *Budget, Fiscal and Tax Policy Guidelines of the Republic of Belarus for 2018-2020* can be used as part of this process and this examination can take place at the latest in September in the medium term. The House

³⁸ For more information, see Lisa von Trapp, Ian Lienert, and Joachim Wehner, “Principles for Independent Fiscal Institutions and Case Studies,” OECD Journal on Budgeting, March 2016 (special issue), pp. 9-24.

of Representatives should publish minutes/reports on their analysis of the *Budget, Fiscal and Tax Policy Guidelines of the Republic of Belarus for 2018-2020*.

4. The SCC should set up and publish a review of its audit processes by an external organisation.
5. A legislative committee, that could be the Finance and Budget Commission or a separate public accounts committee, should examine the annual Audit Report within three months of it being released by the SCC, and the committee should then publish a report (or reports) with findings and recommendations based on this assessment. The legislative committee could organise and provide evidence from a hearing on the Audit report, to which the head or a senior staff member of the SCC could take part and testify.
6. In the longer term, the Ministry of Finance should produce and publish a budget calendar specifying timeframes for the production and publication of the seven eight key documents in its charge. The Ministry of Finance could attempt to produce and publish the *Budget, Fiscal and Tax Policy Guidelines of the Republic of Belarus for 2018-2020* by the end of August and produce and publish the *Draft State Budget Law* by the end of September.

Recommendations for the medium-term for oversight institutions imply some significant changes to practice. Some of these changes may require evolving some of the legal provisions included in the *Budget Code, The Law of the Republic of Belarus on the National Assembly of the Republic of Belarus, The Constitution of Belarus and The Law on the State Control Committee*.

1. The House of Representatives should be consulted before in-year changes occur in the budget, including changes in budget allocations.
2. The House of Representatives should exert its right to propose amendments on the draft state Budget law and these amendments need to be examined by the executive.
3. If the SCC is to function fully as a SAI along international standards, the legal basis must be revised to ensure its independence from presidential control. A major improvement would include changing both de-juro and de-facto practices of appointing and dismissing the head of the SCC.

Other changes that could be considered by Belarus in the longer term, which are not immediate priorities include considering the establishment of an IFI.

4. Public participation in the budget process

Public participation in the development, approval, execution, reporting and auditing of the budget is a necessary complement to budget transparency. Providing access to budget information is only a first step, and must be accompanied by all the relevant institutions enabling public participation in the budget process. This can be done through the establishment of participation mechanisms that are insitutionalised, open and inclusive, regular and timely and which enable to cover a sufficiently large and relevant scope of the budget.

Opportunities for such participation should be provided by each of the three key players – the executive (both the Ministry of Finance and line ministries), the legislature and the Supreme Audit Insitution (SAI) - and should cover all stages of the budget cycle, from the preliminary budget statement to the audit report on how the state budget was executed and spent.

a) Public participation in the budget does not occur in Belarus

The OBS assessed public participation through section 5 of the questionnaire. Questions examine whether public participation exists and how it functions around themes of 1) Inclusiveness; 2) Timeliness; 3) Openness; and 4) Sustainability.

1) Questions 126 and 129 examine whether the executive takes concrete steps to include vulnerable or underrepresented groups in the budget process. Questions 125, 128, 135 examine if the mechanisms at the budget formulation and approval stages show evidence of inclusiveness.

2) Question 125 examines if mechanisms at formulation ensure early participation, before major decisions made.

3) Questions 127, 130, 137 examine whether a wide scope of discussion on all key budget issues is covered. Question 131 examines if the purposes and scope of participation are clearly provided in advance.

4) Questions 132, 133, 138, 141 examine whether the executives, legislatures, and SAI provide feedback on inputs received from the public, encouraging further engagement.

The 2017 OBS pilot showed that very few to no opportunities are provided for public participation in the budget process in Belarus. The legislative and executive branches, including line ministries, do not provide the public with opportunities to participate in the budget process.

Firstly, line ministries and the Ministry of Finance have only put in place a handful of feedback mechanisms (for example, “hot lines”, available time slots for meetings with citizens, etc.). For example, sometimes, tax administration and tax policies are developed taking into account public's feedback but this is done in a very ad-hoc manner and on a one-by-one basis, which is not freely open to the public. Hence, these mechanisms do not represent institutionalised, open and effective participation mechanisms as measured by the OBS.

Public Advisory Councils (PAC) could be one of the tools for public involvement in the budget process in the Republic of Belarus. Public advisory councils are created by state authorities. However, this interaction mechanism works only for representatives of the business community. In addition, PAC created by the Ministry of Finance cover issues of insurance, auditing and security and do not directly relate to the Budget. As a result, in their existing form, PAC do not create real opportunities for citizens to participate in the budget process.

Secondly, according to the OBS pilot, the legislature in Belarus has not put in place any opportunities for the public to engage in the budget process.

Finally, the State Control Committee (SCC) provides some opportunities, but these are very limited. For example, the SCC supports mechanisms that allow the general public to suggest topics for inclusion in the budget audit plan. Citizens can contact the SCC via website, through a hotline, or personally visit the SCC. Through these means the SCC is said to take complaints and suggestions from the public. However, the SCC has not put in place institutionalised, open and effective participation mechanisms. To start with, the SCC does not yet inform the public about the methodology it uses during audits.

Table 10. GIFT principles of public participation in fiscal policy

- 1. Openness:** provide full information on and be responsive with respect to the purpose, scope, constraints, intended outcomes, process and timelines, as well as the actual results of participation and the next steps;
- 2. Inclusiveness:** pro-actively use multiple mechanisms to reach out to and provide a safe space for all, including traditionally excluded and vulnerable groups and individuals, and voices that are seldom heard, without discrimination on any basis including nationality, race, ethnicity, religion, gender, sexual orientation, disability, age or caste; and consider public inputs on an objective basis irrespective of their source;
- 3. Respect for self-expression:** allow and support individuals and communities, including those directly affected, to articulate their interests in their own ways, and to choose means of engagement that they prefer, while recognizing that there may be groups that have standing to speak on behalf of others;
- 4. Timeliness:** allow sufficient time in the budget and policy cycles for the public to provide inputs in each phase; engage early while a range of options is still open; and, where desirable, allow for more than one round of engagement;
- 5. Accessibility:** facilitate public participation in general by disseminating complete fiscal information and all other relevant data, in formats and using mechanisms that are easy for all to access, understand, and to use, re-use and transform;
- 6. Transparency:** provide all relevant information to support each public engagement, highlighting and informing key policy choices and trade-offs, identifying potential social, economic, and environmental impacts, and incorporating a diversity of perspectives; provide timely and specific feedback on public inputs and how they have been incorporated or not in official policy or advice;
- 7. Proportionality:** use a mix of engagement mechanisms proportionate to the scale and impact of the issue;
- 8. Sustainability:** conduct on-going and regular engagement to increase knowledge sharing and mutual trust over time; institutionalize public participation where appropriate and effective; and regularly review and evaluate experience to improve future engagement;
- 9. Complementarity:** ensure mechanisms for public participation and citizen engagement complement and increase the effectiveness of existing governance and accountability systems;
- 10. Reciprocity:** all state and non-state entities taking part in public engagement activities should be open about their mission, the interests they seek to advance, and who they represent; should observe any agreed rules for engagement; and should cooperate to achieve the objectives of the engagement.

Source: Global Initiative for Fiscal Transparency (GIFT), <http://www.fiscaltransparency.net/>, December 2015

b) Why is public participation in the budget important?

The main aim of public participation is to encourage the public to have meaningful input into the decision-making process. Public participation thus provides the opportunity for communication

between agencies making decisions and the public. This communication can be an early warning system for public concerns, a means through which accurate and timely information can be disseminated, and can contribute to decision-making.

The benefits of public participation apply when it takes the form of a two-way process - where both the agency and the public can learn and gain from the exchange. Effective public participation allows the public's values to be identified and incorporated into decisions that ultimately affect them. Effective public participation in the budgetary process enables decision-makers to familiarise themselves with different citizen views, as well as provides an opportunity to ensure that budget decisions reflect citizen views for national priorities. Public participation helps to maintain a high level of transparency and accountability of the budget.

More specifically, civil society can play an important accountability role throughout the budget process. For example, early in the process, civil society can inform the public about the government's proposals for raising and spending public money and can offer a critical voice that places the proposals in the social and economic context of the country and challenges questionable assumptions.

At the beginning, institutions may find public participation time-consuming. For example, organisations sometimes have to build capacity and train staff to implement and manage participation mechanisms. Participation may also be challenging for example, citizens may sometimes have poor perceptions of the outcome of participation if the process is not effectively managed. This means that often citizens will be less likely to participate in future processes.

While public participation in the budget process is a more recent practice than that of budget transparency, it is increasingly being implemented in policy-making across the public sphere. International principles for participation in fiscal policy (see table 10 above) were developed and agreed upon in 2016 by the Global Initiative for Fiscal Transparency (GIFT) to guide policymakers. GIFT is a global network that facilitates dialogue between civil society, government, the private sector, and others to enhance fiscal transparency. GIFT is directed by seven lead stewards: representatives from Brazil, Mexico, the Philippines, the World Bank, the IMF, IBP, and the International Federation of Accountants.

c) How to establish public participation in Belarus?

Participation mechanisms need to be established in a manner which is structured. Government bodies should provide the public with comprehensive information about the procedure and the progress of public discussions in advance so that citizens can take part in the budget process. This information should include the purpose of the discussions, the format and timing of their discussion, the scope and content of the discussions and information on possible restrictions. This is necessary so that citizens have equal opportunity to offer their vision of the budget process. Feedback should also be given to the public with regards to which inputs have been taken into account and which haven't and why.

To ensure that public participation in the budget process is effective, the executive branch, the legislative branch and the highest audit body may use any relevant channels of communication: their own websites, online and print media, radio, television, direct telephone lines, face-to-face meetings, workshops, etc.

Participation during budget formulation and approval

The executive should use mechanisms which allow the public to contribute to the development of the annual budget even before the draft budget is submitted for consideration by the legislative. Not only the Ministry of Finance, but also other ministries, should participate in a

dialogue with the public. The main topics to be covered during the discussions are the following: the macroeconomic situation in the country, budget revenue forecasts, social spending policies, public debt, and implementation of government investment projects and provision of social services. Of course, any other aspect of public finance can be considered.

Participation mechanisms during budget formulation enables to collect public inputs, which can be taken into account when developing the draft budget. Such an exchange of views allows to determine the optimal policy of budget revenues and expenditures and significantly improves the effectiveness of the budget process.

In Belarus, expert discussions could be held by the Ministry of Finance to present and discuss the *Budget, Fiscal and Tax Policy Guidelines of the Republic of Belarus for 2018-2020*, which is the local equivalent of the Pre-Budget Statement. A public process could be put in place whereby CSOs and/or individual members of the public and government officials interact, and have the opportunity to express their opinions to each other in what can be considered a public dialogue between them (i.e., in-person and online discussion forums). Additionally, the mechanism should be open to any CSO and/or individual members of the public who wish to participate.

The legislative could also enable public participation in the budgetary process and apply mechanisms that allow citizens to make proposals during public discussions of the annual budget draft. It is not just about discussing the budget after it was submitted to the parliament for approval, but also about discussions at the stage of budget development by the executive. The key topics that should be addressed during the dialogue between the public and the legislature are the same as for the dialogue between the public and the executive power: macroeconomic situation in the country, budget revenue forecasts, social spending policies, public debt, implementation of government investment projects and provision of social services.

Public participation during budget execution and audit

It is important to ensure that public participation takes place at the stage of execution of the annual budget. This could take the form of expert meetings, or open hearings at parliament with in-year reports as a basis. Equally, at the local level, social audits can be undertaken to track monitoring of the budget. This entails that the relevant line ministries gather information from citizens on progress for example on building a road, school or hospital. Hence, during the execution of the annual budget, the following topics can be covered: changes in macroeconomic circumstances, budget revenues, provision of social services and financing of the social policy of the state, the budget deficit or surplus, public debt and implementation of government investment projects.

With regards to the auditing phase of the budget, the public's participation in the budget process should be enabled by the SCC. Firstly, it is important to use mechanisms allowing people to submit proposals and topics to be included in the audit plan. For example citizens can bring ideas forward on agencies, programmes, or projects that could be audited. Secondly, the SCC can maintain formal mechanisms through which the public can contribute to audit investigations (for example as respondents or witnesses). At the same time, it is necessary that the public not only gives its inputs, but also receives feedback on how their proposals were used during the audit of Budget.

Citizen versions of budget documents

In addition, given the complexity of the budget process for the ordinary citizen, the full participation of the public in the budget process will be facilitated by the publication of demo versions of budget documents described in Chapter 2 of this study: the Pre-Budget Statement, the Executive Budget Proposal, the Enacted Budget, the Citizen Budget, In-Year Reports, the Mid-Year Review, the Year-End Report and the Audit Report. It should be noted that the practice of publishing simple (popular) versions of budget documents has not been widely adopted in the

Republic of Belarus. The simple (popular) version of the approved budget was first published in January 2018. This is a positive innovation that allow citizens to understand the policy of budget revenues and expenditures better, to form their own opinions and express ideas on improving the efficiency of budget spending. However, demo versions of the other seven key budget documents have not yet been developed or published. Such simple versions could be considered, with priorities being citizen versions of the Pre-Budget Statement and the Year End Report.

Budget calendar

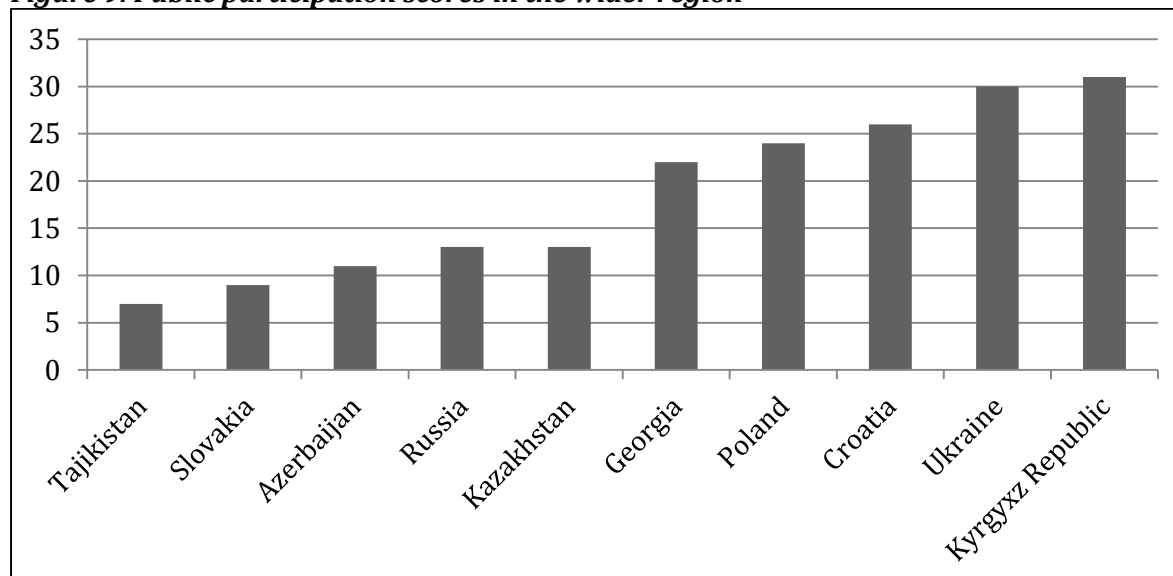
In order for public participation in the budget to be further facilitated, the Ministry of Finance could develop and publish a budget calendar on its website at the start of the fiscal year. The budget calendar could include publication timeframes for each budget document, as well as participation mechanisms that will take place and when. The Ministry of Finance could liaise with line ministries, to also include any participation mechanisms that they will be setting up. Equally, the SCC and the House of Representatives should publish timeframes of participation mechanisms ahead of time for the year to come.

d) Global and regional comparisons

In the world, countries are not very good at enabling public participation in the budget process. The overall average score on the assessment of participation by the global 2017 OBS was 12. No countries that scored above 60 and only four countries in the survey offer moderate opportunities for public participation, meaning a score between 41 and 60, these include Australia, New Zealand, Philippines, and the United Kingdom. The remaining 111 countries score below 41.

A low degree of public involvement in the budget process is typical for many countries of the former Soviet Union. According to global 2017 OBS, the best results in the region in terms of public participation in the budget process were recorded in Kyrgyzstan and Georgia (see figure 9 below). According to the 2017 OBS pilot, Belarus' score for public participation is the lowest amongst the selected countries of the wider region.

Figure 9. Public participation scores in the wider region



With an average score of 12 for the region, Kyrgyzstan's approaches to public participation in the budget process scored 31 points, and Georgia's 22 points. These countries managed significantly improve their position in the ranking recently. This was facilitated by government policies aimed at increasing the openness and transparency of the budget process, increased

attention to the budget process from general public, as well as an understanding of the need to improve the public finance management system, taking into account best international practices.

For instance, in Kyrgyzstan in the period from 2012 to 2016 a strategy on information and practice of regular publication of budget documents was approved, cooperation with civil society organizations on budget issues was intensified, a methodology for the formation of a civil budget was approved, and the practice of holding public discussions of the draft budget of the executive and public budget hearings in Parliament was introduced. On the website of the Ministry of Finance and the portal "Public Procurements", it is possible to send appeals on issues relating to public finances.

As a result of this work, nowadays in Kyrgyzstan public hearings on the budget proposal of the executive power are held and when the draft budget is considered in parliament people can also participate. Moreover, the public takes part in the discussion of regulatory acts in the public sector. The government plans to conduct public budget hearings at the three stages of the budget process (planning, approval and execution), as well as improving the fiscal literacy of the population to enhance public participation in the budget process. Belarus could take this experience into account.

e) Key recommendations

Government bodies should consider the following priorities measures to improve public participation in the budget process.

1. Organise an open expert discussion of the Pre-Budget Statement³⁹. The discussion can be organised by the Ministry of Finance in cooperation with civil society and think tanks. It is necessary to do it before the preparation and publication of the Executive Budget Proposal to ensure that the discussions are not formal, and the proposals of citizens have been taken into account in determining the policy of budget revenues and expenditures.

2. Organise budget hearings in the National Assembly within the framework of the debate on the Executive Budget Proposal (EBP). At the moment, this document is not published, hence citizens do not have the opportunity to express their opinion, and get acquainted with the main sources of budget revenues and main expenditures for the upcoming year. Hearings should be open to all. They can be held during the so-called zero reading, which, as a rule, is scheduled for October. In order for the hearings to be effective, the National Assembly should publish an open invitation to participate in the hearing on the official website.

3. Line ministries should implement procedures to ensure that public participation in the budget process is in place, in particular during the phase of budget execution. This approach ensures mutual benefit both for the ministries and citizens. Social audits for example would enable branch ministries to receive feedback from the public on implementation of their budgets and create pre-requisites for improving the efficiency of spending budget funds.

4. The executive and legislative branches should develop and adopt provisions ensuring unhindered public access to information on the budget. This will help consolidate the

³⁹ The Pre-Budget Statement (PBS) is a document in which the executive power announces the direction of economic and fiscal policy for the upcoming year. In fact, the PBS is the basis for the next stages of the budget process - the development of the draft budget and its approval. This document includes a macroeconomic forecast, the main directions of fiscal policy and budget spending priorities, as well as approximate amount of the budget revenues and expenditures in the near future.

principles of public participation in the budget process at the legislative level and ensure their full implementation. Examples of such laws are provided in chapter 1.

5. Public authorities should develop and implement mechanisms for public participation in the budgetary process at the local level⁴⁰. In Belarus the most important social areas are financed from the local budgets: health care, education, infrastructure, etc. It is very important that civil society have the opportunity to input into the policy of allocating funds from local budgets.

Conclusions

The Belarus OBS pilot provides an important baseline assessment of budget transparency, budget accountability and public participation in the budget process, in order to support all stakeholders in Belarus in their various efforts to improve Belarus' performance in this sphere. The OBI pilot confirms that there is much to do, to bring Belarus inline with international standards with regards to these practices, as well as in line with practices in neighbouring countries in Eastern Europe and Central Asia.

Indeed, according to the 2017 OBI pilot, Belarus' score falls in the bracket of 0-20, which means that Belarus provides scant budget information to the public. Positively, Belarus produces and publishes five of the eight key documents assessed by the OBS. Belarus does not publish the Executive Budget Proposal (EBP), which negatively impacts the score. Indeed, 50 questions in the OBS relate to the EBP, reflecting the importance of the document in the budget cycle. While Belarus does not publish the EBP, it does *produce* a comprehensive EBP. Belarus does not produce and publish a Mid-Year Review and in 2017 did not produce and publish a Citizen's Budget.

In Belarus, and as measured by the Open Budget Survey, oversight of the budget provided by the House of Representatives and the State Control Committee (SCC) is weak. Finally, the 2017 OBS pilot showed that very few to no opportunities are provided for public participation in the budget process in Belarus. The legislative and executive branches, including line ministries, do not provide the public with opportunities to participate in the budget process.

This report made proposals on avenues for improvements for all stakeholders, principally for the Ministry of Finance, the House of Representatives, and the State Control Committee, with various priority levels. There are many easy wins to be considered in order to make significant strides in budget transparency, budget accountability and public participation in the budget process in Belarus.

⁴⁰ This recommendation falls outside the scope of the OBS as the survey does not assess transparency, accountability and public participation in local budgets.